

# Client Tell

Blackburn, Childers, and Steagall, PLC  
Certified Public Accountants and Consultants

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Blackburn, Childers & Steagall, PLC Quarterly Newsletter

## Our Founding Fathers



Joe Blackburn



Carl Childers



Charles Steagall

## 50 Years of Service Weeks of Giving

by Tommy Greer

It was 1961, gas was 31 cents per gallon, John F. Kennedy was president, and near ETSU in a small building shared with a machine shop, BCS was born. Joe Blackburn, already a practicing CPA and Carl Childers, a former IRS revenue agent, came together as individual practitioners in 1961.

A short time later in 1966, Charles Steagall came to work with them part time while attending graduate school at ETSU and taught at Steed College. Combined, he was probably putting in 60+ hours each week, a work ethic unparalleled that he still models to this day. Charles became a partner in 1970, and the firm name then officially became Blackburn, Childers & Steagall.

BCS had humble beginnings in the 60's. As stated above, we started at the current Poor Richard's Deli location by ETSU that was shared with a machine shop. Charles Steagall remembers it as a smoke-filled, 3-office area that was very small. The common area shared by the two businesses were two bathrooms shared by all, that many times had more motor oil than water in the sink.

Proof that good people, technical ability and hard work can lead to success, even in less than an ideal professional office environment; the firm developed strong roots and a solid reputation in the community and headed down the road of growth.

The firm moved to its location on Princeton Road in 1972, and Charles Steagall became managing partner in 1977.

Rumor has it Jeff Blackburn started as a janitor with the firm in 1972. For sure, he started doing accounting in 1977 and became a partner in 1979 upon Joe's retirement. Karen McMurray joined the firm in 1980 and became a partner in 1992. Tommy Greer joined the firm as a partner in 1994 and was named managing partner of the firm in 1995. Our most recent partners include Melissa Steagall-Jones (2002), Wade Farmer (2003), Travis McMurray (2004), Chuck Huffman (2007), Chad Kiser (2009) and Kevin Peters (2009).

*Continued on page 2...*

*From Page 1...*

Since 1961, our firm has grown both in employees and locations geographically. Now located in Johnson City, Kingsport and Greeneville, we have a staff of over 90 with experts in accounting, taxes and consulting to cover areas such as auditing; personal financial planning; medical practice consulting; litigation support; business valuations; entrepreneurial ventures; estate services; employee benefits; and other specialized services.

The original three partners formed BCS under the principal that the sum is greater than its parts, and as we continue to grow today that is proven to be exponentially true as all of us together as one firm far exceeds any of us individually.

### 50 Weeks of Giving

Over the last 50 years we have been truly blessed by God and by the region we have had the opportunity to serve, from Knoxville to Mountain City to Grundy, Virginia.

In January 2010 at our annual partner/manager retreat, one of our topics of discussion was how best to celebrate our 50 year anniversary in 2011. As we brainstormed by table and then shared ideas as a group, one idea very quickly rose to the top. As we had discussed how blessed we had been to serve this region, Chad Kisner came up with the idea of celebrating our “50 years of

service” by taking each week in 2011 and giving back to something different each week in the communities that have made our firm what it is today. Thus, “50 years of service / 50 weeks of giving” was adopted. At the next partners’ meeting an additional dollar amount over and above our normal giving was approved and budgeted for 2011 and the plan was announced to the whole company at a spring breakfast to solicit ideas from all staff for organizations and causes to support each week with the goal to have a 2011 calendar filled out with something for each week by the end of 2010. So for the rest of the year in 2010 committees were formed, meetings held, ideas solicited, and finally December 2, a Thanksgiving/Christmas dinner was held at the Meadowview in Kingsport to kick off our year of giving.

As a firm we are very excited about what is in store for us the rest of 2011 and the weekly challenge to which we have committed. **To read more about our 50 weeks of giving or to keep up with us throughout the year go to our blog at [BCSCPA.com](http://BCSCPA.com),** and as you read more if you would like to come along side us on any of our projects, we would love to have your support and the fellowship that comes with it. In the end you too will be blessed.



### 50 Weeks of Giving Kick-Off

Randy Hensley, founder of Coalition for Kids, was our guest speaker at our annual Christmas Dinner. Randy challenged us to give from our hearts, not because it would look good *to* the community, but because it would be good *for* the community.

*From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked. -Luke 12:48*



Be sure to check out our Blog detailing all of our events during the 50 Weeks of Giving. Go to our home page at [www.BCScpa.com](http://www.BCScpa.com) and click on the 50 Weeks of Giving icon on the right hand side of the page.



The first of our four big projects, Habitat for Humanity, is coming up at the end of April and going through the end of June , and we would love to have your help! In addition to skilled and unskilled manual labor, our house will need the following items donated or discounted:

### Materials

Roofing Materials	Flooring
Electrical Fixtures	Cabinetry
HVAC Unit	Vinyl Siding
Water Heater	Vinyl Railing

### Labor

Excavation	HVAC
Block Masonry	Drywall
Framing	Flooring
Roofing	Trim Carpentry
Electrical	Concrete Masonry
Plumbing	

### Food

We need to provide lunch every day for our volunteers and laborers, it can be a home-cooked meal, or sandwiches or pizza or boxed lunches from a restaurant.

**Special Thanks** to Gardner Paint for their donation of all paint for the house, and to Depew Guttering for all guttering and installation labor.



# What Can Training Do For You?

By Gina Lemons

Accounting services for small business owners have changed during the last 15 years. In 1994, our clients brought in check stubs and deposit slips so that we could prepare financial reports, sales tax returns, and payroll returns. Later, a few clients began using spreadsheets or other software to track their income and expenses. Today, over two-thirds of our clients use accounting software in their office to maintain all of their business activity including sales tax, payroll, and accounts payable. The software has many features that help a small business owner keep up with the ever-changing federal and state laws.

The services that we provide to small business owners have also changed. For years, we prepared bank reconciliations, sales tax returns, and payroll returns at our offices. We still provide these traditional services, however, our staff now provide these services on-site for many of our clients. This is largely due to the changing needs of the clients. The small business owner has the hardware and software needed to maintain daily bookkeeping records. However, he or she requires a knowledgeable and trusted professional to perform periodic accounting services at his or her office.

The Small Business Services staff at BCS recently heard from several clients with questions concerning the recent federal and state changes to payroll and sales tax compliance issues. Some of our clients also expressed an interest in learning more about the software they use, retention guidelines, and the ever-increasing taxpayer responsibilities.

In response to these questions, we would like to offer seminars and training sessions to cover matters important to our clients. In order to do that, we need feedback from you. We need to know what topics concern you the most. Do you want to learn more about accounting software, such as QuickBooks, understand tax compliance issues, or retention guidelines and your responsibility as a taxpayer? Or are there other areas that concern you?

Log on to [www.BCScpa.com](http://www.BCScpa.com) and review the accounting services that our Small Business Services department can provide for your company. We recently added a seminar/training section to this section with contact information. You can also email your comments or suggestions to [SBSseminars@bcscpa.com](mailto:SBSseminars@bcscpa.com). Your answers will determine what topics we discuss during our future seminars.

**Do you or your employees need help with Quickbooks, other accounting software, tax compliance issues or your responsibility as a taxpayer?**

**If you answered yes, log on to [www.BCScpa.com](http://www.BCScpa.com) and click on Small Business Services, and look for the Seminars and Training tab.**

*How much house can you afford?*

*How much will it cost to buy a new car?*

*Pay off your debt?*

*How soon can you save a million dollars?*

The answers to all these questions and more are on our website, [www.BCScpa.com](http://www.BCScpa.com). You can also find a tax refund cycle chart, a Salvation Army donation guide and many other helpful resources.

# Personal Lines ~ Personal Lines ~ Personal Lines



Ryan Bowman, CPA is new to the tax department in the Johnson City office. He graduated from Clemson with a Bachelor of Science in Accounting, and he has eight years of experience in

public accounting in Tennessee and South Carolina. Ryan and his wife Amanda attend St. Dominic Catholic Church in Kingsport.

## Preston Marshall

is the new tax intern in the Johnson City and Kingsport offices. He has a Bachelor of Science in Accounting and a Master's of Business Administration from Tennessee Tech. Preston lives in Kingsport and is involved in First Baptist Church of Kingsport.



Teresa Adams is the new tax intern in the Kingsport office. She has Associates Degrees in

Accounting and Business Management and a Bachelor of Business Administration with minors in Finance and Accounting from King College. She will complete her Master of Business Administration in December. She lives in Kingsport and has three sons.

Rebecca Smith and Zac Wilson were married on January 22nd at Fishery Community Church in Erwin. Mr. and Mrs. Wilson are living in Johnson City. Rebecca works in the audit department in the Johnson City office.



Andy Clark is now a full-time employee of BCS. While interning in the audit department, he completed his Bachelor of Business Administration in accounting and Bachelor of Business Administration in Finance with a concentration in corporate finance and investments at ETSU. He is currently in the Master of Accountancy program at ETSU, and he is working towards sitting for the CPA exam.

Gary Boyd, the chief information officer for BCS, was recently awarded the Certified Information Security Manager (CISM) certification by the Information Systems Audit & Control Association. The CISM credential is for individuals who assess, design, and oversee an enterprise's information security program. The CISM credential validates knowledge in the areas of information systems security, governance, legal and regulatory compliance, and disaster recovery.

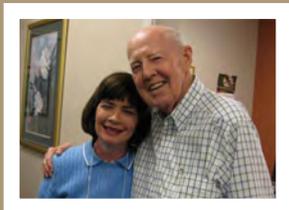


# A BCS History Lesson

<u># of Employees</u>	<u>Year</u>	<u>Event</u>
3	1961	Firm founded on Walnut Street behind machine shop (now Poor Richard's) Joe Blackburn and Carl Childers
	1961	Joe Blackburn is Managing partner
	1966	Charles Steagall started
	1970	Firm became "Blackburn, Childers & Steagall" after Charles made partner
	1972	Jeff Blackburn started
10	1977	Charles Steagall made Managing Partner
	1980	Karen McMurray started (12 people total- Carl Childers, Jeff Blackburn, Charles Steagall partners) Karen was told "he just retired" when asking for Joe.
15	1987	Melissa Steagall-Jones intern
	1992	Karen McMurray became partner Travis McMurray started
	1993	Moved to Sunset Drive, current location
25	1994	Tommy Greer started
	1995	Tommy Greer made Managing Partner
	1996	Wade Farmer started
	1997	Carl Childers retired
	1997	Chad Kisner full time
	1998	Opened BCS Financial -Wealth Management Kevin Peters started
35	1999	Basement Buildout with Audit Dept moving downstairs
	2001	Acquired Greeneville office
	2002	Kingsport office opened
	2004	Acquired CPA Associates
55	2004	"Year of Fear" Going paperless
	2007	Merger with Hoover Harrison and Associates -Kingsport
	2010	BCS Financial adds Nick Clay and becomes full service investment planning/ brokerage company BCS Wealth Management Bought additional building in Sunset Park Johnson City
90	2011	50th Anniversary / 50 Weeks of Giving Spin off of Valuation Company with Wayne Kirk & Jason Fleming - Trinity Valuation Consulting Group

## Fifty years ago...

A new home cost \$17,200.  
A first-class stamp cost \$0.04.  
A gallon of gas cost \$0.31.  
A gallon of milk cost \$0.49.  
Unemployment was at 5.5%.  
The Consumer Price Index was 29.9.  
The inflation rate was 1.9%.  
The federal debt was \$292.6 billion.







# 2011 Tax Update

By Brandy Stykes

## Changes for Individuals

Many of the individual tax provisions from prior years have been extended or expanded by the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The Bush era tax rates, with a maximum of 35%, will continue, and the capital gains and qualified dividends rates of 0% and 15% will continue as well. Itemized deductions and personal exemptions will not be subject to phase-out. The \$1,000 child tax credit, the state and local sales tax deduction, the higher education tuition deduction, the charitable contribution of IRA proceeds, and the AMT patch have been extended. The American Opportunity Tax Credit, formerly called the Hope Credit, now applies to the first four years of postsecondary tuition. It is maximized at \$2,500 per student and is up to 40% refundable. The Making Work Pay Credit is available for 2010 individual tax returns. A payroll tax cut will reduce employees' Social Security tax withheld from the current 6.2% to 4.2%. Self-employed individuals may claim a deduction for health insurance premiums in calculating earnings that are subject to self-employment taxes for 2010. The real estate tax deduction for filers who take the standard exemption was not extended for 2010 tax returns.

## Homebuyer Credit

As a reminder, individuals who purchased homes in 2008 and qualified for the First Time Homebuyer Credit must begin the credit recapture in 2010. The recapture will begin on the 2010 1040 in the amount of \$500 and will continue for the next 15 years. Any unpaid credit must be recaptured upon either a change from the principal residence or sale

of the home.

## Small Business Changes

Businesses should be aware of some changes in their tax provisions as well. Bonus depreciation of 50% can be taken on new assets placed in service through September 8, 2010. New assets placed in service after September 8, 2010 are eligible for 100% bonus depreciation. The bonus depreciation provisions apply to MACRS property with lives of twenty years or less that are used in either a passive activity or in a trade or business, and there are no income limitations. Beginning in 2010, the Section 179 expense limit is \$500,000 with an investment limit of \$2,000,000. The Section 179 provision is only eligible for trade or business income and not for passive activity. Up to \$250,000 can be used for qualified leasehold property, qualified restaurant property, and qualified retail property.

## E-File Requirement

In order to comply with IRS requirements, Blackburn, Childers, and Steagall, PLC, is now required to e-file all individual returns. If taxpayers wish to opt out of this requirement, they may sign a waiver and mail the return themselves.

## April 15 Deadline

While the federal tax deadline is April 18, the Tennessee Department of Revenue's deadline for filing tax returns remains as April 15. Therefore, Blackburn, Childers, and Steagall, PLC, must use April 15 as its deadline for all returns in order to adhere to the state deadline.



**BCS**

8 Wealth Management, LLC

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Come See Us at Our

Door Prizes! Giveaways!

# Standards: How Did We Get Here?



By Luke Gillis

You could say accounting boils down to five very basic parts: keeping up with how much you have, how much you owe, how much you put in, how much you made and how much you spent. This is a very simplified description of accounting, but this is really what it boils down to. However, as time has progressed we have found that we would like to know a little more than this.

As Blackburn, Childers & Steagall was formed in 1961 the authority to issue accounting standards had just transferred from the AICPA's Committee on Accounting Procedure (CAP) to the Accounting Principles Board (APB). The CAP issued 51 pronouncements from 1938 to 1959 and the APB issued an additional 31 standards in from 1959 to 1972. In 1972, primary responsibility for Accounting Standards was shifted away from the AICPA and the Financial Accounting Standards Board was created as a separate full time body with the sole purpose of writing financial accounting standards. This body issued 168 standards over the course of 37 years, or 5 standards per year. In 2009, the standards were superseded by the Accounting Standards Codification (ASC). Since the transition into the Accounting Standards Codification 47 updates have been released. All of this is leading to an intersection between the convergences of International Financial Reporting Standards (IFRS) and/ or the results of the Blue-Ribbon Panel, which will explore the possibility that some smaller entities may not need all of the information that IFRS will provide.

To help put all of this in perspective, I discussed the changes with Karen McMurray. Karen has worked with BCS over 30 years. She has served on the PKF Accounting and Auditing Committee for

approximately 6 years and held the vice chair for 2 of those years.

**From a practical prospective, how much have accounting standards changed over the last 30 years?**

*"Standards have become very precise and detailed. In the past most standards had very broad applicability. Now some of the standards are extremely detailed and specific."*

**What is the single most significant change in terms of accounting standards that you have experienced?**

*"Some of the more difficult standards to implement have been issued by the GASB. Specifically, GASB 34 completely changed the books of governmental entities."*

*"The FASB standards on fair value measurements and variable interest entities are some of the most sweeping changes in recent years. Both of these standards and many others represent attempts to close loopholes that have been exploited."*

**What have these changes done to the size of annual financial statements?**

*"The note disclosure have drastically increased. Thirty years ago a typical financial statement would be ten pages, maybe less. However, now most of the financial statements are at least thirty pages."*

## Open House March 30th!

BCS Wealth Management has expanded and moved to the bottom level of Building C in the same complex. Please join us for Grand Opening festivities on March 30, 2011 from 9-6. Bill Meade from 640 WXSM will be doing his broadcast from our new location. We would love to see you there!



# We've Come a Long Way, Baby

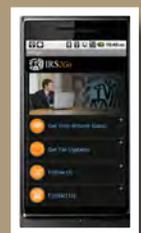
By Jonathan Phillippe

BCS is celebrating its 50th anniversary, and I thought it might be fun to look back at how technology has changed during that time and what impact it has had on the world. From paper and pencil all the way to small hand held computers, we have come a long way.

- 1964 - A desktop calculator was introduced for \$6,700 each. They only sold 20.
- 1966 - HP enters the computer market with the HP2116A real-time computer for a selling price of \$30,000.
- 1967 - The MacHack VI became the first computer program to beat a human at chess. It was made a honorary member of the US Chess Federation.
- 1969 - The Internet was invented. In a attempt to send "login" the letters "l" and "o" were transmitted then crashed, making it the first day a message was sent over the Internet and the first time the Internet was down.
- 1975 - Apple Company was formed on April Fool's Day. The Apple I Computer board sold for \$666.66.
- 1975 - Bill Gates and Paul Allen establish Microsoft. One year later an article by Bill Gates was published complaining about software piracy.
- 1987 - Microsoft ships Windows 1.0.1. Three years later Microsoft becomes the first company to exceed \$1 billion in sales.
- 1994 - The e-mal hoax "Good Times virus" is first sent out in e-mail. It claimed that an email was spreading on the Internet and would erase everything on your hard drive, and recommended you forward this warning on to your friends. This false email continues to be sent out today.
- 1997 - Facebook.com comes online.
- 1999 - The year 2000 bug (Y2K) was predicted to cause major computer problems globally. Thousands of hours and millions of dollars were spend in an attempt to correct the problem, but only minor problems were encountered.
- 2000 - A computer glitch in Washington D.C. causes a complete shutdown of air traffic across the U.S. East Coast. It occurred on January 6th so it was not attributed to the Y2K bug.
- 2010 - The first all-robotic surgery is performed at Montreal General Hospital.

## There's an App for That...

The IRS has released a new app for smartphones called IRS2Go. This app is useful because it allows you to check the status of your refund, read the latest news and tax tips from the IRS, and connect with them in other social media platforms.



# The Forest and the Trees

## ...and Kudzu and Poison Ivy...

By Travis McMurray



We are all familiar with the saying “can’t see the forest for the trees”. And we all know what it’s like to be in that situation where you are so entrenched in the details that it’s difficult (if not sometimes nearly impossible) to step back and truly see the big picture. As a business leader, our efforts sometimes are so focused on our own tree and all its parts (obviously accounting would be the root system) that we have a hard time seeing the external opportunities and threats. We may be very aware of our customers, vendors and competitors (the pretty little dogwood that sits nearby or the ever-encroaching kudzu), but it can be very difficult to see the fire that is just starting on the other side of the forest.

This broad view of the forest is known as macro-environmental scanning. This is an exercise where an organization attempts to identify the risk factors outside of the company that have the potential to affect the organization’s strategies. While the company has no direct control over these risk factors, it still needs to be aware of them so that it can minimize the threat of these risk factors or so that it can maximize the opportunities derived from them. There are five main variables in the macro-environment.

### Socio-Cultural

This includes the obvious factors such as population changes and education levels, but also includes customs, lifestyles, social responsibility and values. Socio-cultural factors influence the ability of the organization to obtain resources, produce its goods and services, and function in the society. One of the most significant issues in this category that influences businesses across the board is social responsibility with respect to the environment or green-initiatives.

### Technological

Changing technology may affect the demand for an organization’s products and services, its production process, and raw materials. Technological changes may even threaten the survival of a product (music mediums – records, 8-tracks, cassette tapes, CDs, MP3), organization or industry.

### Political-Legal

Legislative changes or even political attitudes toward business can have a significant effect on organizations or industries (i.e. healthcare, mining). These factors may be at the Federal, State or local levels of Government and include tax rates/structure.

### Economic

The economic variable has had a tremendous impact on businesses over the last two years. Trends related to GDP, inflation, employment, consumer confidence, housing construction, and others all impact organizations and the business community as a whole.

### International

A final component of the macroenvironment relates to the actions of other countries. This can come in the form of joint efforts such as NAFTA (North American Free Trade Agreement) or OPEC (Organization of Petroleum Exporting Countries) or current intergovernmental relations.

In order for a company to maintain its competitive advantage, it must be able to look beyond its own walls and beyond the industry in which it operates. A company that can identify the risks in the larger environment can then take the steps necessary to alter the organization’s strategy in order to minimize those risks – and see both the forest and the trees.



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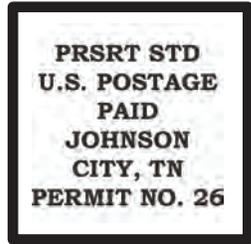
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## ETSU Endowment in Honor of Our Founders

Since the 80's our goal has been to build on the solid foundation and reputation established by Joe Blackburn, Carl Childers and Charles Steagall. With all of us being in business, we understand, appreciate and respect the challenges of starting a new business, and a successful one, even more so. Every person in our firm today has benefited by what these three men and their families have done for the Blackburn, Childers & Steagall name since 1961. So in conjunction with our "50 Weeks of Giving" celebration the current partners of BCS this past week established the Blackburn, Childers, & Steagall Endowed Scholarship at ETSU in memory of Joe Blackburn and Carl Childers and in honor of Charles Steagall and the three men's families.



From left:

Charles Steagall, Jane Childers, June Blackburn, Linda Garceau (Dean of the ETSU Business Department), and Gary Burkette (Chair of the ETSU Accounting Department).

Portraits of Carl Childers and Joe Blackburn are seen in the background.