

Client Tell

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

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Blackburn, Childers & Steagall, PLC Quarterly Newsletter

Our Newest Partner Andy Hatfield

Blackburn, Childers & Steagall is proud to announce our newest partner, Andy Hatfield, CPA. Andy has been a manager in the Tax Department since 2005, focusing primarily on corporate, partnership and individual taxation. Andy will officially become a partner on January 1, 2012.

A native of Kingsport, Andy has received his Bachelor's and Master's of Accountancy from the University of Tennessee. Prior to joining BCS, Andy worked for Arthur Andersen in Atlanta and Crowe Horwath in Nashville. He is a member of the American Institute of Certified Public Accountants and the Tennessee Society of Certified Public Accountants, of which he is a Past President of the Appalachian Chapter. He currently serves as a board member for the UT Alumni Association and the Friends of Allandale organization in Kingsport.



Andy recently received the Business Journal's 40 Under Forty award.

Andy and his wife Jessica, and daughter, Madi, and son, Abe, live in Kingsport and are active members of First Baptist Church.

While he is technically strong, Andy's highest marks come in the areas of client service, working well with everyone, and training/teaching staff. The Partners are excited about the future of our Firm because of this new addition. Please join us in congratulating him.

BCS Wins CenturyLink's Faith in the Future Award

On Friday November 3, BCS was presented with a Faith in the Future Award, sponsored by CenturyLink and in cooperation with area chambers of commerce. This award is given to businesses that demonstrate business growth and performance, employee relations, unique and innovative approaches, and community involvement and contributions.



Humility in Leadership

by Tommy Greer

I'm currently reading the book *Humilitas* by John Dickson which is a historical perspective on the importance of humility as it relates to leadership. My wife, Cay, has asked me to read it a couple of times a year, I'm not sure why.

The author defines humility as "the noble choice to forgo your status and deploy your resources or use your influence for the good of others before yourself" or "a willingness to hold power in service to others." Humility is more about how I treat others than how I think about myself, sounds a lot like the golden rule. Dickson shows through numerous historical examples why humility is one of the most important characteristics a leader needs for consistent long-term success.

One trait found in all good-to-great companies in the study done by Jim Collins in his book *Good to Great* was an attitude of humility; "a paradoxical blend of personal humility and professional will." Humility by itself does not make someone a great leader, but it can make an ordinary one better and a great one greater.

Interesting that Stephen Covey pointed out in his book, *Seven Habits of Highly Effective People*, that much of the success literature in the past 50 years was superficial and filled with social consciousness and quick fixes. In contrast, the 150 years prior to that almost all emphasized

the importance of example or character. Of which, in addition to honesty and integrity, humility would be an important part.

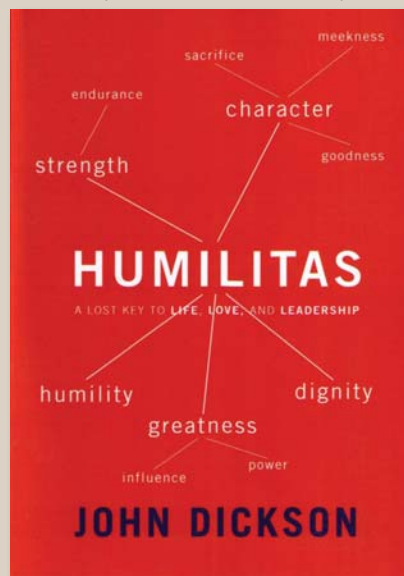
Please don't confuse humility with low self-esteem or tolerance or not being able to have strong convictions or opinions. Believe it or not, you can still stand up for what you believe and also disagree while remaining humble. In fact, you probably have more success for your cause by taking this approach of influence.

You want to continue to grow as a leader? Add humility to your list of attributes to work on. Don't think you need to? Well you just failed the first test in humility and should probably move this up a little higher on your list!

As the Christmas season is upon us once again, is there a better example of leading with humility than Jesus? "Who, being in very nature God... made himself nothing"; born in a manger; did not come to be served, but to serve and to give his life as a ransom for many.

This is a great example to learn from as we celebrate the season and continue to try to grow as leaders.

"Thoughtful people recognize that what they don't know and can't do far exceeds what they do know and can do."



The Storm's A-Coming

by Travis McMurray



As a business owner or manager, one must be vigilant to see potential dangers. However, once we see them...what exactly should our response be? How do we mitigate the damage, or better yet, how do we eliminate it? This is known as risk management. Risk can take many different forms, but the two basic categories are systematic risk and unsystematic risk. Systematic risk is the inherent risk in the market. It is also referred to as un-diversifiable risk. Some examples would be interest rates, recessions, and wars. Basically, these are the risks that we as business owners simply cannot eliminate. Unsystematic risk is the specific company or industry risks, also known as (you guessed it) diversifiable risk. Some examples would be substitute goods introduced into the market, new competitor in the market place, and loss of key personnel.

Once the risks have been identified, it's important to assess both the potential impact on the company and the likelihood of occurrence. So, if the impact of a potential risk is very low and the likelihood of occurrence is also very low, then you should focus your attention elsewhere. But, if the impact of a potential risk is very significant and the occurrence is also very high, then you better have a plan. The reality is that we don't always get this one right. For example, Y2K... remember that? The likelihood of occurrence was of course very high from the standpoint that January 1, 2000 was very likely to take place. The general consensus was that the potential risk was also very high that computer systems would wig-out when the inevitable 1/1/2000 occurred. However, the risk apparently was greatly overstated. But, many companies addressed the potential threat and attempted to eliminate risk...perhaps the risk was not overstated; perhaps the general business community was simply very, very prepared.

Here are some options we have to mitigate or eliminate risk:

- 1. Develop a contingency plan**
Sometimes we must accept that the best controls and processes will not eliminate certain risks, so we must be prepared to pick up the pieces and get things moving again quickly (computer disaster recovery).
- 2. Internal controls**
Ideally, a company's internal control system will help to eliminate process or procedure problems related to employee theft, poor quality, etc.
- 3. Diversification**
If your company relies too heavily on one customer, one vendor, or one product for revenue, then it's time to evaluate how risk can potentially be spread out.
- 4. Entity Structure**
Some companies need to evaluate the overall entity structure to determine if the owners are unnecessarily exposed to significant risks.
- 5. Legal counsel (documents/agreements)**
In dealing with multiple parties (business partners, landlords, suppliers, customers, etc.), it is wise to spell out the expectations and potential consequences for failure before a problem occurs.
- 6. Insurance**
As mentioned with contingency plans, some risks simply cannot be eliminated. However, some risks can be insured which does mitigate the potential damage for a company.

It's important to identify the potential risks, assess the potential damages, and to establish a system for risk management. If you have any questions or need assistance in this area, please contact our office.



New Payroll Requirements

by Gina Lemons

It's almost Christmas – are you ready?! Before you know it, the holidays will be over and 2012 will have arrived. I thought a few year-end reminders and alerts would help you get the New Year off to a great start.

1099 Misc Forms

All small businesses are required to file 1099MISC forms with the Internal Revenue Service by February 28, 2012. Recipient copies must be mailed by January 31, 2012. Who should receive a 1099MISC form?

1. Any individual or partnership that you paid \$600 or more in 2011 for services
2. Any company that you paid for medical services
3. Any individual or company that you paid rent
4. All attorneys who were paid fees in 2011

It would be wise to have your vendor complete a W-9 form. The information provided on this form will help you complete the 1099MISC form accurately. Why is that important? Because your business could be penalized \$250 for each 1099MISC form that was not properly filed as required by the Internal Revenue Service. Oh! By the way, there is no maximum penalty.

New Employees

All small businesses are required to report new hires to the State of Tennessee within 20 days of employment. This website, <https://www.tnnewhire.com/>, will provide all the information needed to properly report newly hired employees. On a similar note, remember to have all new employees complete a W-4 Withholding Certificate and I-9 Employee Eligibility form as part of their orientation.

The I-9 Employee Eligibility form will come in handy when reporting new hires and using the new E-VERIFY program.

What is E-VERIFY?

This is an internet-based program established by the federal government. It allows businesses to determine if their employees are eligible to work in the United States.

When are you required to participate?

On or after January 1, 2012, employers with at least 500 employees must participate. On or after July 1, 2012, employers with at least 200 employees must participate. On or after January 1, 2013, employers with at least 6 employees must participate. This website, www.uscis.gov, has a link to the E-VERIFY home page.

Possible Tax Credit for Employers

Did you hire any employees on or after February 3, 2010 that are still employed with your business? Those employees may entitle you to a business tax credit on your 2011 income tax return. The New HIRE Retention Credit is up to \$1,000 per qualified employee. For detailed information on this credit, see the separate article by Alice Williams on page six.

Hopefully, this information will help you begin the New Year on the right path. We have more detailed information and links on our website. As always, you can call me or any of our Small Business Services staff members for assistance.

Merry Christmas!

50 Weeks of Giving Update

Read more at www.BCSca.com/about-us/latest-news/





Possible Tax Credit for Employers?

by Alice Williams

Did you hire any employees on or after February 3, 2010 that are still employed with your business? If so, the business may qualify for the New HIRE Retention Credit, which can reduce federal income taxes. Please note this credit is in addition to the social security credit claimed on your payroll tax Form 941.

The New HIRE Retention Credit is a general business credit established as part of the HIRE Act to benefit employers that expanded their workforce. The credit is available to employers who hired employees between February 3, 2010 and December 31, 2010 and have retained those employees for at least 52 weeks. The amount of the credit is the lesser of \$1,000 or 6.2% of wages for all qualified employees.

A qualified employee must meet all of the following conditions:

- Previously unemployed during the 60 days prior to employment with your business.
- Must be hired between February 3, 2010 and December 31, 2010.
- Retain employment at least 52 consecutive weeks.

If you have qualified employees, we can calculate the credit(s) to apply to the year's federal taxes. Multiple credits can arise since the calculation is on a per employee basis. The timing of the hire dates will dictate to which tax year the credit will

be applied. The qualified employee's wages for such employment during the last 26 weeks must equal at least 80% of wages for the first 26 weeks. Remember this is not a deduction, but a credit applied directly to your federal taxes due. The table below shows the first tax year affected by the New HIRE Retention Credit.

In order for us to calculate this credit and properly complete your federal tax return, you will need to supply us with all of the following information for each Qualified Employee:

- Social Security number
- First date of employment from the retained worker's Form W-11
- Retained worker's wages for the first 26 consecutive weeks of employment
- Retained worker's wages for the second 26 consecutive weeks of employment

Additional Credits for Veterans:

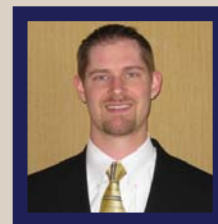
The 2011 Repeal Act includes two additional tax credits for our veterans. This credit is for employers (including tax exempt) that hire veterans of US Armed Forces who have been unemployed but seeking work. These credits are also based on a per employee basis, and are available from the date of enactment of the new law, November 21, 2011 through the end of 2012. The table below details the eligibility and the credit maximums.

New HIRE Retention Credit	
For:	Will Affect Tax Years Ending:
Fiscal Year Employers	March 31, 2011 and forward
Calendar Year Employers	December 31, 2011 and forward

Veterans Credit Eligibility and Maximums		
Per Employee Credit Eligibility	Returning Heroes Tax Credit	Wounded Warriors Tax Credit (Service Connected Disabilities)
Unemployed 6+ months	up to \$5,600	up to \$9,600
Unemployed >4 weeks, <6 months	up to \$2,400	up to \$4,800

OpenDNS - What Is It & Why Do You Need It?

by Don Wallingford



When you type an address like www.yahoo.com in your browser address bar, the computer doesn't know where yahoo.com points to and it will therefore ask the DNS server.

The job of a DNS server is to translate this human-readable web address (like www.yahoo.com) into a computer-readable number also known as an IP address (209.131.36.158). Once your computer knows the IP location of a web domain name, it opens the website in your browser.

DNS is such an integral part of our Internet life working behind the scenes every time we connect to a website. In most situations, our Internet Service Provider specifies the DNS Server address that we key into the browser network settings or the router.

Unfortunately, this can prove to be the weakest link in the entire workflow. For example, if the DNS server of your ISP is slow, the time it takes to resolve the web address adds up to the overall loading time of the website.

To solve this problem, we look at a simple and reliable service called OpenDNS that speeds up your Internet connection and also handles some other very important issues. There is no software to install, it's very easy to set up and the price is just right - \$0.

To use OpenDNS, all you have to do is open your Network Connections or Router's settings page and update the default DNS server to point to the OpenDNS name servers that are 208.67.222.222 and 208.67.220.220.

The whole process takes a few seconds but with this single step alone, you just made your computer safer and increased the overall browsing speed. Here's why:

Unlike the DNS servers of your less reliable ISP, OpenDNS servers store the IP addresses of millions of websites in their cache so it would take less time to resolve your requests. So if you have asked for an IP address of a website that has been previously requested by another OpenDNS

user, you will get the reply instantly.

Another huge advantage of using OpenDNS is that it blocks phishing websites from loading on your computer. It uses data from Phishtank, a community site that is also used by Yahoo! Mail to determine if some particular website is part of any online phishing scam.

OpenDNS also takes care of any typos that you commit while typing the name of popular websites. For instance, if you type www.google.com omitting the additional "o" by mistake, OpenDNS will open the main www.google.com site automatically.

If you are a parent worried about kids visiting adult websites on the home computer, you can configure OpenDNS to block any adult website from loading on the computer. In fact, quite a few business places use OpenDNS to block social sites like MySpace and Facebook on employee computers.

Power users can assign abbreviations or OpenDNS Shortcuts to access their favorite websites more quickly.

For instance, you can set "mail" as a shortcut for <http://mail.google.com/> or something like "a" for www.reallylongname.com - just type the shortcut to access the site. A good alternative for browser based bookmarks and it works across all computers where you have logged in to your OpenDNS account.

Now that you are prepared to switch to OpenDNS, please don't expect huge gains in browsing speed since OpenDNS only improves the cycle between your computer and the DNS server.

And do keep handy the old DNS settings given by your ISP as you may need them in the extreme scenario when OpenDNS system goes down or you want to disable / remove OpenDNS completely from your computer.

www.opendns.com [Piece written for Financial Express newspaper]

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Agarwal, Amit. "OpenDNS - What is OpenDNS and Why You Absolutely Need It?" 16 Mar. (2008). Web. 8 Nov. 2011. <<http://www.labnol.org/read/02587/>>.





We Have an Audit Committee?

by Luke Gillis

Another Committee, who and why?

As a result of the Sarbanes-Oxley Act of 2002, all publicly traded companies are required to have an audit committee with at least one qualified financial expert. There is no similar requirement for other entities, but over the last few years, auditors have recommended the establishment of such a committee regardless of whether the entity is a government, not for profit, or a private for profit company. Many entities have decided to establish such a group. Occasionally, it is unclear who should be on the committee and what the specific responsibilities of the audit committee should be.

Who or what type of individual should serve on the audit committee?

An audit committee is typically a subcommittee of the group that is charged with governance. Generally, at least one member of the committee should have financial expertise. The American Institute of Public Accountants (AICPA) has developed toolkits for audit committees depending on the type of organization. These contain a variety of information including descriptions of attributes that members of the audit committee should possess. In general, the audit committee should collectively possess an understanding of generally accepted accounting principles, generally accepted auditing standards, financial statements, internal control and procedures for financial reporting, and an understanding of specific issues for the organization. There are other qualifications that are also considered essential by the AICPA. While the qualifications developed by the AICPA do represent an ideal situation, some entities simply cannot open up committees for

recruitment and others will struggle to find qualified and willing individuals that fall within the AICPA's guidelines. In these cases, an audit committee may consist of individuals that may not quite fit the AICPA's guidelines, but who are willing to serve and have at least a general idea or understanding about accounting standards, auditing standards, and internal controls.

What should the audit committee do?

The activities of the audit committee will be, to an extent, dictated by the charter establishing the audit committee. However, some of the normal activities will include the selection, hiring, and evaluation of the independent auditor, in depth review of the financial statements with the auditor and management, monitoring the status of internal control related matters identified in the audit, and risk analysis related to new or emerging issues. The audit committee can also work to set policies regarding internal controls, accounting, and auditing issues. Finally, the audit committee can become an integral part of an entity's risk management process and could even be charged with oversight of this crucial function.

Audit committees can be an extremely effective way for an organization to ensure that their audit function is working correctly and adding value to the organization. For some entities, the qualifications may not fully match that of the AICPA recommendations, but establishing a committee is a good step in the right direction. Finally, depending on the size of the organization, the charter of the committee, and the availability of the members the role of the audit committee can encompass several areas of the organization.

BCS Recognized as One of the Largest CPA Firms in the Nation

Jay Rothberg, Chief of Staff of the AICPA New York City visited with the partners of BCS on Friday, December 2 as part of the AICPA's initiative to visit all of their largest firms over a two-year period. BCS was recognized as being in the top 1% of all firms in the USA. Rothberg used his time at BCS to share the latest developments within the profession and to seek input from the firm's perspective. Also accompanying Rothberg was Brad Floyd, the Executive Director of the Tennessee Society of CPAs in Nashville.



From left to right: Chuck Huffman, Jeff Blackburn, Kevin Peters, Karen McMurray, AICPA Chief of Staff Jay Rothberg, TSCPA Executive Director Brad Floyd, Tommy Greer, Melissa Steagall-Jones, Wade Farmer, Chad Kisner, and Travis McMurray.

Save the Date

In conjunction with ETSU College of Business and Technology, BCS will be holding a full day CPE at the MeadowView Marriott Resort and Convention Center in Kingsport on June 14, 2012. This CPE will be geared toward governmental and non-profit entities with a special session in the morning for elected officials. We hope that you will make plans to attend. Please check our website and future issues of the ClientTell for more details in early 2012.

Governmental, Elected Official, and Non-Profit CPE on June 14, 2012 at MeadowView



Reviewing Your Life Insurance

by Nick Clay

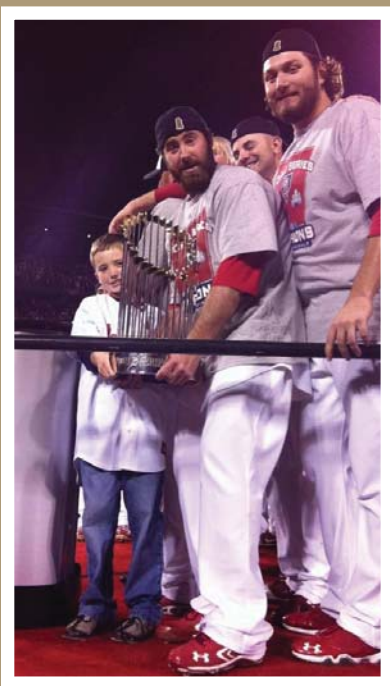
If there's one thing in life that's constant, it's change. Life insurance needs can be as dynamic as life itself. Changes in your life – such as purchasing a new home, getting married (or divorced), taking a new job, or retiring – may dilute the effectiveness of your existing life insurance coverage. Does your life insurance policy still fit your life? As part of your financial planning you shouldn't think of life insurance as something to "set and forget."

At one time or another, based on your circumstances and life objectives, you made the important decision to purchase life insurance. An adequate level of life insurance protection can make a significant difference in the lives of your loved ones by helping to preserve a standard of living or to transfer wealth. However, your current coverage may not be as effective today as it was when you first bought it.

Furthermore, you could be OVER paying for your coverage. Due to an increasing life expectancy, life insurance premiums are moving inversely and going down. Could you maintain the same coverage and pay less? Could you pay the same premium for more coverage than you are currently receiving?

A professional policy review evaluates your protection, premiums, ownership structure, beneficiary designations, supplements and riders, and performance if you have cash value.

Underwriting advancements and the latest medical statistics drive new product and pricing changes. Have you experienced any change in your life since you purchased your life insurance? At no cost to you, we can do a professional policy review that very well could end up saving you money as you move into the New Year.



Cardinals Win!

Congratulations to the St. Louis Cardinals for winning the World Series! Pictured at left is James Motte's son, AJ, with James' brother Jason Motte of the Cardinals holding the World Series trophy after Game 7. Jason got the last three outs for the Cardinals in the last inning. James Motte is the Chief Compliance Officer at BCS Wealth Management.

Income Ideas Seminar

Interest rates remain at historical lows. For information about our upcoming income ideas seminar, please call us at 423.283.9821.

Best Financial Planners

BCS Wealth Management was named "Best Financial Planners" by the Johnson City Press' Readers' Choice Awards!

Personal Lines

Charles Steagall was inducted into the ETSU College of Business and Technology Hall of Fame. This Lifetime Achievement in Business Award is presented to alumni who have recorded significant accomplishments in business or public service and demonstrated exemplary service to the community and a commitment to the college and university. Charles is a 1966 graduate of ETSU and has served on the ETSU Foundation Board for many years.



Nona and Charles Steagall with Melanie Stanton and Melissa Steagall-Jones.



Esther Shelton and her husband, Jason, welcome their first child, Hannah Marie. She was born on September 21st, and weighed 5lbs. 10oz.

How Does the Tax Organizer Help Me?

Would a snapshot of the important information used to prepare your prior year tax return be helpful?

Do you need a checklist to assist you in gathering pertinent source documents for the current tax year?

Do you need to update personal information that would affect your tax return preparation such as change in address, change in number of dependents, purchase or sale of your home?

The individual Tax Organizer is an excellent tax preparation tool for individual tax preparation. Look for your personal copy in the mail during the second week of January, 2012.

Assistance in gathering your tax information for the 2012 tax season is as easy as referring to your Tax Organizer. We encourage you to:

- complete the organizer
- sign the engagement letter
- return to our office along with your tax information

If you do not receive an organizer, you may request one by calling the office at 423-282-4511.

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CHANGE SERVICE REQUESTED

Merry Christmas
&
Happy Holidays