



# CLIENTTELL

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# INTERESTING TIMES

BY ANDY HATFIELD

We find ourselves in interesting times, to say the least! Inflation, interest rates, labor shortage, the housing market, supply chain, recession, and the war in Ukraine. These are all issues and buzz terms that have been floating around the news headlines on a daily basis for quite some time now. How do we wrap our brains around understanding all these dynamics

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*Jeremy Wright, CPA discussing small business start up needs with this year's Co.Starters class.*

Ashlei

## >> CONTINUED FROM COVER STORY

that affect us as individuals, families, business owners, and employers?

My answer is if you know, please let me know! In all seriousness, the effect of the influx of stimulus to individuals and businesses for COVID relief over the past two years along with the pent-up demand for consumer spending that was created during the pandemic is something that has been baffling to even the most sophisticated economic minds in our country.

There are also other issues mentioned above that are independent of this that just add to the complexity of the current environment. The stimulus for the most part has tapered off and inflation has become real for almost all consumers. However, the demand for jobs continues to be great and wages being offered by many employers have increased as a result.

In times like these, you learn to live again (from Foo

Fighters' song "Times Like These", released in 2002). I think times like these call for getting back to the basics. Budgeting, being content with where we live (if you sell your house you are going to have to find somewhere else to live, haven't heard this recently have you? However downsizing might be a good decision in your current stage of life), invest wisely but do continue to invest, pray for those in harm's way in Ukraine and surrounding countries, and continue to do what I think the pandemic reminded us all of, don't take a single day for granted.

I realize this is not some great economic analysis that maybe you were hoping for, but my advice is to stay the course. Be smart about your spending choices and trust your financial advisors to make wise investment and financial/tax decisions. We will get through these times! Buckle down and live each day to the fullest! ♦

## Tax Season 2022 - A Year Among Years

BY BRANDY BRADLEY



This tax season was a tough one. Read on for a better understanding of the challenges we faced this year and for some ways you can help us tackle next tax season.

### WHAT MADE THIS TAX SEASON HARD?

- An unprecedented backlog at the Internal Revenue Service (IRS) – The IRS has not caught up since its March 2020 standstill. The IRS is still processing 2020 tax returns, 2021 tax returns, and paper correspondence. The IRS is simply short-handed, and its plans to grow its workforce have not met with much success.
- Late start to filing season – The IRS started processing federal tax returns on January 24, which is typical. However, many of the tax forms

were still in "draft" status and were not finalized until a later date. This meant a delay for all but the simplest of tax returns since we could not file returns using the draft forms. The North Carolina Department of Revenue delayed its processing of NC tax returns until March 1 instead of aligning with the federal system.

- Extra reconciling items on tax returns – On 2021 individual income tax returns, we had to reconcile the third round of stimulus payments and the advance child tax credits taxpayers received. The IRS sent letters providing these amounts, but not all clients received the letters, and some of the letters were in error.
- General changes to tax forms – The IRS changed many of its standard forms, and it took some time to familiarize ourselves with those changes.
- Later filing requirements – The deadlines to issue tax forms are later now than they were years ago. Brokerage 1099s must be issued by mid-February, but these forms are often received in late February



or early March. Taxpayers are receiving critical tax information later and later.

- Compression – This was our first “regular” tax season in 3 years. We essentially have two months (mid-February to mid-April) to get all the tax returns finished or extended.

As you can see, most of these challenges are outside of our control.

#### **HOW CAN WE CONTINUE TO SERVE YOU WELL IN THE FACE OF DIFFICULTIES?**

- Be pro-active before tax season starts. For example, if you sell a long-time rental property this summer, contact the signer of your tax return. We can collect some tax information and answers now instead of in the height of tax season. And you will be better prepared for potential tax consequences, too.
- If your return looks different from usual and you have not had a chance to get the information to us before tax season, get the information to us early in tax season. Sold more stock than usual? Invested in a new partnership? Bought a rental property? Inherited retirement accounts? These

are examples of transactions that might affect your return.

- If you have most of your tax information, drop it off. Do not wait for that single missing 1099 or K-1. If we have all your other information, this gives us the chance to get it into our system, ask any questions, and simply wait on the missing information to arrive.
- As tax season becomes compressed, we have less time to complete more work. It might take us longer to turn work around than it has in the past. We had some days where hundreds of clients dropped off their information, so the work can stack up! We work as quickly as we can, but the later in tax season it is, the longer it will take us to both start and finish your tax return. Each of our clients matters, and we want to take good care of you. Compression simply means our process may run a little slower than it has in the past.

It is hard to know what tax season will look like. But with your cooperation and patience, we will keep providing the excellent service to which you are accustomed. ♦



## Mythbusters: Audit Edition

BY DAVID BABB



Being the father of two boys, I am asked A LOT of questions. It's almost pointless to turn the radio on in the car, knowing that my musical bliss will inevitably be interrupted with "Dad, who owns the internet?" or "Dad, what is cryptocurrency?" or "Dad, what's that smell and why are the windows locked?" Lately, questions have related to obscure sports rules. For instance, "Dad, what is a balk?", and to be honest I have no idea!

Being a CPA, I am asked the timeless, perpetual question all CPAs get asked. You know what it is already don't you? It's whether I do taxes or not. Let's just say that I am asked this enough that I've considered making special business cards that place an asterisk behind "CPA" that would point to some fine print at the bottom of my card that explains what kind of CPA I am. Yes, I did attend college for six years and studied for hundreds upon hundreds of hours to pass the CPA exam, but, ultimately I do not do taxes. I'm an auditor, and I'm proud of it!

Being an auditor comes with the additional burden of informing people of exactly what it is that we do. Tax CPAs can usually say that they are a CPA and people have a pretty good idea. Auditors, however, must give our "elevator speech", whereby explaining our profession and purpose

in 30 seconds or less, and debunking their preconceived notions.

Instead of giving you my elevator speech, I thought it would be a nice change to approach this from the perspective of one of my favorite television shows from the early 2000s: *Not Survivor*, or *Big Brother*, even though those could be surprisingly appropriate answers. No, my favorite TV show from that period was *Mythbusters*.

### MYTH #1: AUDITORS AUDIT TAX RETURNS

Certainly, some auditors do actually audit tax returns, but these types of auditors work for the Internal Revenue Service, not the general public like BCS' auditors. Don't forget the "P" in "CPA" stands for "public". A key difference between IRS auditors and our auditors is the subject matter being audited. One is auditing compliance with IRS regulations, while the other is auditing in compliance with standards known as Generally Accepted Accounting Principles.

### MYTH #2: AUDITORS JUST PERFORM AUDITS

If you read our blog article from April, you'll see there are many types of services auditors perform: Audits, reviews, compilations, agreed-upon procedures, and general consulting. Since our previous article goes into detail in regards to the various services, I won't bore you here. I will say, however, that auditors shouldn't be thought of as a commodity-style service provider. In other words, we don't just sell services, we provide guidance and insight for business owners to give them confidence, walking side-by-side, offering ways to improve stakeholder value.

### MYTH #3: HIRING AN AUDITOR IS EXPENSIVE

I sometimes use a house building analogy to explain auditing to friends and family. In a nutshell, auditing is like building a house. A small, plain vanilla house doesn't cost as much as a large, complex, craftsman built home. They both serve the same purpose, providing shelter, but one takes more time, requires specialists, uses more materials, and comes with a great deal more of maintenance. No two companies are the same, therefore varying complexities results in a wide variety of auditing prices. Sure, some audits can be expensive, but it might surprise you that many audits are quite the opposite. If you find yourself shopping for an audit, I think the first question you should be asking is "do I really need an audit?" Usually, audits are triggered by the "Three B's": Banks, Boards, and Bureaucracy. Certainly, there are other reasons that audits are required, but these usually capture most. If you don't absolutely need an audit, the other services should be looked at closely (remember review, compilations, and agreed-upon procedures?), as auditors may be able to provide pinpoint procedures to assist business owners with their concerns.

### MYTH #4: AUDITORS ARE ONLY NEEDED ONCE PER YEAR

At an absolute minimum, auditors can be relied upon once per year. However, we try to add value year-around. Many of our clients at BCS use multiple departments to assist

with their businesses, receiving year-around support. Auditors keep up to date on the latest accounting standards and are proactive with working with clients on major changes that will impact them in the coming years. Though, we do have some limits as to how much assistance we can provide to an audit client (after all, we have to be independent) we still can provide training materials and summaries of new standards to allow our clients to become versed in new changes.

### MYTH #5: AN AUDIT IS HAPPENING BECAUSE SOMETHING BAD HAPPENED

I see and hear this all of the time in the field, especially in environments where the rank and file employees don't have a working knowledge of the purposes of audits. Quite often, you'll hear me say to employees at my clients "we are the kind of auditors you pay to be here". In other words, we are, in a way, voluntary. An involuntary audit in which a client has no say in who audits them is a whole different story though. I do my best to educate when I can while I am at a client's office to ensure that everyone knows why we are there and actually don't bite at all!

The audit department at BCS is here to serve you in any way we can. If you have additional questions and would like to discuss anything further, feel free to contact me at [dbabb@bcscpa.com](mailto:dbabb@bcscpa.com). ♦

## FULL-TIME FAMILY

WE ARE SO EXCITED TO HAVE THREE OF OUR AUDIT INTERNS ACCEPT FULL-TIME POSITIONS AT BCS!



**NOAH SHELTON**  
Audit Associate,  
Johnson City



**LAURA FREE**  
Audit Associate,  
Johnson City



**NOAH STONEBRAKER**  
Audit Associate,  
Johnson City

4TH LARGEST FIRM  
BASED IN TENNESSEE



CLIENT FEATURE

# Early Birds Coffee Co.

KINGSPORT, TN



# Q+A with MARK WALTERS

OWNER

## Q. WHAT'S YOUR STORY? HOW DID YOU GET YOUR START?

**A.** Where to begin? We had our hearts set on starting a small business and picked up the idea from our travels out west. We encountered a different coffee culture full of pop-up coffee stands and small espresso shacks and we realized there was a huge potential for that here in East Tennessee. We decided to start small with a coffee cart to really get our brand out there and gain exposure in the area. We didn't anticipate though how quickly we would corner the market!

We wanted to start small with our eyes on achieving big things in the future, but more on that in a second. We were excited to get our product in people's hands, because based on the limited power draw of our cart we kind of accidentally came up with a really cool way to make delicious lattes and frappes in a very efficient manner. All of our coffee products are cold brew based that we pre-make beforehand in our commissary kitchen, then individually customize each drink with all sorts of different flavors on the cart. We do the same with lemonades, smoothies, teas and other milk-based drinks like milkshakes and flavored hot chocolates. We are able to crank out drinks in high volumes and can do everything a brick and mortar coffee shop can (and then some) with a very small footprint and minimal staff. This gives our cart an intimate, inviting and personal ambiance but with the menu of a full-scale cafe. I like to think of the cart as a completely mobile coffee shop.

There's a lot that goes into moving a fully operational shop around, and I wouldn't have been able to wrap my head around the logistics of it without my background as a small arms repairman and senior gunner in the National Guard. I came from a mobile sustainment and maintenance company that would kind of do the same thing but with setting up training exercises and repair stations within our Battalion. We would basically cater to other units with the planning and execution of machine-gun ranges as well as training up units on weapon familiarization and maintenance. With this skill-set I figured out very quickly how lucrative it could be to bring a service directly to the customer, even if it's coffee instead of bullets!



## Q. WHAT ARE YOUR GOALS FOR THE FUTURE?

**A.** Our ultimate goal is to become a regional enterprise of mobile drive through coffee shacks and events catering. We plan on taking what we have learned on the cart and duplicating it on a grand scale with multiple mobile coffee shops and carts in an array of different markets. We want to establish a presence as the region's go-to coffee stop with drive through coffee shacks that are both pop-up or in semi-permanent locations. We have seen fantastic success in coffee catering and won't be giving that up anytime soon. You will be able to find us at schools, universities, street fairs, farmers markets, community events and street corners. We will also set up our mobile coffee shops in convenient locations for our birdwatchers to stop in for a delicious drink or healthy snack on their way to work!

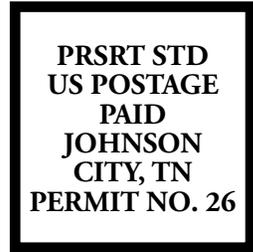
## Q. HOW HAS BCS HELPED YOU?

**A.** BCS has been with us from the start. We were first introduced to BCS by Lydia Jones who has been a fantastic help in developing our business. We were given the opportunity with ETSU School of Business to be paired with a team of MBA students to help with market research and strategy development. She and her team worked tirelessly to refine and solidify our presence in the catering sector and has helped me get my foot in the door with various businesses in the area. Jeremy Wright was our first official contracted professional and has turned our brand new concept into a real and thriving business. Together with Lydia and Jeremy's help we have truly been able to excel as small business owners, and they have proven their commitment time and time again. ♦



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## **What You Own, What You Owe, and What is Left**

**BY JEREMY WRIGHT**

A common question asked by clients is: "How do I read my balance sheet?" Here is the easiest way to explain it: a balance sheet shows what you own, what you owe, and what is left. There are three sections to a balance sheet, and as the name implies, it must always balance.

The first section is your assets. Assets represent what your business owns or what is due to your business. Common examples of assets are cash, accounts receivable, and capital assets such as buildings, furniture, equipment, and vehicles.

The second section of the balance sheet is your liabilities. Liabilities represent what your business owes. Some common examples of liabilities are accounts payable, payroll liabilities, lines of credit, and mortgages or notes payable.

The third and final section of the balance sheet is your equity. Essentially, your equity is what is left if your business closed today and everything had to be paid off. Your equity

in your business is the total of how much money you have put in, how much money you have taken out, and how much profit and loss your business has earned. Here is a quick example: Let's say you put in \$100 to start your business in 2022. At the end of 2022, your business made \$10 in profit and you took out \$5. Your equity at the end of 2022 would be \$105 ( $\$100 + \$10 - \$5$ ).

As mentioned before, a balance sheet must always balance. Total assets should always equal total liabilities and total equity combined. In other words, what you own will always equal the combined total of what you owe and what is left.

Buying a home is a good example of how a balance sheet works. Let's do a quick example. In today's real estate market, I found a one-bedroom and one-bathroom townhome that I really like for \$1,000,000. I paid \$100,000 down and used a mortgage to pay the remaining \$900,000. My total assets are \$1,000,000 (what I paid for the house), my total liabilities are \$900,000 (my mortgage), and my equity is \$100,000 (my down payment). My total assets of \$1,000,000 are equal to my combined liabilities and equity ( $\$900,000 + \$100,000$ ). ♦