



Business Services and Consultation Agreement For

Susie Public S Corp

The Watson CPA Group is pleased to offer the enclosed proposal for your business services and consultation needs.

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The Value Proposition

The Watson CPA Group are business consultants, not just number crunchers or bookkeepers. Anyone can balance a checkbook. Anyone can print a paycheck. Anyone can put the right number in the right blanks. But as small business consultants, we offer so much more-

Team Approach

We currently have 12 professionals including five CPAs and two EAs on our team. This depth is an incredible benefit to our clients, providing excellent resources and peace of mind. We maintain extensive notes and procedures tailored to you and your business.

Corporate Structure Options, Holding Companies

LLCs, partnerships, S Corps, C Corps all have their place. And what works today might not work tomorrow. We project your needs and remain nimble to making improvements to your long term strategy.

Business Coaching, Advising

We are business minded consultants. So beyond the financial reporting and payroll filings, the Watson CPA Group can help you design policies and procedures to make your business more successful. We have exceptional knowledge in operating businesses.

Industry Analysis

How does your business compare to others in your industry? We provide graphical representations of your financials as compared to your peers, and compared to yourself historically. Numbers are meaningless without comparison and understanding.

Executive Benefits

We can help design medical reimbursement plans, employee benefits such as ESOPs, educational assistance programs, 401ks, family assistance, etc. We help you use more of the business resources to provide benefits to you, your family and your staff.

Retirement and Estate Planning (SFD Capital)

We have in-house financial planning provided by Tina Watson, Jason Watson, Sally Rhoades and Mayzie Brown vis a vis SFD Capital. Our financial team also includes an estate planning attorney, mortgage broker and property/casualty insurance provider. One Call. One Team. Best comprehensive advice.

Exit Strategies, Business Valuation

Businesses are easy to start yet hard to end. Do you need a death or divorce clause with your partners? How do you sell internally? Splitting between equipment and goodwill, and the tax implications. These are issues that we can easily help you with, and ensure the proper planning.

Income Modeling, Estimated Payments, Planning

We will model different income scenarios based on possible tax moves, retirement planning, projected business profits and your yearly goals. This also includes modifying estimated tax payments to help with budgeting.

Audit Guidance, Representation

We stand by you, and vigorously defend your position during all audits and representations. Our staff has long professional relationships with local IRS and state revenue agents. Being able to resolve issues and discrepancies quickly is a superior benefit to you.

Formation

Articles of Organization or Incorporation, Certificate (\$375)
State Filing Fee of \$50 for Colorado
Employer Identification Number (included)
Single Member Operating Agreement (included)
S Corp Election, Timely Election, Corporate Minutes for Adoption (included)
Accountable Plan, Corporate Minutes for Adoption (included)

Formation Fee (one-time)

\$425

OnBoarding

Payroll Accounts, Setup, Unlimited HR Help Desk Access (\$300)
Scheduled 12/31/16 S Corp Payroll Event (\$350, includes reasonable salary determination)

OnBoarding Fee (one-time)

\$650

Monthly Fee Structure

Payroll

Employees: 1-5, S Corp Owners Only
Check Frequency: Quarterly, Direct Deposit

Accounting (declined)

Bank Accounts: 1-2, Direct Bank Access, Mixed Use (personal and biz)
Sales Tax: No
Accounts Payable: No
Report Frequency: Quarterly
Platform: QuickBooks, Zero Accounting, Online, Hosted
Delivery: Client Portal, Dropoff

Annual Processing

Corporate and Personal Tax Returns for 2017 Tax Year

Scheduled Periodic Business Reviews, Small Business Consultation (unlimited)

Q3 Income Modeling, 2017 Tax Planning

Audit Defense

Annual Fee: \$2,640

Monthly Fee (starting Jan 1 2017)

\$220

Monthly fee includes all the items listed above subject to periodic review every 90 days. Projects and outside scope requests will be quoted separately.

Pay As You Go Plan (PAYG)

For projects and periodic services, we offer a Pay As You Go (PAYG) plan. This allows for flexibility in our engagement. Initial retainer is \$500. And services are billed at the following rates-

| | |
|-----------------------|--|
| \$250 per hour | Firm Partner (Tina Watson, Jason Watson) |
| \$120 per hour | CPA |
| \$80 per hour | Staff Accountant, Administrative |

All services will be invoiced with detailed descriptions, and applied against the retainer amount. When the retainer balance is below \$200, an additional retainer payment to bring the account back to \$500 will be required.

Note: Retainer is not required if we have permission to debit your checking account or charge a credit card on file.

Items Not Included

We attempt to not charge for every little thing, but there are required activities that are outside of our normal scope of work. These include but are not limited to new employee setups, terminations, employment verifications, resending W2s, handling IRS or state notices, correcting 1099s, property tax filings, any payroll audit outside of workers' compensation, postage, delivery, etc. These will be charged on a time and material basis at our current billing rate.

Payment, ACH Drafting

Payment for our services will be automatically be debited from your checking account or charged to a credit card. The monthly processing fee of \$220 will be collected on or about the 6th of the month. For example, an automatic payment on July 6th would be for June's processing. An email will be sent 7 days prior to the automatic payment. If you need to make other payment arrangements, please let us know right away.

Agreement Review, Modification, Termination

This proposal is subject to periodic reviews every 90 days, and at that time fees might be adjusted to reflect a new scope of work. For example, if additional accounts have been added or removed such as a credit card account, that might warrant a fee adjustment.

You may cancel our service at any time. However, you might **still incur service fees associated with payroll** since a mid-period cancellation will require payroll forms to be prepared and filed. In addition, upon termination of payroll service you will be responsible for year-end processing, and annual payroll filings such as W3s, 940s, etc.

We will always assist in the transfer of payroll service to another provider, preparing year-end and annual filings, and / or termination of payroll service for an additional fee (typically the cost of a payroll event as outlined above).

Client Communication and Access

Effective communication between the Watson CPA Group and the client is absolutely critical to everyone's success. Our agreement to provide tax, accounting, payroll and / or consultation services is predicated on efficient access to the client's financial records and documentation. We also rely on the client to be responsive to questions about the information provided.

Please call or email us anytime with your questions and concerns, or to schedule a consultation. Thank you in advance, and we look forward to working with you!

Presented by Tina Watson CPA, Senior Partner, for the Watson CPA Group:



Tina Watson, CPA

Dated : October 9, 2016

Accepted by Susie Public for Susie Public S Corp:

Client

Date

Formation, OnBoarding Supplement

The Watson CPA Group will prepare the necessary filings on your behalf for the creation of your small business. We can represent this process in all fifty states plus the District of Columbia.

Typically Articles of Organization or Incorporation (or Certificate of Formation), EIN and an Operating Agreement are required to open a new business checking account. When choosing a business bank, please consider those that have accountant's logins such as Chase and Wells Fargo.

If you cannot act as your own registered agent because you do not live in the same state, then a third party registered agent might be required. We also have access to registered agents in all states.

S Corp election on Form 2553 is typically required within 75 days of business formation, however there are provisions for a late filing. And we take care of this. Our advice is to typically wait on the S Corp election until later in the year to ensure that it is necessary.

Accountable Plans are required for all self-employed health insurance and Health Savings Accounts (HSAs), including S Corp shareholders. All mixed use items such as home offices, cell phones, mileage, meals, etc. are reimbursed through an Accountable Plan. We also provide reimbursement vouchers and instructions. Reimbursements are usually done by reclassifying prior shareholder distributions or owner draws.

Education Assistance Programs, HRAs, self-administered FSAs including dependent care and other benefits might warrant more discussion.

Payroll Supplement

The Watson CPA Group has partnered with **On Time Payroll Solutions** to provide the best possible service to you, and to ensure regulatory compliance. Doug Davidson, CPA, leads the payroll team and has been using On Time Payroll Solutions for over a decade. Your first and last call is to the Watson CPA Group and Doug's team.

Setup, Transfer

We will setup of all Federal withholding and unemployment accounts, and State withholding, unemployment and disability account numbers (if required). Any local taxes are also included. A Limited Power of Attorney (POA) will be required for us to apply and obtain the State account numbers (we make this easy).

We will also transfer any existing payroll accounts if appropriate. Therefore only one W2 will be required per employee, and all payroll filings will be updated to reflect prior deposits and payments.

With our payroll service, you also get unlimited access to our HR help desk. Have a question on Affordable Care Act or overtime rules? Full-time equivalents? Our information is the most current and backed by ADP.

Calculations, Deposits

Payroll calculations and paystub are created for all employees. All paychecks will be direct deposited. Automatic deposits of all tax liabilities are made on your behalf, with the Watson CPA Group and ADP assuming full responsibility for accuracy and timeliness.

We will provide cash requirements for payroll and payroll tax deposits the day prior.

Shareholder Wages, \$0 Check (S Corp Owners)

Periodic consultation with shareholders is provided to determine proper tax withholdings through wages and estimated tax payments. This is commonly done in the beginning of March, June, September and December. We use the backward looking approach and reclassify a portion of prior shareholder distributions and owner draws as wages. And we factor in self-employed health insurance and HSA contributions.

We also create a \$0 check, so you only need enough cash to cover withholdings and payroll taxes. We can coordinate with you on cashflow concerns, and let you know 1-2 weeks in advance what the cash requirements are.

If you will be receiving a W2 and a K1 (for example, as an S Corp shareholder) we can also increase your withholdings calculations to compensate for your K1 income and quarterly estimated payments. In addition, Q3 and / or Q4 mid-course corrections are suggested as necessary to minimize tax consequences.

For more information on shareholder wage determination, \$0 paycheck, increased withholdings, etc. contact us or visit our KB articles at-

www.watsoncpagroup.com/scorp

Payroll Reports, Year-End

Payroll reports and journal entries (if necessary) are provided to you in PDF through the Client Portal. If we prepare your accounting records, we take care of this directly. All W2s are mailed directly to the recipients, and are also made available to you in PDF for review and re-delivery (if necessary).

Termination Checks

If a termination check is required, we can calculate the net-check amount so you can issue an immediate check to the terminated employee. We will then incorporate this unscheduled payroll event in the payroll records. This can also be performed through direct deposit if necessary.

Payroll, Processing Lead Times

All payroll information, timecards, hours, bonuses, etc. must be received by 11:00AM Mountain time two days prior to the check date. For example, for a Friday check date, all pertinent payroll information must be received by 11:00AM on Wednesday.

For our S Corp clients who are running quarterly payroll for shareholders, please understand that payroll is typically a year-long commitment. There are quarterly filings and annual filings. And if a single quarterly filing is prepared and submitted, that automatically triggers a requirement for annual (year-end) filings to be prepared and submitted. See Agreement Termination below.

Late S Corp Payroll

If a scheduled quarterly S Corp payroll event must be completed manually because of a client delay in returning information or approval to us, there is an additional \$275 fee for amending and / or manually preparing payroll filings.

Accounting Supplement

Accounting is more than memorializing transactions for a small business. It is the consultation behind the information to allow owners to manage his/her business.

Obtaining Financial Records

We must have direct bank access to download transactions and statements. Several banks such as Chase, Wells Fargo, Bank of America, AMEX, just to name a few, have an Accountant's Login option.

From there we are flexible in obtaining supporting information such as sales slips, invoices, statements, new employee forms, notices, etc. These can be scanned and uploaded, faxed or mailed.

For local clients in Colorado Springs, we will send a postcard on or about the 29th of the preceding month alerting you of our expected pick up date. All financial records must be received by the 10th of the month for timely processing and delivery of financial reports. We will prepare financial reports based on the information you provided.

Accounting Functions

The Watson CPA Group will perform these accounting functions-

- Categorized Transactions, Posted to General Ledger
- Bank and Credit Card Accounts Reconciliations
- Sales Tax Filings and Payments (if applicable)
- Journal Entries for Payroll, Year-End and Tax Return Adjustments
- Generate Management-Use Only Financial Reports

Learning Curve

When transactions are coded, we will return a list of unknown or uncategorized transactions. At first, this list might be extensive as we learn your habits but will shrink after a few months.

Financial Reports

We will provide Management-Use Only financial reports that are not based on a review or audit. All financial reports will have year to date comparisons and a 90-day look-back for data smoothing and trend analysis.

In addition, we will provide a summary for each financial report that details assumptions made and observations. For example, if a large inventory shipment is paid for at the end of the period, this would slow cost of goods sold, and negatively reflect gross profit.

This is the value-add that we provide when performing accounting functions.

Delivery of Financial Reports

Financial reports will be uploaded to your client portal by the 25th of the month, and if you are local to Colorado Springs, we deliver to your place of business between the 25th and 28th of the month.

Financial Reports Compliance

There are three levels of assurance provided when creating financial reports; Compilation, Review and Audit. Each level has unique standards as governed by professional organizations such as American Institute of Certified Public Accountants (AICPA) and Generally Accepted Accounting Principles (GAAP). Your financial reports are considered Compilations, and are limited to internal management use only. Please refer to the Accounting and Payroll Engagement Agreement for more information.

If you require a Review or Audit for external needs such as government compliance or bank lenders, we are able to provide that level of compliance.

Annual Processing Supplement

The Watson CPA Group will perform these annual processing functions-

- ▲ Extensive Income Modeling in Aug and Nov (1 hour per consult)
- ▲ Annual Retirement and Financial Planning Review (1 hour consult)
- ▲ Annual W2 Filings, Mailed and PDF
- ▲ Annual 1099s, 1-5, Mailed and PDF, extra fees for more than 6
- ▲ Annual Workers' Comp Audit Assistance
- ▲ Year End Journal Entries for Depreciation, Fixed Assets entries
- ▲ Prepare Trial Balance for Tax Preparation
- ▲ Payroll Reconciliations, Annual Payroll Filings
- ▲ Property Tax Filings (if applicable)
- ▲ Corporate Minutes (if required), Periodic State Filing (state fee not included)

1099s

1099s are required to be issued to any vendor who exceeds \$600 in payments. A W9 is typically required by our office to ensure proper reporting, but we can work with you on those compliance issues. When we prepare 1099s for your vendors, we perform the electronic transmittal to the IRS and mail the forms directly to the vendor. Up to five 1099s are included in your monthly fee.

Tax Returns Supplement

Corporate Tax Return

Our corporate and partnership tax preparation includes comprehensive tax return review with you in-person, telephone or Skype. We believe a thorough review is important for two reasons- it ensures ultimate accuracy since the business owner is the most intimate with his/her world, and it allows the Watson CPA Group to educate and inform the client of the moving parts of a tax return.

We also prepare year-end journal entries to ensure accounting records match tax returns.

Personal Tax Return

The monthly fee also includes personal tax return preparation for each partner or shareholder. We believe the best results are achieved when the Watson CPA Group has all the pieces to the tax preparation puzzle. This allows us to create tax models to ensure your tax consequence is accurate.

Tax planning, consultation, modeling, audit assistance and representation are also available.

PBR and Consultation Supplement

Many clients want or need periodic consultation beyond the transactional relationship. Our monthly fee structure allows for consultation throughout the year. Since many business owners are busy, we are pro-active and schedule Periodic Business Reviews at a mutually convenient time.

This sessions are designed to explore various business questions and concerns through our comprehensive fact finder questionnaire. It also may include extensive income modeling and annual retirement and financial planning review. Here is our agenda-

www.watsoncpagroup.com/PBR

As things change or decisions come up, we want to provide you access to excellent consultation and planning resources. Many seemingly innocent ideas and decisions can have negative tax and accounting consequences, or adversely impact the operation of your business. With your subscription you will have unlimited business consultation.

Audit Defense Supplement

IRS examinations of tax returns are a way of life, and defending them can be costly. With our audit defense we will defend your corporate and personal tax returns, transfer the case to our local Colorado Springs IRS office, and schedule and attend all audit appointments. Your physical presence is not required.

There are limitations to our audit defense service. This service only applies to tax returns that the Watson CPA Group prepared, and we cannot guarantee an outcome or a level of success. Most clients lose audits due to incomplete records or documentation. We will represent you in all levels of IRS audit except tax court up to 6 hours per year as long as you are a current subscription client of the Watson CPA Group. Most audits can be completed in two 3-hour sessions.