

2017-2018 Business Services and Consultation Agreement For

Suzie Public LLC

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

What We Offer

Founded by Tina and Jason Watson in 1997, The Watson CPA Group is not a group of tax preparers or number crunchers- we are tax and business consultants and our firm will take you through the cycles of your personal and business lives. Many accountants are only compliance oriented, and while IRS compliance is critical, being proactive is equally important.



Not every business runs the same or has the same needs. We want to ask the appropriate questions, listen, and develop a game plan that works for you. Topics such as entity structure, business coaching, industry research, financial analysis, health insurance, retirement planning, executive fringe benefits, 401k and profit sharing plans, educational assistance programs, health reimbursement arrangements and accountable plans are just some of the areas that define the form and function of today's business. Square pegs don't go in round holes- we'll find the right solution for you and your business.



This service spectrum is an incredible benefit to our clients, including our professional network of knowledgeable CPAs, business advisors, attorneys and certified financial planners. Plus, our firm will be your point of contact as you travel through the cycles of your personal and business lives. And No, we are not the stuffy downtown firm. We are your advocate!

Moreover, our goal at the Watson CPA Group is to always prepare comprehensive and accurate financial reports, filings and tax returns, but equally important is your understanding of how this stuff "works". To the extent necessary, we want you to be comfortable with your tax and accounting world so together we can successfully plan for your future.

Thank you in advance for the opportunity to serve you!

The Watson CPA Group

S Corp Savings

If you own a business as a garden variety single-member LLC (one owner or shareholder), your business income will be reported on your personal tax return under Schedule C and is subject to self-employment tax (currently 15.3%) and ordinary income tax. The same is true for a business that has not formed a corporation such as a sole proprietor and partnerships. So, you could easily pay an average of 40% (15.3% in SE taxes + 25% in income taxes) on all your net business income in Federal taxes. Wow!

However, when your partnership, LLC or corporation is taxed as an S-Corp you are both an employee and a shareholder (think investor). As an employee, your income is subjected to all the usual taxes that you would see on a paystub- federal taxes, state taxes, Social Security taxes, Medicare taxes, unemployment and disability. However, as a shareholder or investor, you are simply getting a return on your investment much like a dividend which is not subjected to self-employment taxes.

Net savings is about 8-10% of your net business income after expenses. Visit our website for more information-

www.wcgurl.com/1366

The Value Proposition

Team Approach

We currently have 13 business professionals including CPAs and CFPs 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. We have learned that business owners are excellent at making widgets, but they commonly need help and advice on administering the business and getting the most out of it. We offer an objective perspective.

Industry Research

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 Fringe 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 and Sally Rhoades vis a vis SFD Capital. Tina and Sally are both CPAs and Certified Financial Planners (CFPs). Our financial team also includes estate planning attorneys and insurance agents to ensure a comprehensiveness.

Exit Strategies, Business Valuation

Businesses are easy to start yet hard to end. Do you need a death, divorce or incapacitation clause with your partners? How do you sell internally? When do you sell? Continuity is important for business owners' long-term wealth building and preservation.

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. We create mock tax returns throughout the year for review.

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.

2018 Services

Formation

- Articles of Organization or Incorporation, Certificate (\$425)
- State Filing Fee (\$50)
- 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) \$475

OnBoarding

- Payroll Accounts Setup for 2018, Unlimited HR Help Desk Access thru ADP (\$300)

OnBoarding Fee (one-time) \$300

Retroactive Services

- None.

Retroactive Services Fee (one-time) \$0

Total One Time Fees \$775

2018 Subscription Services

Monthly Fee Structure (includes the following)

S Corp Packages

	Aspen	Vail	Breck	Keystone	
S Corp Reasonable Salary Calculation	Yes	Yes	Yes	Yes	
Section 199A QBI Tax Optimization	Yes	Yes	Yes	Yes	
S Corp Payroll Filings and Deposits	Yes	Yes			
Annual Processing (W2s, other filings, up to five 1099's)	Yes	Yes			
S Corporation Tax Prep (Form 1120S)	Yes	Yes	Yes	Yes	
Individual Tax Prep (Form 1040), One Owner	Yes		Yes		
Estimated Tax Payments (done thru payroll or directly by us)	Yes	Yes	Yes	Yes	
2018 Tax Planning, Mock Tax Returns	Yes	Yes	Yes	Yes	
Unlimited Consultation and Periodic Business Reviews (PBR)	Yes	Yes	Yes	Yes	
First Research Industry Reports	Yes	Yes	Yes	Yes	
Small Business Tax Deductions Optimization	Yes	Yes	Yes	Yes	
Solo 401k Plan	Yes	Yes	Yes	Yes	
IRS Audit Defense	Yes		Yes		
	Annual Fee	\$2,940	\$2,640	\$2,460	\$2,160
	Monthly Fee	\$245	\$220	\$205	\$180

Accounting (consult only)

Bank Accounts:	1-2, Direct Bank Access
Sales Tax:	No
Report Frequency:	Quarterly
Platform:	QuickBooks, Xero Accounting, Waveapps, Online, Hosted

2018 Aspen S Corp Package (Annual Fee of \$2,940, paid monthly)

Since only a partial year remains, our usual annual fee is pro-rated to not charge you for services you didn't use (like payroll and consultation). However, a large chunk of our annual fee is tax preparation which is typically a fixed amount of \$1,300. Whether we onboard you in January, July or December, we have to prepare a full year tax return. This increases the monthly fee for the remaining months of 2018 but the monthly fee will later decrease in January of 2019.

Monthly Fee (starting January 1 2018)

\$245

Tax Return Preparation Disclosures

To avoid confusion and awkward business relationships, we need to make some disclosures regarding tax preparation fees.

Tax return preparation for 2018 is paid in advance within the monthly fee above. Therefore, tax returns for the 2017 tax year due in 2018, as applicable, are invoiced separately. Tax returns for the 2018 tax year due in 2019 will be pre-paid within the monthly fee above. Please refer to the termination section for additional information.

We attempt to provide a flat fee for tax return preparation and we make every attempt to maintain the fees above. However, about 10% of our small business owners have tax returns that are outside the usual complexity, and require significant additional tax preparation time. Examples include having more than 5 rental properties, brokerage accounts with several transactions, tax returns requiring more than 3 state tax returns, etc. If this situation exists we will provide a separate additional fee for the completion of your tax returns (again, we'll be gentle). We encourage you to provide the previous year's tax returns for review and quotation (if necessary).

We expect to perform 2-3 hours of accounting support within the tax preparation process such as re-working profit and loss statements, reconstructing balance sheets, reconciling payroll entries and preparing adjusting journal entries (if necessary and appropriate). This is already included in the fees above. If additional accounting is necessary to adjust your books to an acceptable level of format and accuracy our hourly fee is \$90.

By initialing, you acknowledge the **Tax Return Preparation Disclosures** above _____

By initialing, you acknowledge that the monthly fee does **NOT** include 2017 tax return preparation _____

Payroll Consultation Disclosures

If we are only providing payroll consultation and not directly processing payroll, our engagement is limited to providing reasonable salary computations, maximum 401k and SEP IRA calculations, and assisting with basic concerns such as the proper recording of self-employed health insurance and HSA contributions. We cannot assist in filing or reviewing payroll tax returns such as 940s, 941s, 944s, state unemployment and disability, W-2s and W-3s. We strongly urge clients to either have the Watson CPA Group process payroll or utilize the services of a professional such as Gusto or Intuit.

By initialing, you acknowledge the **Payroll Consultation Disclosure** above _____

Tax Notices Disclosures

From time to time you might receive a tax notice from the IRS, state or local taxing authority. These are never pleasant. Further, it is a common misconception that the government and their respective employees are never wrong. However, their systems are ran by human beings and while we like to believe that the best and brightest people are employed with our government, sadly they are like anyone else. To make matters worse, these notices might contain threatening language and are routinely delivered after business hours.

Here is what we kindly encourage you to do when a tax notice arrives-

- ▲ Briefly freak out.
- ▲ Send a copy (all pages, front and back) to our office via your client portal.
- ▲ Rest assured that the notice is being handled.

Here is what we will do-

- ▲ Let you know we received it and create a ticket for you to track.
- ▲ Advise you of the timeline for resolution. It is common for taxing authorities to take 8-10 weeks to resolve the matter. Meanwhile the computer system escalates the problem and churns out more threatening letters. Please send a copy these “crossed in the mail” notices as well.
- ▲ If the notice is an income tax matter or some matter that is our purview we might need a power of attorney to contact the taxing authority.
- ▲ If the notice is payroll related, we will forward to ADP, our payroll processor, and monitor their progress.

Critical- please do not respond directly to the notice nor send payments without our explicit instructions. We cannot have two cooks in the kitchen.

Please understand that we will always make it right, right away. Penalties and interest will be our responsibility if our action or omission is the cause of the tax deficiency.

By initialing, you acknowledge the **Tax Notices Disclosures** above _____

Schedule Disclosures

We want you to focus on operating your business and not spend as much time administering your business. At the same time, there are hard and soft deadlines. We are at the mercy of government agencies and we must march to the beat of their drum. In addition, we want to manage your expectations.

The following schedule shows payroll events and tax preparation deadlines, plus our tax planning and periodic business reviews (PBRs). **Critical information and deadlines are shown in red.** Regardless of our scope of engagement, please review for pertinent information. We will also send out reminders throughout the year.

2018 Q1

Jan 16 2018 W-2s are made available to you for 2017 and uploaded to your client portal.

Cash needs for Q1 payroll is provided to you.

Jan 20 Q1 approval is required from you, or the payroll will be automatically skipped with a zero filing.

Jan 27 Q1 payroll is processed with a March 30 checkdate. Cash is required to be in the business checking account at this time (March 29 2018)

No payroll communications or adjustments between February 1 and April 30 2018 except late 2017 Q4 payroll events. If necessary, we recommend skipping Q1 if cash or time constraints do not allow for payroll processing. Q2, Q3 and Q4 will simply be adjusted accordingly with no bumps or bruises.

Feb 19 Financial data are due for preparation of business tax returns. Incomplete information or late information will require an extension of the business tax returns (no charge).

Apr 2 Personal data are due for preparation of personal tax returns. Incomplete information or late information will require an extension of the tax returns (no charge).

2018 Q2

Jun 5 Cash needs for Q2 payroll is provided to you.

Jun 19 Q2 approval is required from you, or the payroll will be automatically skipped with a zero filing.

Jun 26 Q2 payroll is processed with a June 29 checkdate. Cash is required to be in the business checking account at this time (June 28 2018).

2018 Q3 (mid-course correction)

- July Periodic Business Reviews www.watsoncpagroup.com/PBR
- Aug 14 Estimated business income and expenses for 2018 are due for Q3 re-assessment of payroll and tax liabilities. Tax planning and modeling is performed.
- Financial data are due for preparation of extended business tax returns. Incomplete information or late information will cause business tax returns to be filed after the filing deadline and will incur a late filing penalty (severe).
- Aug 28 Cash needs for Q3 payroll is provided to you, or the payroll will be automatically skipped with a zero filing.
- Sep 11 Q3 approval is required from you.
- Personal data are due for preparation of extended personal tax returns. Incomplete information or late information will cause personal tax returns to be filed after the filing deadline and will incur a late filing penalty (severe).
- Sep 18 Q3 payroll is processed with a September 28 checkdate. Cash is required to be in the business checking account at this time (September 27 2018).

2018 Q4 (last chance, clean up)

- November Periodic Business Reviews www.watsoncpagroup.com/PBR
 End of Year Tax Planning www.watsoncpagroup.com/EOY
- Salaries for 2019 are determined**, and estimated quarterly cash needs are sent to you so you may properly budget. We will follow up in January to obtain approval for 2019 Q1 payroll.
- Nov 20 Estimated business income and expenses for 2018 are due for Q4 / end of year re-assessment of payroll and tax liabilities. Tax planning and modeling is performed after turkey dinner and the Cowboys lose.
- Self-employed health insurance, HSA and 401k amounts **are also required** for preparation of W-2s for 2018.
- Dec 4 Cash needs for Q4 payroll is provided to you. **Payroll setups for 2018 must be completed.**
- Dec 11 Q4 approval is required from you. **Please see Hard Deadlines below.**
- Dec 14 Q4 payroll is processed with a December 28 checkdate. Cash is required to be in the business checking account at this time (December 27 2018).

Soft Deadlines

If payroll for Q1, Q2 and / or Q3 cannot be processed on time because we did not receive your information or approval in time, we can always run two payrolls the following quarter (no additional charge). Note- this is only for Q1, Q2 and Q3 since the runway ends for Q4.

Hard Deadlines

November 20 2018

Estimated business income and expenses for 2017 are due for Q4 / end of year re-assessment of payroll and tax liabilities. **This includes health insurance, HSA and 401k amounts so your 2017 W-2 is accurate.** If we do not get timely information from you, a W-2 will be prepared and filed with the information on file. If changes are necessary, we then must charge a \$250 fee to amend W-2 payroll filings. This is very critical.

December 11 2018

Q4 approval is required from you. If Q4 cannot be processed because we did not get a timely approval from you, a zero filing will be made. We then must charge a \$400 fee to process a manual payroll event and amend Q4 payroll filings. This too is very critical. While we are loose and accommodating most of the time, with year-end stuff we cannot un-ring the bell.

By initialing, you acknowledge the **Schedule Disclosures** above _____

Updates may continuously be obtained through this link-

www.wcgurl.com/33

Out of Scope Services

For projects and periodic services outside of our subscription services engagement, we will provide an estimated hourly range based on the project's initial scope. A retainer of 60% of the project estimate might be required prior to work being started, and the following hourly rates will be applied against the retainer.

\$250 per hour	Tina Watson, Jason Watson
\$150 per hour	CPA or Equivalent
\$90 per hour	Staff Accountant, Administrative

All services will be invoiced with detailed descriptions, and applied against the retainer amount. A separate engagement agreement might be necessary depending on the complexity of the project.

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, re-sending W2s, handling IRS or state notices for matters that the Watson CPA Group was not originally engaged to perform, correcting 1099s, verification letters for mortgage loans, 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. However, we will always alert you prior to any outside scope work being performed.

Payment, ACH Drafting

Payment for our services will be automatically be debited from your checking account or charged to a credit card. Please rest assured that if you have a question about our fee or need to cancel our engagement, you can do so at any time. No phone menus. No hold times. No strong-arming. We also understand that auto-drafts pose a security risk to your money. We have the same concerns as well which is why we only use PaySimple as our ACH and credit card processor. We've used them for nearly a decade, and their internal controls are excellent.

▲ Monthly Fee Starting January 2018 **\$245**

For example, an automatic payment on July 1st 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- we can always work with you on fluctuating cash crunches.

By initialing, you authorize Watson CPA Group to automatically debit your business checking account or charge your credit card for our monthly fee (all other charges, if any, will always be approved by you on a case by case basis- this authorization is only for our monthly fee) _____

A separate Payment Authorization form will be sent to you via an email link after completion of this Business Services and Consultation Agreement.

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. Any fees collected that were attributed to pre-paid tax preparation will be refunded at 75% (unless we prepare them post-termination). Mid-period cancellations still require payroll forms to be prepared and filed. We will work with you on the transition, and additional fees associated with payroll filings might be incurred. In addition, upon termination of payroll service you will be responsible for year-end processing, and annual payroll filings such as W-3s, 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).

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 the Watson CPA Group:



Tina Watson, CPA, Founding Member

Dated : December 20, 2017



Jason Watson, Managing Member

Dated : December 20, 2017

Accepted by Suzie Public for Suzie Public LLC:

Client

Dated : December 20, 2017

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 where your business is domiciled, 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. For new businesses with uncertain revenue, 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. Please visit our webpage on Accountable Plans-

www.watsoncpagroup.com/APlan

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

Payroll Supplement (if engaged)

The Watson CPA Group has partnered with ADP to provide the best possible service to you, and to ensure regulatory compliance. ADP is merely the computation and filing arm of the payroll process. Your first and last call is the Watson CPA Group.

ADP is a double edged-sword. They are excellent at what they do, they defend their payroll tax filings and they provide online access for you to directly view and retrieve payroll documents (which are also uploaded into your client portal). If our engagement is terminated, you can also easily transfer the historical payroll information to your personal account for future processing.

However, ADP is a huge company with rigid rules and deadlines. Please be aware that missing hard deadlines as outlined previously will incur additional fees for amendments.

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 W-2 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?

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 assuming full responsibility for accuracy and timeliness. We can also mix and match for those employees without checking accounts by direct depositing some and creating paper checks for others.

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. Our common strategy is to calculate Q1 and Q2 payroll in advance, use Q3 as a true-up for changes in income and Q4 as a clean-up for the entire year.

We use the backward looking approach and reclassify a portion of prior shareholder distributions and owner draws as wages. Therefore, you do not need to wait for payroll to get money out of the business for personal expenses.

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

Your W-2 withholdings will be grossed up to plan for your K-1 income and associated income taxes by using your previous tax returns coupled with your projected business income. This replaces the need for estimated tax payments. This is always our goal- compartmentalize your business and help you budget for the income tax consequence throughout the year.

If you want more or less taxes withheld, please let us know. If you have major life events such as new home, new baby, marriage, divorce, changes in income, etc., please let us know so we can accommodate. We will also need to know about other income sources such as spousal income or pension income to accurately project your tax liability throughout the year.

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 W-2s 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. 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 Termination above for transitional considerations.

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 will be additional fees for amending and / or manually preparing payroll filings.

Consultation Only Engagement

If we have engaged with you to provide only consultation for your payroll needs, our service to you is limited. The Watson CPA Group will assist you in processing payroll, making payroll deposits and filing payroll tax returns in a general manner. We cannot prepare or review payroll filings. We cannot contact revenue and employment agencies on your behalf. Our scope is limited to providing general advice in the area of payroll. However, we can provide additional payroll services if necessary.

Accounting Supplement (if engaged)

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 can arrange for delivery 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 through another accounting firm since we are not independent of you.

Consultation Only Engagement

If we have engaged with you to provide only consultation for your accounting needs, our service to you is limited. The Watson CPA Group will assist you in categorizing business transactions, providing journal entries and answering financial statement questions in a general manner. We cannot Audit or Review financial statements as defined by the AICPA. We cannot review or rebuild QuickBooks data files. Our scope is limited to providing general advice in the area of accounting. However, we can provide additional accounting services if necessary.

Annual Processing Supplement

The Watson CPA Group will perform these annual processing functions-

All Engagements

- ▲ Extensive Income Modeling in August and November
- ▲ Annual Retirement and Financial Planning Review
- ▲ Corporate Minutes (if required), Periodic State Filing (state fee not included)

Payroll Engagements

- ▲ Annual W2 Filings, Mailed and PDF
- ▲ Annual 1099s, 1-5, Mailed and PDF (\$10 each for quantities above 5)
- ▲ Annual Workers' Comp Audit Assistance

Accounting Engagements

- ▲ Year End Journal Entries for Depreciation, Fixed Assets entries
- ▲ Prepare Trial Balance for Tax Preparation
- ▲ Payroll Reconciliations
- ▲ Property Tax Filings (if applicable)

1099s

1099s are required to be issued to any vendor who is not a corporation and 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 annual fee.

Tax Returns Supplement (if engaged)

Corporate Tax Return

Our corporate and partnership tax preparation includes comprehensive tax return review with you in-person, telephone, GoTo Meeting 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

Tax planning is critical to long-term financial success. Do you buy a piece of equipment on December 31 or January 1? Do you defer income? Do you defer income taxes? Business owners commonly sacrifice long-term success for short-term gains, and we'll explore that with you. Here is our end of year tax planning supplement-

www.watsoncpagroup.com/EOY

Consultation Supplement

Many clients want or need periodic consultation beyond the transactional relationship. Our monthly fee structure allows for consultation throughout the year.

Periodic Business Review (PBR)

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. Our goal is for you to leverage more out of your business by understanding entity structures, business expense deductions and other considerations such as automobiles, home offices, children on payroll, etc. It also includes extensive income modeling, and annual retirement and financial planning review. Here is our agenda-

www.watsoncpagroup.com/PBR

Unlimited Consultation

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 allowing you unfettered access to advice.

Financial Analysis

Business owners commonly try to use financial reports as a tool to manage his or her business. While this can be useful, there might be other data presentations that are more timely and more accurate from an operational perspective. We can help develop systems where data and information are presented in ways that are meaningful and value adding to operational decisions.

For a sample please visit-

www.wcgurl.com/12

Industry Research

Our consultation also includes industry research through First Research, Risk Management Association (RMA) and National Economic Reports. How do you compare to your peers? What is the forecasted growth for your industry? We can provide this information to you as well.

Business Valuation

Jason Watson is also a Certified Valuator and Analyst (CVA). If you need a business valuation for selling, employee stock ownership plans, dissolution of marriage (divorce) or economic damages, we can help provide valuations as necessary.

Solo 401k Plans

The Watson CPA Group acts as a Third Party Administrator (TPA) for small business owners who want to implement a solo 401k plan. This is available to a single-owner business or a husband and wife team. The 401k plans that we create have Roth options, and in-service rollovers (in and out).

You can take our plan and custody it with any of the major brokerage houses.

There is a one-time set up fee of \$500 which is a tax credit for small business owners. This fee is not a deduction, but rather it is a credit where you get dollar for dollar returned to you.

Our annual plan fee is \$250, however this is waived if your business subscribes to one of our S Corp Packages.

If you need investment advice, we recommend our sister company, SFD Capital. Because of rules and regulations, CPA firms cannot offer investment advice. Therefore we created a separate Registered Investment Advisor firm called SFD Capital. It is spear-headed by Tina Watson, CPA, CFP® and Sally Rhoades, CPA, CFP® who are both Certified Financial Planners (CFPs). Yeah, we have to put that dorky ® after CFP. Their rules.

SFD Capital's investment strategy is two-fold. First, proper financial planning is done to determine your objectives and risk tolerances. Second, they create buckets that are divided up into short-term (1-3 years), mid-term (3-10 years) and long-term (more than 10 years).

In a theoretical world if you had unlimited time you can assume unlimited risk. Unfortunately no one gets out of this thing alive and father time is undefeated. The short-term bucket is reserved for emergency cash and immediate purchases. Low risk.

The mid-term bucket has a longer horizon, and therefore is a blend of actively managed funds and index funds. Mid-term buckets are designed for other investments or purchases that will come up in the next 3 to 10 years, such as acquiring a rental or buying a second home.

The long-term bucket is primarily filled with 2-3 index funds based on the S&P 500. Too often SFD Capital sees people invested into a dozen or more mutual funds in a variety of niches such as international or sectors. This is the illusion of precision in their opinion. Index funds provide market returns with very low fee ratios. The vast majority of managed funds do not outperform the market. They have their place, for sure, but not in a long-term bucket.

Generally speaking, SFD Capital's annual investment advisory fee is 0.7% of your assets in your 401k plan. They can also manage your other IRAs and brokerage accounts. For those clients who simply want investment advice there are annual flat rate plans that are customized for your specific needs. SFD Capital uses TD Ameritrade as its custodian.

More information please visit-

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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.