Q2 - 2021

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Financial Statements and Ratios

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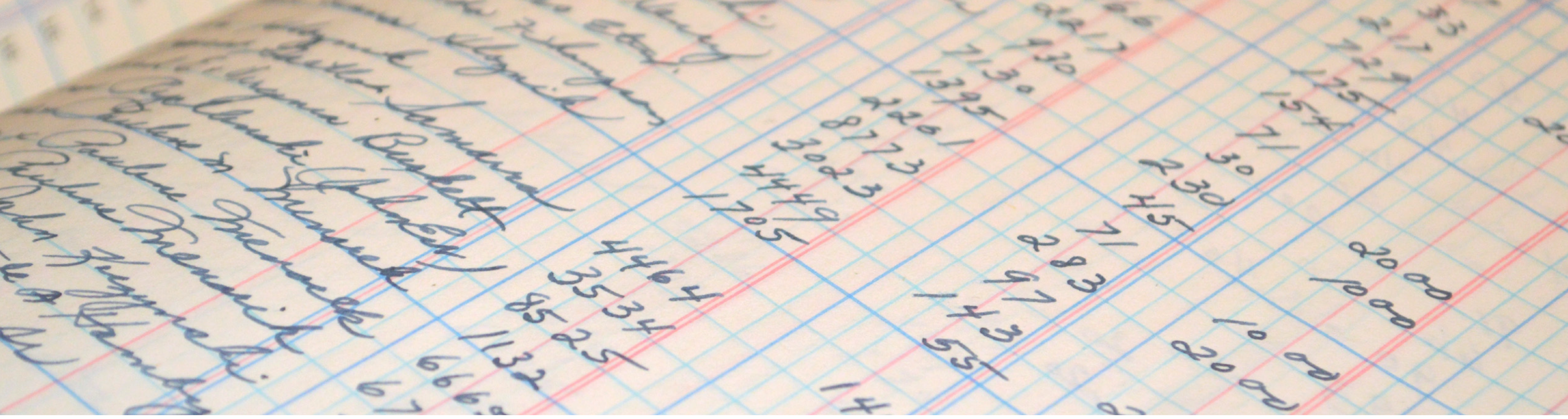
Effective financial management is essential to managing a successful small business or non-profit. To ensure this, you need to review and analyze the financial statements and financial ratios of your organization on a consistent basis. This review and analysis is critical for a thorough understanding of your financial statements, identifying trends over time, and measuring the overall financial status of your business. Learning about each of these pieces will help you to better understand the importance of this process.

Continues on page 2

IN THIS ISSUE



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An organization's financial statements are the formal records of the financial activities and position of the business, communicating overall details of the financial performance to any end-users. There are three main financial statements that should be prepared and reviewed on a regular basis: Income Statement (financial performance), Balance Sheet (financial health), and Statement of Cash Flows (cash management). Each of these statements is inter-dependent on the other, and the full financial statement package provides the complete picture of the business.

Reviewing the Income Statement will help you to see trends in revenue and profitability. It also will aid in making decisions on which revenue streams to invest in or abandon, potential cost cutting measures, and optimizing debt within the organization. During this review, you should ensure positive gross profit, operating income, and net income. Also, keep in mind that business profits typically grow as the top-line revenue grows, as margins earned on sales tend to flatten or diminish as time goes on. Red flags to be aware of when reviewing the Income Statement are negatives at any line-item, declining sales or profitability, and expenses as a percentage of sales increasing.

Positive signs to note while reviewing the Balance Sheet include strong current asset values and positive retained earnings. Comparing to prior periods will help to determine your company's ability to collect and pay debts over time. Some warning signs to be aware of during this review are mountains of debt (both short-term and long-term), little to no cash, and excessive growth of assets with no comparable sales growth noted. Also, negative retained earnings can indicate your business is not performing well, and you need to implement some remedial measures immediately to help with sales growth or cost containment.

The Statement of Cash Flows should show net cash provided by operating activities as a positive, as this indicates the current operations of the business are infusing cash into the organization to help with future growth initiatives. The investing and financing sections of this statement should remain consistent period-over-period, and should be in-line with current performance and future expectations. Reviewing this statement helps you with evaluating inventory policies and purchase strategies, accounts receivable collections and terms with customers, as well accounts payable timing.

Utilizing pieces of information from the financial statements, financial ratios are an essential quantitative analysis tool that act as key performance indicators identifying positive and negative trends. Watching these ratios and trends allows you to make and implement ongoing financial strategies, and if necessary, change course on short-term plans to better the business. Ratio analysis also allows for the comparison of your company's financial state to other businesses within your industry. Several ratios exist that fall into one of the following five categories: liquidity, working capital, asset usage, efficiency, and profitability. Finding the right mix of available ratios for your organization is key, and your internal accounting function or external accounting consultants can help create the optimal dashboard for you.

A thorough review and understanding of your financials and what they mean for your organization is absolutely essential for a productive business. Adding this review to your typical monthly or quarterly processes is imperative for continued business success.

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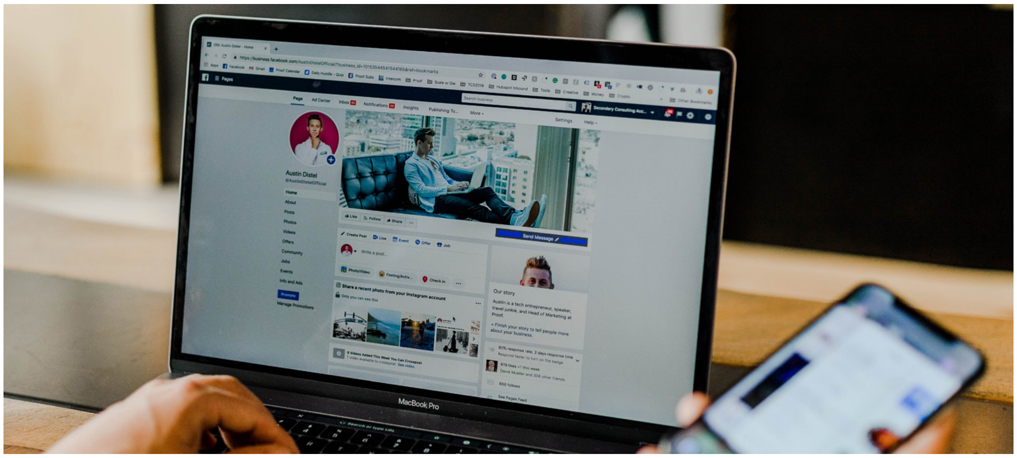
Social Media Strategy



Your small business uses social media – great! But now what? As recently as a few years ago, just being on social media was enough to gain a business some credibility, but now you need to find a way to stay engaged. Below are three tips to enhance your company's social media presence.

Choose the Right Platforms

Many people still think that social media is one thing, but really each platform is very different. Determine which platform(s) your company should be on. It is sound advice to start with one platform and grow from there. Oftentimes, businesses think it is a great idea to sign up for four or five different social media platforms, and then a few are rarely updated. Here are some basics about the main five platforms:

- Facebook – users of all ages; the easiest to use/schedule posts; integrating ads
- Instagram – focusing on images; slightly younger audience; linked to Facebook for scheduling
- LinkedIn – professional platform; great for sharing longer content
- Twitter – best for community engagement; most time needed to keep this updated
- TikTok – newest of the core platforms; more time to edit and create content; much younger audiences

To determine the best platforms for your brand, you need to determine your goals. If you want to engage with the community, you may choose different platforms than if your goal is simply to generate more revenue.

Content Strategy

Posting on social media is easy, but it takes time. If you determine how frequently you want to post, identifying the types of posts, and creating a plan to generate fresh content, you will have a much easier time with standardizing your processes. Content calendars are essential to keep everyone on task and keep your content flowing.

Content calendars are a great way to see your social media picture as a high level overview. When I create content calendars I include items for creating the content (who is responsible? why does it need to be completed?), the types of content (brand awareness; community engagement; educational purposes), the frequency of posting (one a week? three times a week? once per day?), and the nuances between the platforms (this is a good post for LinkedIn, but not for Facebook). Content calendars are a great way to create repeatable success.

Provide Value

So many small businesses believe that their posts should be highlighting their specials or their services, however, it has been determined through massive amounts of research that most consumers don't react well to that. I do not mean that you should never post about your business, but those shouldn't be your only posts. Consider the ways in which your business can provide value to people. Focus on showcasing your knowledge of your industry rather than just pitching your services. This will help to build relationships with your community.

Social media is changing rapidly. Staying on top of the trends will help your company filter up to the top of social media feeds. If you need any help with your social media approach, reach out to me!

The Importance of Classification

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As a small business owner, you may face the issue of whether to classify workers as employees or as independent contractors. Classifying your workers as independent contractors generally saves you money. That's because you avoid paying employment taxes and benefits on their behalf.

If the IRS determines that you misclassified your employees as contractors, you could end up paying all of the employment taxes and benefits that would have been paid over the years. Depending on the size of your work force, the cost to your business could be substantial.

In determining whether the person providing a service is an employee or an independent contractor, all information that provides evidence of the degree of control and independence must be considered. There are three primary categories of control and independence that the IRS considers when determining if a worker is a contractor or an employee:

Behavioral
Does the company control or have the right to control what the worker does and how the worker does his or her job? If yes, the worker is an employee.

Financial
Are the business aspects of the worker's job controlled by the payer? This includes things like how the worker is paid, whether expenses are reimbursed and whether the employer provides tools and supplies. If yes, the worker should be classified as an employee.

Type of relationship
Are there written contracts or employee-type benefits? If contracts are involved, the worker may be a contractor. If benefits such as a pension plan, insurance and vacation pay are made available, the worker most likely is an employee.

Determining whether a worker is a contractor or employee can get complicated. And remember that there are significant financial consequences for incorrectly classifying a worker. Please call if you have a question about your company's classifications, or any other issues that fall in the realm of human resources.

The New World of Bank Reconciliations

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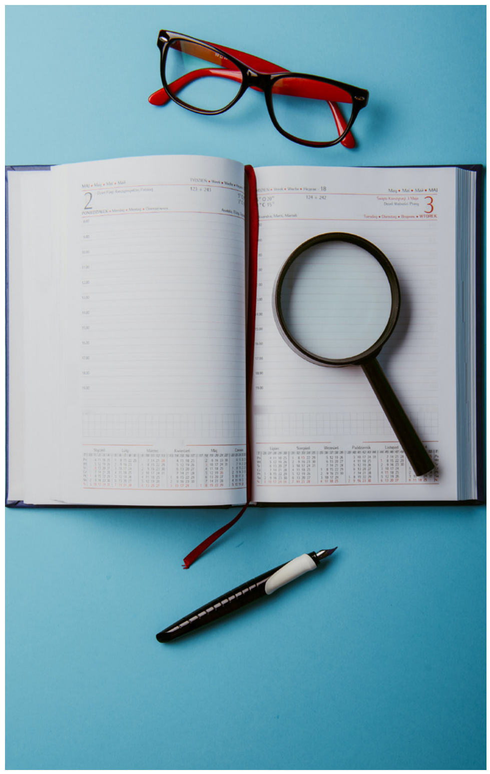
Here's a look at the new age aspects of bank reconciliations and some ideas to use to ensure your bank account is accurate.

The bank reconciliation purpose
In a nutshell, a bank reconciliation ensures your account is accurate. This is done by comparing all your activity with what the bank is reporting.

The importance of timely bank reconciliations
There are several reasons for conducting these account reviews on a timely basis:

- Catch a mistake by the bank. Banks can easily make mistakes on their end, and these reconciliations can help you catch these errors. And errors are more common with digital payment systems...often a small transposition or machine misread of a number can create a payment error.
- Catch a mistake by you. Yep, it's difficult envisioning making an error, but that happens, too. It is easy to record the wrong payment amount. The only way to catch this is to look at your account and compare it to what you think you paid.
- Catch unauthorized use. If someone hacks into your mobile phone's payment app and spends $20 of your money, how would you ever find out? Reconciliations uncover fraudulent activity you may have missed.

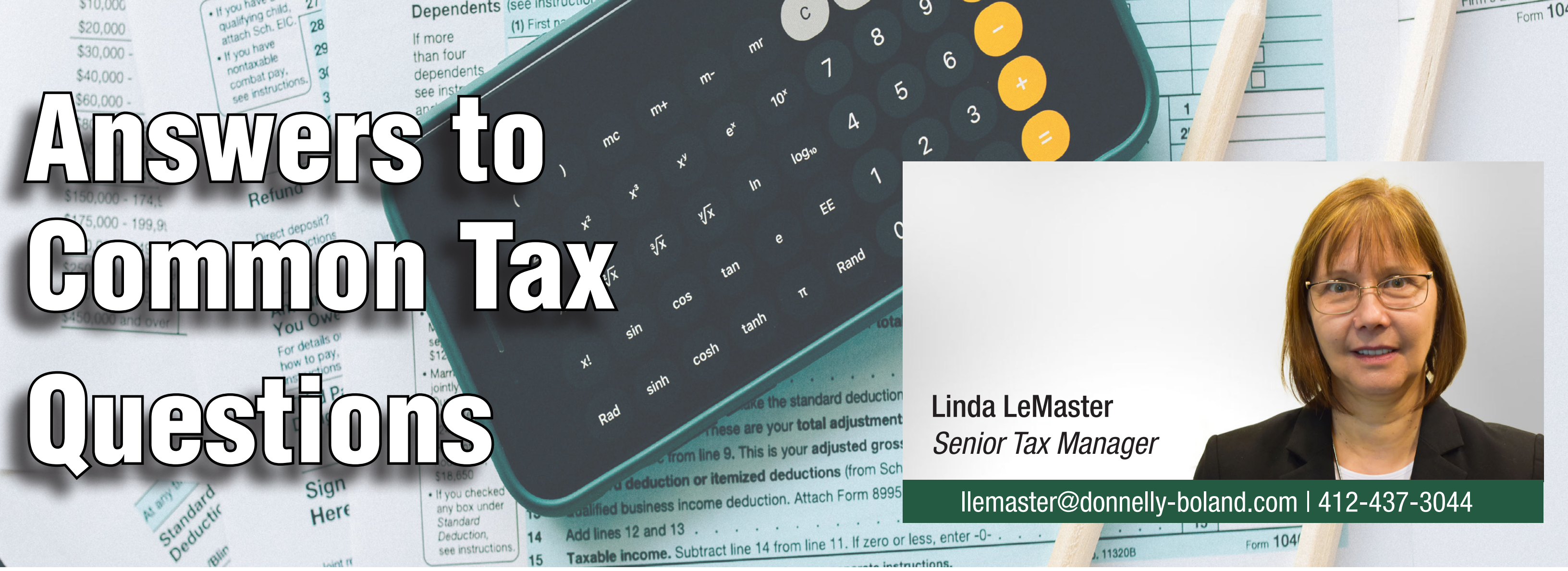


- Properly monitor automatic payments. With monthly payments automatically coming out of your account, it is easy to forget to account for these payments and have less in your account than you think you do. Timely reconciliations also help you identify ongoing payments that should be discontinued.

Tips for reconciling your accounts
Here are some tips for reconciling in the new world of banking.

- Reconcile every week (or every day!). Gone are the days when you need to wait for your monthly bank statement in the mail to reconcile your account. Use your bank's online tools to reconcile once a week or even once a day. This will help identify problems as they occur and is especially important in identifying possible hacking or theft.
- Use your favorite app to capture your spending. Secure online applications are now replacing the traditional check register. You'll still need to be disciplined to use the online tool when you spend money, so look for an application that is easy to record your spending.
- Combine reconciling with budgeting. Use your reconciliations as an opportunity to become better with budgeting your money. Use reporting functions to help classify your deposits and payments. Then compare them with what you think they should be. This moves the discipline from simple reconciliation to a more planned approach to comparing your budget to actual spending.

The way bank reconciliations are done may have changed over the past 20 years, but the vital role they play in maintaining your financial health will never disappear.



Answers to Common Tax Questions

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With the newly pushed back individual tax return filing date around the corner (May 17, 2021) here are answers to some common tax questions.
When will I get my refund? The pandemic and additional stimulus payments will, in all probability, delay refund payments. But as of now here are the old wait times to receive your refund.

- E-file return with a direct deposit takes one to three weeks.
- E-file return with a mailed check takes about one month.
- Paper file return with a mailed check takes about two months.

If you want exact information on the status of your refund go to www.irs.gov/refund and follow their instructions.

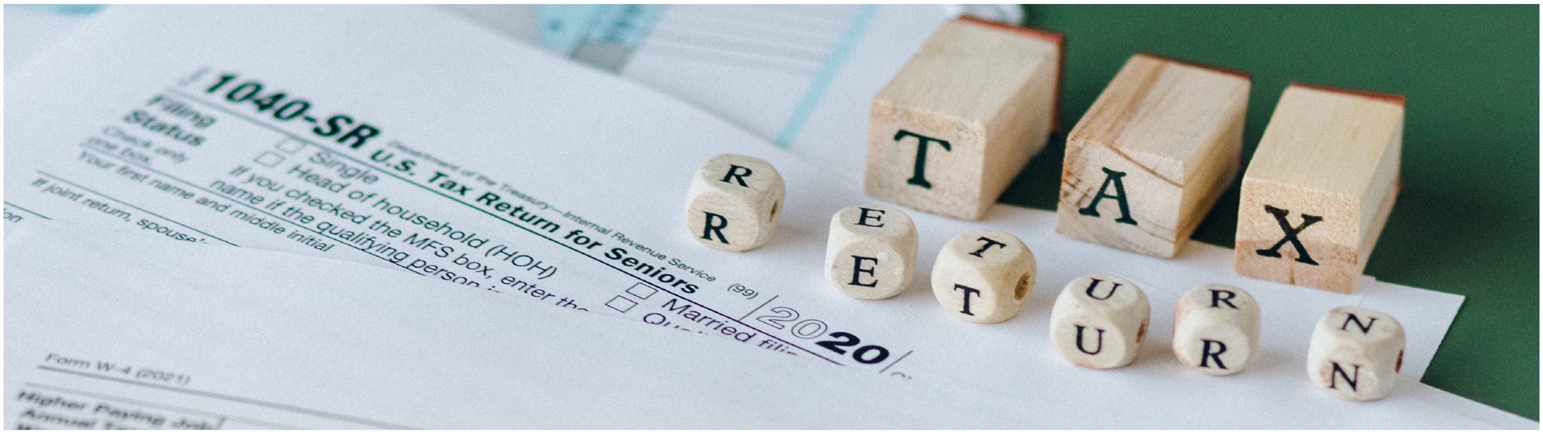
What's the most common delay in completing a tax return?
Missing items! W-2 and 1099 forms are some of the most common tax documents to go missing. If you have multiple jobs, whether full-time or part-time, you'll be getting multiple documents in the mail. It's easy to lose track of all these documents if you don't have one place you put them once received.

Can I still get a stimulus payment?
If you're still waiting on either the 2020 or 2021 stimulus payment, file your 2020 tax return and claim the Recovery Rebate Credit. This is why it is important to keep track of any payments you receive from the government during the year. You will need them to account for any missing payments or underpayments.

Can I correct a tax form that has an incorrect dollar amount?
If you receive a tax document with incorrect information, contact the company that issued the document and try to get it fixed immediately. If you can't get a corrected form right away, include both the incorrect form and the correct dollar amount when turning in your tax documents to have your return prepared.

Can I deduct charitable contributions if I don't itemize?
In 2020 you can claim a $300 charitable contribution deduction regardless of whether or not you itemize your deductions. If you missed this window of this above-the-line donation in 2020, never fear as it is also available in 2021 with an increased limit to $600 for married couples. So save those donation receipts!

Is this taxable? While there are always exceptions, the most common taxable items that are questioned include unemployment benefits and withdrawals from non-Roth retirement accounts. Some things, like Social Security, are often, but not always, taxable.



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