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PURA VIDA

BY ANDY HATFIELD

This past July my family spent a week of vacation in Costa Rica. The six of us (my wife, three kids and my daughter's close friend) went with another family of four and stayed in a house in Quepos right off the Pacific Ocean. We enjoyed the beach, went on some great excursions, saw some amazing wildlife and ate extremely well!

If you have been to Costa Rica you already know where I'm headed by reading the title of this article. As soon as you step foot

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off the plane in Costa Rica, you hear the words Pura Vida! The meaning of Pura Vida in English is pure life or simple life. You can literally use these words in almost every situation that you encounter and it be considered acceptable. It can be used as a greeting, a goodbye, an answer to How are you? and more (look it up!). To the locals, it's much more than a saying, it's a way of life. Enjoy life no matter your circumstance; life is what you make of it, no worries and why stress? Costa Rica is consistently ranked as one of the happiest places on the planet and their population has one of the longest life expectancies of any country. Maybe there is something to Pura Vida!

Reality hit us all in the face when we arrived back in the U.S. in the early hours of a July Sunday morning after multiple airline related delays. We left Pura Vida far behind, so it seemed.

Whether it be the demands at the office, dealing with family issues or any other challenges, it seems that many of us (me included) can't break away from the daily grind of stress, chaos and disruption. So how can we live out this Pura Vida mindset amongst all the hustle and bustle back home? Here are some of my thoughts:

- ◆ Don't sweat the small stuff.
- ◆ Try to find the good in all people.
- ◆ Exercise routinely.
- ◆ Go on hikes! Enjoy the beautiful outdoor environment that we are surrounded by in East TN and Western NC.
- ◆ Love your neighbor.
- ◆ Take intentional time off to unplug.

Finding quiet time in meditation or prayer is also a form of Pura Vida. One of my favorite passages of scripture is found in Matthew 6: 25-34. It's important for context to read the whole chapter. In the last verse Jesus states:

"Therefore do not worry about tomorrow, for tomorrow will worry about itself. Each day has enough trouble of its own." ◆

SafeSend

BY KATHLEEN GEMAR



In the past decade we have seen an ever-increasing demand for the use of technology within the accounting profession. Nowadays, you can accomplish almost anything with an internet connection and the click of a few buttons. So why shouldn't this be true for filing your taxes? In early 2023, our firm implemented an innovative software known as SafeSend and we have already seen the benefits at work. SafeSend harnesses technology to streamline the administrative processes of signing, filing, and delivering your return which allows our accounting professionals to focus more on providing premier service and expertise.

SafeSend offers an array of services for your benefit:

SafeSend Returns: SafeSend Returns is the keystone of this new interface. It facilitates the automated assembly, delivery, and e-signature of tax returns. This feature also provides a secure location for returns to be stored for up to seven years, which is a life saver when you need to provide a copy of your return to a mortgage lender, banker, or college for financial aid.

Form 8879:

Whether you realize it or not, you have probably signed form 8879 at some point. This is an essential IRS form that authorizes the electronic filing of tax returns. Through SafeSend Returns, the 8879 is delivered right along with the tax return, so that you can review, sign, and authorize electronic filing in a single step.

SafeSend Organizers: SafeSend Organizers is another great resource to enhance your tax filing experience. With this feature, you can receive a tax organizer in the form of a fillable PDF with the capability to attach related documents and notes. You can edit and update your organizer as you have time, and the software will save your progress along the way until you are ready to submit for preparation. This keeps you organized, helps you compare

information year over year, and potentially cuts out some of the questions on our end.

SafeSend Signatures: SafeSend Signatures is a great resource for our tax clients, but it can also assist in other business services that our firm provides. With this program, you will be able to securely transmit documents through your email. For example, business owners can easily sign and return documents such as financial statement engagement letters, tangible personal property schedules, and even workers compensation audits.

SafeSend had its soft launch at our firm this past tax season, and it has proven to be a success for many of you already. We hope that the ease and convenience of this platform continues to improve your tax filing experience and maybe even saves you a trip to our office. We know that digital solutions like this might not be for everyone, but if SafeSend is something you would be interested in, be sure to let your tax preparer know. We look forward to serving you and will continue to strive for excellence and innovation in the years to come. ♦

NEWS FROM AROUND THE FIRM

Aiden



Aiden Buckles - Congrats Kim and Josh Buckles! Aiden made his big arrival in July weighing 7lbs and 12oz!

Seth



Seth Wright - Congrats Jeremy and Natalie Wright! Seth made his arrival in June weighing 7lbs!

Bennett



Bennett Clark - Congrats Andy and Katie Clark! Bennett made his arrival in May weighing 7lbs and 10oz!



Student Night at Tiebreakers! We had a great night meeting local accounting students!



We had our 2nd annual field day at Winged Deer park! Pictured is the tug-of-war winning team!

FASB's Current Expected Credit Loss (CECL) Model



BY TYLER WILLIAMS

In June 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2016-13 *Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments*. The ASU was developed in response to the 2008 financial crisis that led to tightening of the credit markets, and in turn, a world-wide economic recession. The financial crisis highlighted issues with current generally accepted accounting principles (GAAP) that result in delaying the recognition of credit losses until the loss is viewed as probable. The main objective of the ASU is to provide users of financial statements more useful information about credit losses, and to reflect future credit losses more accurately in current financial statements.

The banking industry will see the largest impacts from this standard, by far. After all, the update was developed in response to the financial crisis that saw several large and prominent banks fail. Financial institutions will see fundamental changes to their already complex credit loss accounting models. However, the update was written so that any entity with financial assets measured at amortized cost (such as trade receivables, notes receivable, net investments in leases, etc.) will need to change the methodology used to estimate credit losses on those assets. Table 1 summarizes the most common financial items that will fall within the scope of the update.

Current GAAP utilizes an incurred loss model to estimate expected credit losses. Which means recognition of a credit loss is delayed until the loss is deemed probable or has been incurred. For example, a company would not typically write off or reserve a trade receivable balance until it is determined that balance is not going to be fully collected. The update requires the use of a current expected credit loss (CECL) model. Under this model, credit losses are recognized up-front via estimates recorded when the asset itself is recorded, hence the word *expected*. So, a company would record an estimated uncollectible amount at the same time the trade receivable is initially recorded. Even though a credit loss event may not have occurred yet, lifetime losses would still be recorded on day one under CECL based on expected future losses.

An important provision of the update is that a reserve for credit losses is generally required *even if the risk of loss is remote*. Entities in certain lines of business that have never recorded allowances for doubtful accounts on their trade receivables will now be required to do so. Unlike current GAAP, the CECL model requires making educated guesses about the future and working that into the reserve balance. Credit losses under CECL will be both recognized earlier and for a different amount under the new CECL model than under the prior incurred loss model.

CECL does not require a specific methodology be used to determine the expected loss, but does require the entity base the estimate on three key factors:

1. available and relevant internal and/or external information about past events, e.g., historical loss experience with similar assets,
2. current conditions, and
3. reasonable and supportable forecasts that affect the expected collectability of the reported amount of financial assets.

Some common methodologies are discounted cash flows, loss-rate and roll-rate methods, probability of default, and utilizing an aging schedule.

Most entities will be able to incorporate their current method of estimating credit losses into the CECL model. The most difficult and complex change will be including a forward-looking component into their existing model. Companies will likely have to use economic forecasts about things like unemployment rates, and other recession indicators as well as historical data to determine how much additional reserve should be added for current and future economic conditions.

Below is an example of how a company might change its calculation of the allowance for doubtful accounts on trade receivables to comply with the update:

ACME, Inc. has \$40 million of trade receivables. Under current GAAP, the allowance of \$4.83 million is based on aging at period end using historical loss rates as follows (see Table 2).

Management believes that this historical loss information is a reasonable base on which to determine expected credit losses because the composition of the trade receivables at the reporting date is consistent with that used in developing the historical credit-loss percentages.

However, management has determined that the current economic conditions have worsened compared to the conditions used in the historical data.

Unemployment up to the present reporting date has risen, and management expects that unemployment will continue to rise over the next 15 months. Based on its past experience for similar increases in the unemployment rate, management adjusts the historical loss rates to reflect the differences in current conditions and forecasted changes. A new estimate for the allowance for doubtful accounts was developed (see Table 3).

As you can see in Table 3, management's new reserve is \$357,500 higher under CECL than it is under current GAAP. Also, note that even the current receivable balance has a reserve. This goes back to the update requiring a reserve, even if the possibility of loss is remote. Were economic conditions to improve, management could begin to lower the percentages used to adjust for the economic outlook.

When measuring credit losses under CECL, financial assets that share similar risk characteristics (e.g., risk rating, effective interest rate, type, size, term, geographical location, vintage, etc.) should be evaluated on a collective (pool) basis, while financial assets that do not have similar risk characteristics must be evaluated individually. For instance, management could determine it is appropriate to pool customers by geography (US, World), type (Corporate, Others) and Past Due Status (Aging Buckets). Management could group the trade receivables similar to Table 4 and then apply the appropriate loss rate(s) determined under CECL to each of the pools/buckets to arrive at the allowance for credit losses:

ASU 2016-13 *Financial Instruments-Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments* was effective for public business entities with fiscal years beginning after December 31, 2019, and is effective for all other entities with fiscal years beginning after December 31, 2022. The update is effective

on a modified-retrospective basis, meaning an entity must apply the amendments through a prior period adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. ♦

Item	Nature
Loan Receivables/Notes Receivable	Financial Assets measured at amortized cost
Held-to-maturity debt securities	Financial Assets measured at amortized cost
Trade receivables and contract assets that result from revenue transactions or other income	Financial Assets measured at amortized cost
Receivables that relate to repurchase agreements and securities lending agreements	Financial Assets measured at amortized cost
Loans to officers and employees	Financial Assets measured at amortized cost
Cash equivalents	Financial Assets measured at amortized cost
Receivables arising from time-sharing activities	Financial Assets measured at amortized cost
Receivables resulting from sales-type or direct financing leases	Net investments in leases recognized by a lessor
Loan commitments, standby letters of credit, financial guarantees, and other similar instruments	Off-balance-sheet credit exposures not accounted for as insurance or derivatives
All reinsurance recoverables, regardless of the measurement basis of those recoverables	Reinsurance recoverables

Age	Balance	% Reserved	Reserve Amount
Current	19,000,000	0%	-
1-30	11,000,000	6%	660,000
31-60	6,000,000	28%	1,680,000
61-90	3,000,000	54%	1,620,000
90+	1,000,000	87%	870,000
	40,000,000		4,830,000

Age	Balance	Existing Reserve %	Existing Reserve Amount	CECL Adjustment for Economic Outlook	New Adjusted Reserve %	Reserve under CECL
Current	19,000,000	0%	-	+1.5%	1.50%	285,000
1-30	11,000,000	6%	660,000	+0.9%	6.09%	669,900
31-60	6,000,000	28%	1,680,000	+4.2%	28.42%	1,705,200
61-90	3,000,000	54%	1,620,000	+8.1%	54.81%	1,644,300
90+	1,000,000	87%	870,000	+1.31%	88.31%	883,100
	40,000,000		4,830,000			5,187,500

Geography	Type	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	> 90 Days Past Due
United States	Corporate	\$X	\$X	\$X	\$X	\$X
	Others	\$X	\$X	\$X	\$X	\$X
World	Corporate	\$X	\$X	\$X	\$X	\$X
	Others	\$X	\$X	\$X	\$X	\$X

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CLIENT FEATURE

Strategic Growth Logistics



Q+A with **GREGORY DEPRIEST**

OWNER + OPERATER



Q. WHAT IS YOUR STORY? HOW DID YOU GET YOUR START?

A. I'm Gregory DePriest, the husband of Denise DePriest, the father of Nicholas DePriest and Emily (DePriest) Zervos, and the grandfather of Maddie Lou Zervos. Everyone faces hardships and triumphs but I have experienced more triumphs than hardships. Growing up as one of ten children (number 6), we lost our father when he was just 43 years of age to an automobile accident. My mother was widowed at 40 years of age with ten children. However, mother taught us to have faith and to work hard.

My business career began with First United Bank of Mississippi, then transitioned to Nissan Motor Acceptance Company. I loved working with Nissan Motor Acceptance Corp, but I had a desire to have my own logistics company. My wife and I looked at options but decided it was just not time for us to transition into that. In 1992 my career took a major turn when I accepted pastorate of a small church in Kingsport, TN. I had always said, "I would never be a pastor." Be careful what you say you will not be.

The church was small but we had a big vision. Over the next 25 years we grew from an average Sunday morning attendance of 62 individuals to over 2,000 each Sunday. I loved the people but I was wise enough to know that everyone has a shelf life. On my 24th year, the church leadership announced to the congregation that I would be stepping down in one more year. My pastoral journey began on March 2, 1992 and my last sermon was March 5, 2017. I missed the 25 year mark by 3 days.

Q. HOW HAS BCS HELPED YOU?

A. One of the things I've learned about myself is I'm very intentional. As a pastor I was very intentional in making sure we were a diverse congregation and also intentional in loving people. Being very intentional when it came to financial accountability, the leadership of the church I pastored asked

BCS to audit the financial records every other year. Being financially transparent and accountable gave people confidence in the leadership and was a contributing factor to the churches growth.

Being part of a non-denominational church, I had no retirement and I knew I had to do something for my future. The dream of owning a logistics company was still burning. In July 2019 I received a call from Amazon asking me if I wanted to start a logistics company in Greensboro, NC. I thought about it for about a minute and said, "No, I've never dreamt of living in Greensboro, NC so I don't think that is a direction I want to go right now. Are there any other areas available?" The reply on the other end was, "Austin, TX." I immediately said I would accept that and I was told I had to incorporate that day, and be ready to launch my business within 6 weeks. My first year in business we had over \$5,000,000 in revenue and 130 employees.

It was like drinking from a firehose, but BCS was there to talk to me and walk me through each step. I was living in Austin, TX but my accounting firm was in Johnson City, TN. BCS notified me when I needed to make tax payments, handled my corporate liability in Texas, and also gave tax advice to my wife and I because our main residence was still in TN. I would call Jake Hutchison with BCS and he would walk me through each of my concerns. In 2021, Amazon secured a facility in Bristol, VA and I was able to come back to the TRI Cities. Through each part of that corporate transition, BCS walked me through my corporate setup and compliance.

Recently, Amazon offered me a second location in Asheville, NC and BCS has helped me as I work with North Carolina, Virginia, and Tennessee compliance and tax laws. Strategic Growth Logistics, LLC. will double in size to over 200 employees and \$10,000,000 in revenue in 2024. Having BCS to guide Strategic Growth Logistics is reassuring to me and my staff. ♦



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Our Boone Office has Moved!

September 20, 2023

The growth of our firm calls for a bigger space. We are very excited to share that our office has moved just two minutes down the road. We are grateful for your trust and patience during this transition. We look forward to serving you in the new BCS Boone Office!

📍 136 Furman Road, Suite 4, Boone, NC 28607



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& STEAGALL, PLC**