

FARAGALLA & Associates

Volume 3 / Issue 1

THANK YOU

From all of us at Faragalla & Associates, we thank **you** for another *successful* tax season! If you requested an *extension*, we are **diligently** working on your returns as the information comes in. If you have any suggestions for improvement, **please** let us know! We would love to hear from you, good **and** bad as we want to ensure we put procedures in place to ensure everyone involved is satisfied.

OFFICE CLOSURES

CLOSED

July 4, 2018

Independence Day

September 3, 2018

Labor Day

PARTIAL DAYS

June 22 2018

Team Building Event

Closed after 11:30am

FARAGALLA & ASSOCIATES, LLC IS PROUD TO ANNOUNCE A NEW PARTNER TO THE FIRM

*On January 1, 2018, Tim Miller, CPA, Officially Became the
Second Partner at F&A*



Tim is an experienced financial and tax accountant with more than seven years of experience serving a variety of individual, for-profit and not-for-profit entities, estates and trusts. He is graduate of West Virginia University with a Bachelor of Science Degree in Accounting. Tim began his career as a staff auditor in 2010; joined Faragalla & Associates in 2013 and quickly gained experience in business consulting, HR, and tax preparations including returns for individuals, businesses of all kinds, as well as estates and trusts. Tim also has experience preparing compiled, reviewed and audited financial statements for both for-profit and not-for-profit entities.

As a Partner at F&A, Tim, will specialize in:

- Consulting in a wide range of industries including: Communications, construction, professional service industries, and medical practices.
- Preparation of tax returns for individuals, for-profit entities and not-for-profit entities
- Preparation of tax returns and probate accountings for estates and trusts
- Auditing for-profit and not-for-profit entities

A resident of Mount Airy, MD, Tim is the asst. wrestling coach at Linganore High school. He enjoys the outdoors camping, hunting, and fishing as well as spending time with his wife, Lindsey, and twin children, Mark and Anna.

TAX PACKETS

This year, we e-mailed majority of our tax packets to our clients. Did you **not** receive it?

Please ensure your e-mail is **up-to-date** with us to ensure you receive the *required* documents from us as it makes it **easier** for both you and our staff. If you prefer to receive the packet mailed, please let us know so that we can *add* you to the mailing list.



WHAT IS A FINANCIAL AUDIT AND DO I NEED ONE?

A financial statement audit is the examination of an entity's financial statements and accompanying disclosures by an independent auditor. The result of this examination is a report by the auditor, attesting to the fairness of presentation of the financial statements and related disclosures. The auditor's report must accompany the financial statements when they are issued to the intended recipients.

The purpose of a financial statement audit is to add credibility to the reported financial position and performance of a business. The Securities and Exchange Commission requires that all entities that are publicly held must file annual reports with it that are audited. Similarly, lenders typically require an audit of the financial statements of any entity to which they lend funds. Suppliers may also require audited financial statements before they will be willing to extend trade credit (though usually only when the amount of requested credit is substantial). In addition, some government agencies that award certain types of contracts or grants require a financial statement audit as well.

Audits have become increasingly common as the complexity of the two primary accounting frameworks, Generally Accepted Accounting Principles and International Financial Reporting Standards, have increased, and because there have been an ongoing series of disclosures of fraudulent reporting by major companies. An audit is the most expensive of all the types of examination of financial statements. The least expensive is a compilation, followed by a review. Due to its cost, many companies attempt to downgrade to a review or compilation, though this is only an option if it is acceptable to the report recipients. Publicly held entities must have their quarterly financial statements reviewed, in addition to the annual audit.

AUDIT SERVICES

As an independent accounting firm, our audit and assurance services can help our clients see further and deeper into their businesses, we provide 3 levels of assurance services to our clients based on their needs.

Audit Services: An audit provides the highest level of assurance. An audit is a methodical review and objective examination of the financial statements, including the verification of specific information as determined by the auditor or as established by general practice. Our work includes a review of internal controls, testing of selected transactions, and communication with third parties. Based on our findings, we issue a report on whether the financial statements are fairly stated and free of material misstatements.

Review Services: A review provides limited assurance and is less extensive than an audit, but more involved than a compilation, a review engagement consists primarily of analytical procedures we apply to the financial statements, and various inquiries we make of our clients' management team. If the financial statements or supporting information appear inconsistent or otherwise questionable, we may need to perform additional procedures.

Compilation Services: In compiling the financial statements for a client, we present information that is the "representation of management" and expresses no opinion or assurance on the statements. Compilations don't require inquiries of management or analytical procedures. Instead, we rely on our knowledge of accounting principles and general understanding of our clients' business.



Certified Valuation Analyst® (CVA®) Professional

The CVA designation is an indication to the business, professional, and legal communities that recipients have met the rigorous standards of professionalism, expertise, objectivity, and integrity in the field of business valuation, financial consulting and litigation, and related consulting disciplines.

This CVA designation, established by the National Association of Certified Valuators and Analysts® (NACVA®), is the *only* valuation credential accredited by the National Commission for Certifying Agencies® (NCCA®), the accreditation body of the Institute for Credentialing Excellence™ (ICE™)."

How Can a Certified Valuation Analyst Help You?

Many business owners believe the value of their business is net profit, or gross sales, multiplied by an industry rule of thumb. This is simply not the case. In fact, the application of an industry rule of thumb formula often results in a value determination that differs greatly from the actual value that could be determined by a CVA.

Accurate Value Determination

The result of an inaccurate value determination, regardless of whether it is high or low, generally leads to undesirable consequences. For instance, if the value is too high, estate taxes will be too high; savvy investors or prospective buyers will usually disregard a value that appears too high. If the value is too low, you can be sure savvy investors or prospective buyers will recognize it and take advantage. Likewise, if you are on the other side of the dispute in a dissenting shareholder action or divorce, you certainly want to know you are receiving an accurate value for your interest.

Careful Analysis

Determining the true value of a business enterprise requires a careful analysis of two primary components that make up value: tangible assets such as real estate, machinery, and furniture used by the business; and various intangible assets such as business or personal goodwill. Intangible assets might also include customer lists, trademarks, copyrights, distribution rights, a superior management team, non-compete agreements, physical location, special processes, and name recognition.

Understanding the Business

To properly value a business enterprise, the CVA must acquire a thorough understanding of every aspect of a company's dynamics, including: management capabilities, company strengths, weaknesses and vulnerabilities, the competitive environment, overall expectations for the marketplace, and future economic prospects for the industry and the economy in the region and as a whole. All of these elements affect the risk of ownership in a particular enterprise, and risk directly impacts value. Additionally, the valuator must analyze the inherent financial health of the enterprise and its future profit potential.

Sorting Through a Complex Process

After a thorough analysis of all the company's dynamics and its financial health, the CVA must select the most appropriate methodology from among the many accepted by the valuation industry, and apply a series of calculations and formulas to arrive at the ultimate conclusion of value. Overall, the process is highly complex and requires a significant amount of time. Indeed, this is what is required to determine the true economic value of a privately owned business enterprise, and this is what a CVA brings to your table.

Contact Us

Faragalla & Associates

9099 Ridgefield Dr.
Suite 205
Frederick, MD 21701
301-360-9500

8 West Main St.
Middletown, MD 21769
301-473-5880

contact@faragallaandassociates.com
www.faragallaandassociates.com

 [Find Us on Facebook](#)
facebook.com/faragallaandassociates

 [Find Us on LinkedIn](#)
linkedin.com/company/faragalla-&-associates/

PAYROLL UPDATE

Our staff has been working on payroll changes that include **client accessible** reports. There are other features that can be catered to each client specifically as well, which we will work on applying on a client-by-client basis based on your specific wants and needs. This change will make processing your payroll and obtaining the related reports/documents **easier**.

We appreciate your *patience* during the transition!

UPDATED HOURLY RATES

For those of our clients billed on an hourly basis, our rates have adjusted accordingly with inflation as noted below:

Staff: \$65/hr
Manager: \$130/hr

Senior Staff: \$90/hr
Partner: \$190/hr



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9099 Ridgefield Dr.
Suite 205
Frederick, MD 21701