

Total Value Analysis™ (TVA) of K1x for Accounting Firms with Tax Exempt Clients

Managing and Growing Your Accounting Practice
Despite Tax Compliance Chaos

An independent analysis was conducted, modeling the financial impact of K1x on a sample accounting firm with 100 client entities and 5 accounting team members

For the accounting firm, K1x was found to:

- Eliminate **1,278** person hours of wasteful, manual tasks each year
- Generate **\$144K** in annual labor savings, system and risk avoidance and growth opportunities
- Improving margins by **5.9** to as much as **14.7** percentage points
- Achieve **\$459K** in savings and benefits over three years
- Generating a **311%** return on investment (ROI)
- Achieve break-even in **4 months**



An independent white paper by:

GENIUS DRIVE

Managing and Growing Your Accounting Practice Despite Tax Compliance Chaos

In your tax accounting practice, your primary responsibility is to exceed client expectations while managing and ensuring profitable growth. However, the manual and tedious tax data processing can be overwhelming for your team, leaving them stressed, overworked, and burnt out.

The demanding workload often leads to work-life balance struggles, engagement, and retention challenges, leaving little time for your team to focus on providing higher-order client services and supporting practice growth. In addition, client expectations continue to elevate, despite tax data and distribution challenges.

You may consider increasing headcount to address the workload issue, but the scarcity of good resources and wage inflation make it challenging to find suitable recruits, let alone afford them.

Overall, the current staffing constraints, elevated expectations, and regulatory data complexity make it almost impossible for you to manage and grow your practice effectively, unless something changes.

To gauge the extent to which these issues are affecting your practice, you may want to consider the following questions:

- Have you struggled to keep up with client demands, deadlines, and turnarounds due to the manual and tedious tax data processing?
- How much burnout does your team experience every year dealing with the tax prep and filing cycle?
- Has this burnout led to retention issues within your team?
- How have staffing shortages and wage inflation impacted your business, and how have you coped with these challenges?
- Have staffing constraints and customer experience shortfalls limited your ability to grow your practice?
- Are you aware of any of your clients who have experienced tax data compliance problems due to errors or delays?
- If your competitors digitized their tax compliance processes, how would this affect your practice, and what steps could you take to remain competitive?

Staff burnout, wage inflation, elevated customer expectations and increased tax form and compliance complexity all conspire to make it difficult for you and your practice to efficiently accomplish your margin contribution and growth goals.

Total Value Analysis™ (TVA) Methodology

To gain insights into the impacts of these challenges and identify potential improvements for your organization, K1x has commissioned a Total Value Analysis (TVA) to be conducted by the independent value consulting firm, Genius Drive.

The Value Experts at Genius Drive have modeled and analyzed a sample organization - a representative accounting firm with the following characteristics:

- One hundred (100) client entities under management
- Five (5) tax accounting team members to do the work
- Preparing and filing one hundred Forms 990 and seventeen Forms 990T over the next twelve months.



The analysis began by quantifying the impact of the current manual processes and tools in order to assess the As-Is costs before any potential improvements and automation were introduced.

Next, the team modeled the implementation of K1x's solution, taking into account the total investment required to implement and license the solution.

The potential benefits of the K1x solution for accounting firms were then analyzed against the current As-Is costs, allowing for the quantification of tangible business benefits that the firm is likely to derive from the solution, either by expanding the top line or improving the bottom line. To gather cost and benefit experiences, the team examined the use of K1x at several top 20 accounting firms, as well as other accounting practice leaders, in order to compile, model, and analyze the example metrics.



Current
(AS IS)



Proposed
(TO BE)



**Savings &
Benefits**

Business benefits that were analyzed include:

- **Reduced Costs:**
Reducing business expenses, eliminating spending or avoiding planned and required expenditures.
- **Improved Productivity and Processes:**
Streamlining and transforming tax accounting and compliance processes, reducing the time it takes to complete the work, leveraging less expensive resources to accomplish the tasks, and reducing labor costs as a result.
- **Reduced Risks:**
Boosting resilience, reducing and avoiding business risk including mitigating compliance and regulations risks, improving work-life balance for accounting team members, and reducing employee turnover.
- **Improved Growth:**
Driving top-line expansion opportunities, including improving competitive advantage, driving new business and additional revenue for existing clients and capturing new client opportunities.

Value Map



The TVA analysis compared the investment in K1x to the benefits, using a cost-benefit analysis conducted over a three-year time horizon. The analysis factored in the cost of capital, escalating complexity, and labor cost inflation over the analysis period to understand the financial impacts over time and calculate the discounted cash flow.

The analysis culminated in a risk-adjusted tally of key financial metrics used to understand potential returns, prioritize the proposed project compared to other investment options, and track goal accomplishment. These metrics include:

- **Return on Investment (ROI):** the net benefit minus the total investment over the three-year analysis period.
- **Net Value (NPV) Savings:** the present value of the cash flow, discounted by the cost of capital over the three-year analysis period.
- **Payback Period:** the time it takes for the cumulative benefits to exceed the cumulative investment, from the start of the project.

Current Costs (As Is)

The TVA analysis begins by modeling the current costs of the example accounting firm's operations, which includes the following four key business dimensions:

1. **Labor Costs:** The costs associated with tax form preparation and filing, including the time and effort expended by the tax accounting team members.
2. **Systems and Tools Costs:** The costs associated with the current homegrown systems and tools used by the accounting firm to manage tax data and compliance forms processing.
3. **Staffing Risks and Turnover Costs:** The risks and costs associated with team member turnover, such as the cost of replacement recruiting, loss of institutional knowledge, training costs for new hires, and the impact on client services and satisfaction from replacement hiring and on-boarding delays.
4. **Missed Growth Opportunities:** The potential revenue and growth opportunities lost due to the current manual and tedious tax data and compliance forms processing, which limits the ability to provide higher-order client services and support practice growth.

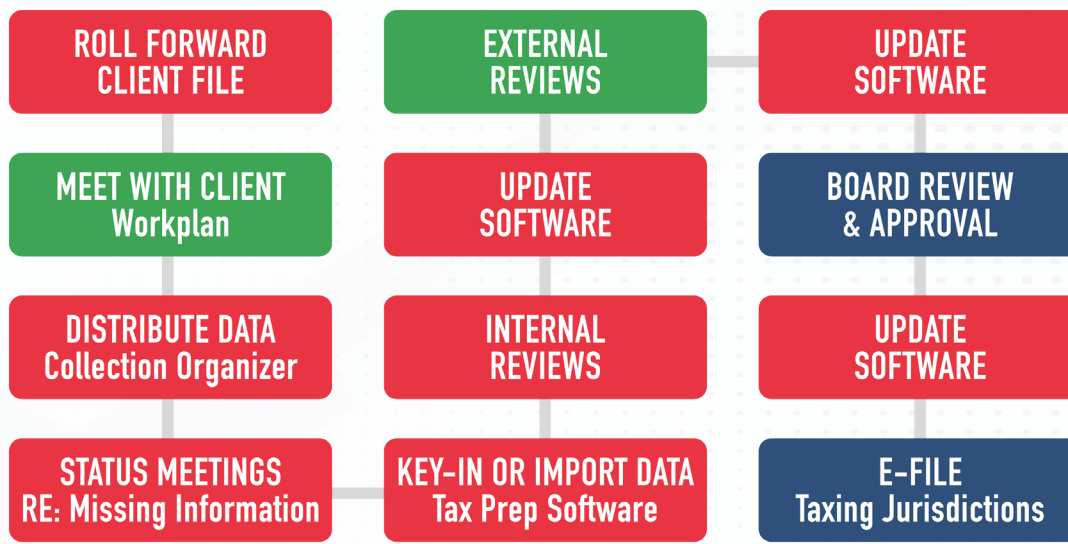
Current labor costs for tax form preparation and filing

In an accounting firm, the current process for 990 preparation and filing requires brute force to complete, with much client coordination, exhausting manual crunching from the team, and extreme process friction.

For this analysis we modeled the impact of a typical 990 prep and file process.

990 Process

Before



The current process starts with rolling forward the client file from the prior year, to kickoff the new year's prep and filing, a client meeting to develop the work plan and schedule. Going in, you can see the dread build with your team.

Next, your tax accounting team requires a significant amount of client's data to begin the preparation and analysis, gathering the required information across many different client organization departments.

Information requests are sent, data sets are returned, often incomplete and with inconsistent formats and errors, and the back and forth dance begins. Spreadsheets and databases are often used to help capture, normalize and validate the data, as well as track the gaps. Regular meetings are needed to manage the process with the client, to report status, gain participation from team members, track and mitigate shortfalls, and keep the wheels on the crazy train. As the data comes in, external reviews are conducted with different client groups and departments to assure that the data is complete, accurate and consistent across groups and forms - no easy task.

At this point in the preparation process, the data from the forms and any work spreadsheets / databases is imported into the current tax prep software. Internal reviews with your team are conducted to make sure everything is coming together and risks are mitigated. From the review, edits are made to improve the reports as more information is provided from the client, errors and inconsistencies are found and notes are clarified.

Often, the team spends much time trying to get the tax software to produce the reports in the format that the client wants and needs. As the process continues, the client's Board is engaged for review and approval, requiring yet another refinement cycle.

Finally, these updates are incorporated into the tax software and the e-file is completed to the taxing jurisdictions.

As you could imagine, there is much tedious effort for an accounting firm's team across all these different prep and filing tasks, consuming **41.0** person hours annually on each form 990. This adds up to **4,100** person hours each year, a little over **2** full time equivalents (FTEs) and **\$260,000** annually on the form 990 process.

For each 990T, the process is different, but equally tedious. The accounting firm's team first collects and processes the P/L from each client department, conducts a loss carry forward analysis, estimates quarterly or delayed filings, processes extensions and finally files the return. Throughout and in-between, the accounting team meets with the client to keep the project on track, prompt data collection, review results and drive timely completion.

The accounting firm team was modeled across this process, estimating an average of **23.0** person hours over the course of the cycle and year for each 990T. This adds an additional **391** person hours per year, equal to **1/5th of an FTE** and an incremental **\$25,000 annually**.



Current Homegrown Systems and Tools

In order to manage the current process, often, accounting teams use a collection of homegrown and commercial tools to assist. Each of these systems and tools has a cost, sometimes small, sometimes more significant, but regardless in need of consideration for any financial analysis.

For each client, there is typically a spreadsheet to aid in collecting and organizing provided data. Often a simple Access or other database is leveraged as well. Tax software is almost always licensed to prepare the final forms and file. And client communications and distributions are often managed via mailings or a portal.

These current homegrown systems require some in-house customization, evolution, maintenance and support, for example spreadsheets customized for each client every year. And there are licensing and administrative costs involved for the databases, applications and portals to also consider.

Analyzing the accounting firm, the costs of the current homegrown systems was modeled, with:

- An average of **40** person hours each year per 100 clients (**0.4** hrs per client) to maintain and support tax and compliance spreadsheets, often different for each client
- Database applications are often used to help support data collection efforts, with an average of **\$1,500** in annual licensing costs and **0.2** person hours per client per year
- Application management and support can take **0.1** person hours per client and **\$10,000** in licensing fees per year
- Distribution mailings and portal licensing can add up to **0.4** person hours per client and **\$12,000** a year or more.

Across all the systems, this adds up to just more than **\$37,000** spent each year on homegrown tool hosting, labor and licensing, with **110** person hours spent customizing, evolving, maintaining and supporting homegrown tools to make the current, mostly manual filing process work for the team. This includes a multitude of spreadsheets (often different for each client), databases, tax software applications and distribution portals.

Current Staff Risks

With the magnitude of manual tasks, process friction and stress involved, many accounting firms suffer from staff burnout, engagement challenges and turnover as a result.

When it comes to staffing constraints, the impacts on your business have likely already been felt with the research highlighting some of these challenges:

- More than **300,000** U.S. accountants and auditors have left their jobs in the past 2 years¹
- Firms have experienced a whopping **17%** accounting staff turnover over this past year, with intense shortages to find competent replacements
- It costs an estimated **\$65,000** in replacement cost for each lost employee at ½ to 2x salary cost per turnover.



¹ Why Are So Many Accountants Quitting - Wall Street Journal - <https://www.wsj.com/articles/why-so-many-accountants-are-quitting-11672236016>



17%

Turnover

\$60K

Annual Cost

For an accounting firm, with an estimated five people on staff, it is anticipated that because of today's high turn-over rate of **17%**, that the firm would lose almost a person a year to attrition, a **\$59,904** estimated cost for replacement (offboarding, replacement recruitment, onboarding and training). And this is conservative, not counting the incremental lost billing hours, and client experience impacts, more impactful as the replacement could take a long time to be found.

Lost Client Expansion and Growth Opportunities

Manual processes, process inefficiencies, communication back and forth all compound to frustrate your team as well as your clients. Client expectation shortfalls result from delays in responses, reports, turnarounds and filings. In the face of these customer satisfaction issues, it is often hard to grow and expand existing relationships.

And even if existing clients are happy, many teams are so bogged down with the manual crunch, lacking the time and resources to expand existing client relationships, much less recruit and expand to new clients.

Modeling the impact of this in an accounting firm, it was found that the organization lacked the bandwidth to elevate client experience and drive new business and the fulfillment staff to execute on expanded or new business opportunities, to the tune of five additional existing account expansions or new client additions. Conservatively, at least **5%** in annual growth opportunities was being squandered.

Differentiation is difficult for accounting firms. We found that accounting firms who embrace automation, AI and Machine-learning to eliminate tedious manual tasks, streamline their processes and boost productivity and leverage digital transformation to elevate their customer experience will have a competitive advantage over those who fail to realize the opportunity and reimagine their practice.



>5%

Lost growth opportunity

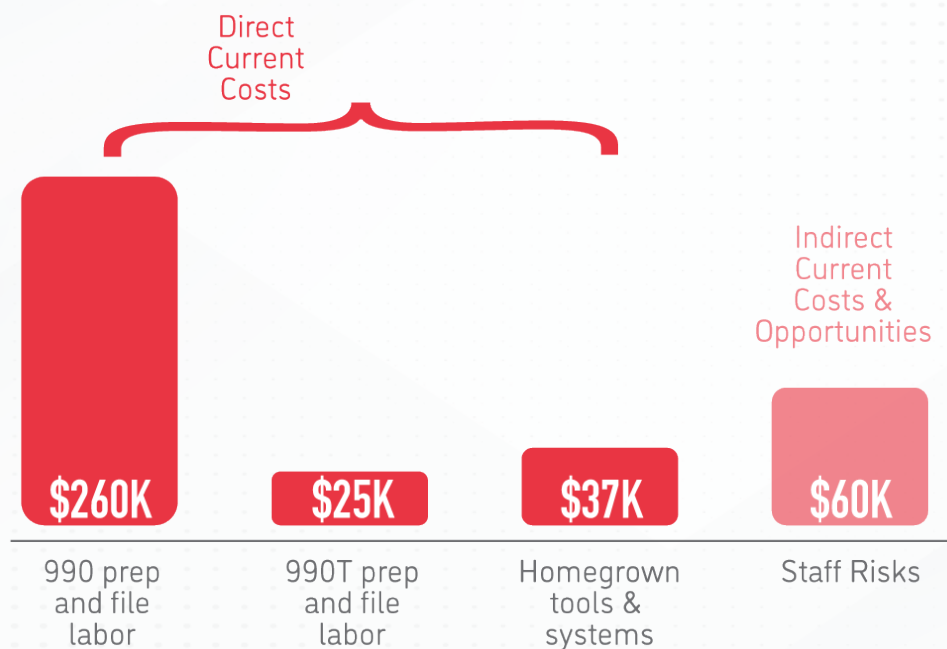
Current (As Is) Costs Add Up

For an accounting firm, the impacts and costs of these challenges add up, impacting margin and constraining growth opportunities.

This includes direct costs of:

- **\$260,000** for form 990 prep and file labor
- **\$25,000** for 990T prep and file labor
- **\$37,000** in homegrown tools evolution, maintenance, support and licensing
- **\$322,000** in total per year (the equivalent of over 2 FTEs)

Additional annual indirect (soft) costs of **\$60K** in staff turnover risks and the equivalent of **5** clients worth of additional revenue in lost growth opportunities



Proposed (To Be) with the K1x Solution

Against these current (As Is) costs, the accounting firm was modeled as transcending these challenges, leveraging K1x C-TRAC and K-1 Analyzer solutions

- Accelerate digital tax transformation,
- Leverage AI and machine learning to automate and streamline tax data tasks, and
- Optimize manual receive, produce and filing tasks.

In order to understand the benefits, the Genius Drive team configured and applied K1x to automate and streamline the accounting firm's current manual processes, reduce costs, quell risks and capture lost opportunities.

The modeling revealed that K1x delivered tax data services more profitably by:

- Leveraging automation to eliminate mind-numbing manual processing,
- Improving accuracy and timeliness, and
- Elevating services to provide a solid foundation for practice differentiation and growth.

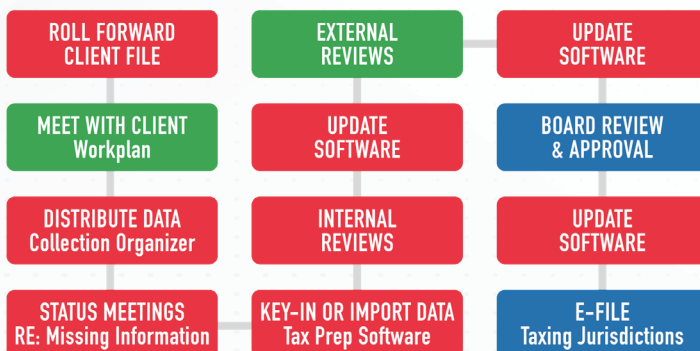
K1x delivered easy, accurate and timely preparation and filing help to improve efficiency, reduce risks and provide a launchpad for growth.

Examining the 990 process alone, 8 steps were automated across the process including the elimination of the need to manually process:

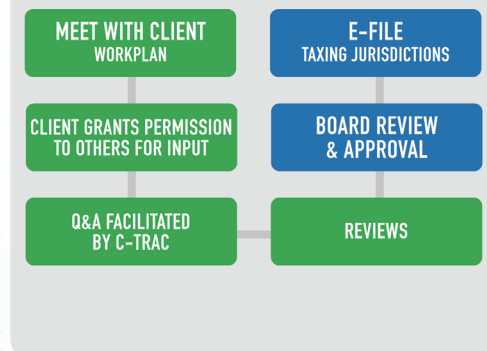
- Roll forward of the client file
- Collection of data from different groups across the organization
- Status meetings to deal with missing information and mitigation
- Multiple tax prep software updates
- Internal review meetings

990 Process

Before



After

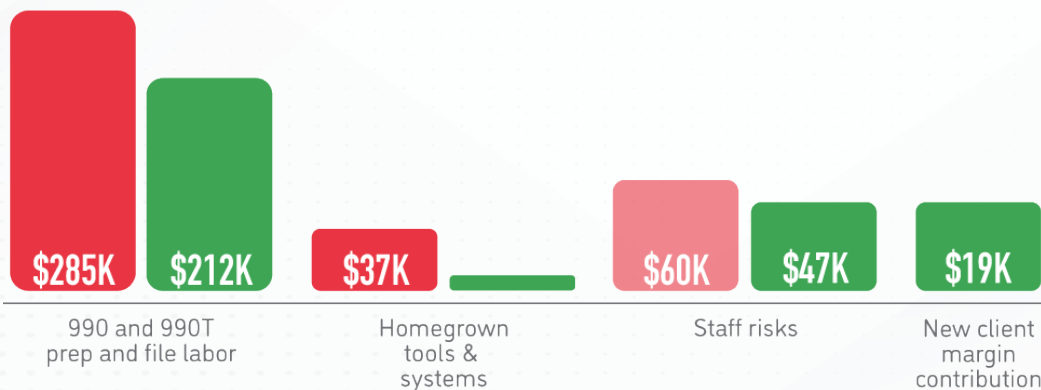


Other process steps, although not eliminated, were dramatically streamlined, including:

- Workplan client meetings
- Permissions for client inputs and collaboration
- Quality and assurance
- Reviews

As a result of process automation and improvements like these, for the accounting firm, K1x was shown to deliver significant savings and business benefits including:

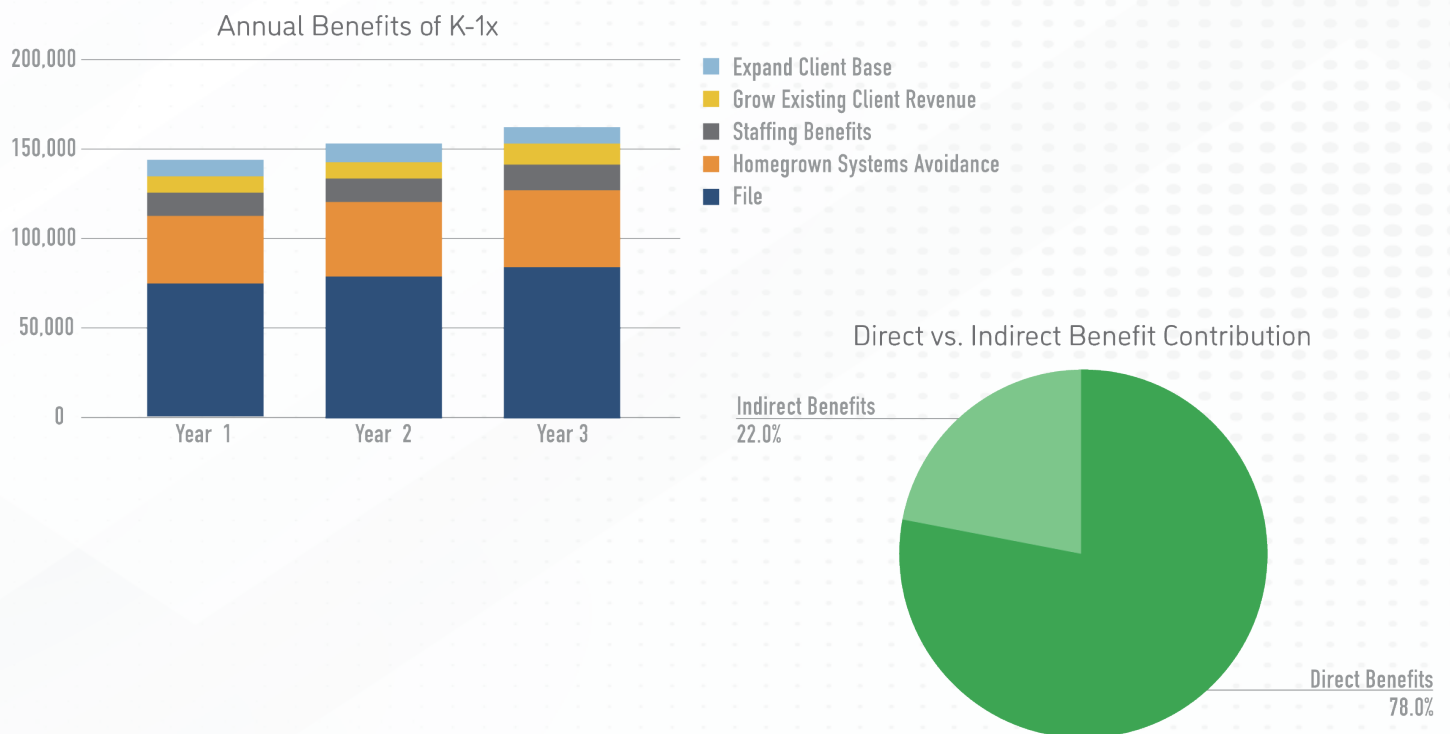
- Reallocating **26%** of overall prep and filing time away from manual tasks (**10.7 person hours per 990 over the course of the year and 6 person hours per 990T per year**), freeing weeks of team time to address higher risk tax issues
- Driving **1,167** person hour savings (**0.6 FTEs**) and over **\$75,000** in annual labor savings / reallocation
- Avoiding **\$37,000** in annual homegrown tools cost, and freeing an additional **110** person hours of regained time (replaced with the K1x solution)
- Better retaining and attracting accounting staff, none of whom want to deal with data extraction and entry manual tasks
- Improving margins by **5.9 to as much as 14.7 percentage points²**
- Increasing the timeliness of filings and the responsiveness to client requests and improved client experiences. Investors much prefer early warnings of tax liability to eleventh hour notifications.
- Driving competitive advantage via modernization and digital transformation.
- Helping to grow existing client revenue and add new accounts, the revenue equivalent of over **5 new clients**.



Leveraging K1x for an accounting firm's practice delivered:

- **1,278** person hours of reclaimed resources (over **0.7 FTEs**),
- **\$144,000** in bottom-line savings, risk avoidance and growth benefits over the first 12 months, and
- **\$458,819** over a three year analysis period (assuming 6.5% fully loaded annual labor cost inflation).
- Consisting of **\$358,122** in direct benefits (cost avoidance and productivity improvements) and **\$100,697** in indirect benefits (risk avoidance and growth opportunities).





Benefits From K1x	Year 1	Year 2	Year 3	Total
Efficiency Improvements				
Form Preparation Productivity	\$74,730	\$79,588	\$84,761	\$239,079
Homegrown Systems Avoidance	\$37,210	\$39,629	\$42,205	\$119,043
Risk Reduction				
Staffing Benefits	\$13,312	\$14,177	\$15,099	\$42,588
Customer Experience & Growth				
Grow Existing Client Revenue	\$9,400	\$9,682	\$9,972	\$29,054
Expand Client Base	\$9,400	\$9,682	\$9,972	\$29,054
Total Benefits	\$144,052	\$152,758	\$162,009	\$458,819

The K1x solution required an investment for the accounting firm of:

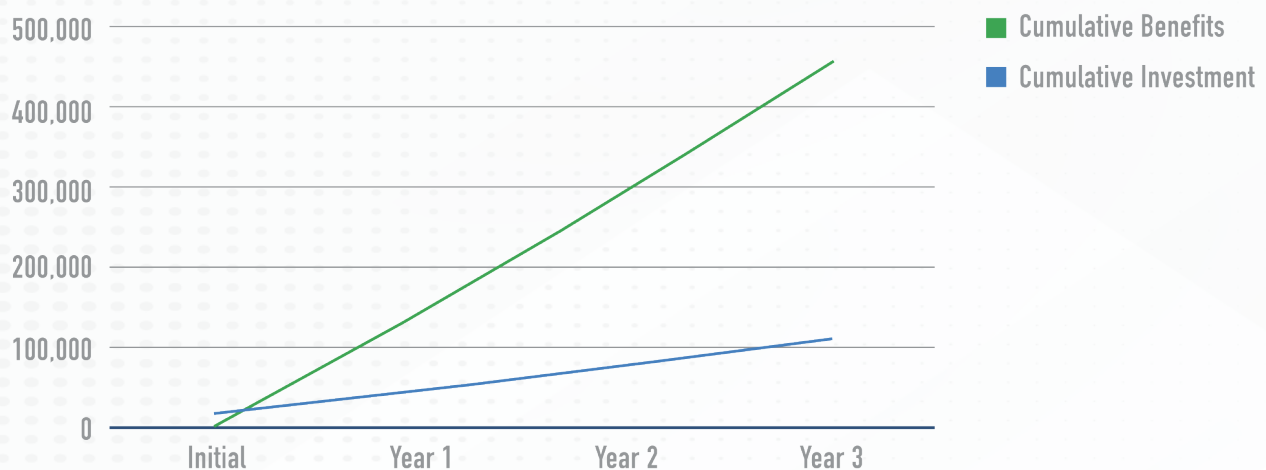
- **\$16,250** in change / start-up costs (implementation services, training and project management) and
- **\$31,836** in average annual licensing costs (over the three year analysis period).



Based on this investment versus the benefits, the model projected that the accounting firm achieved

- Per client, generating **\$1,529** in benefits per year compared to **\$372** in annual investment
- Driving **\$3.11** in net incremental bottom-line benefits for every **\$1** investment over the three year analysis period.
- Delivering a net **6%** margin improvement (with many case study clients indicating almost double **11%** or more in gains)

Cumulative Benefits and Cumulative Investment



Benefits From K1x	Initial	Year 1	Year 2	Year 3
Total Benefits		\$144,052	\$152,758	\$162,009
Cumulative Benefits		\$144,052	\$296,810	\$458,819
Total Investment	\$16,250	\$30,000	\$31,800	\$33,708
Cumulative Investment	\$16,250	\$46,250	\$78,050	\$111,758
Net Benefits	-\$16,250	\$114,052	\$120,958	\$128,301
Cumulative Net Benefits	-\$16,250	\$97,802	\$218,760	\$347,061

Overall, for the accounting firm, K1x was able to deliver significant benefit:

- **311%** ROI (net benefits / total investment)
- **\$278,484** in NPV Savings (the discounted net cash flow benefits over 3 years, assuming an 11% cost of capital)
- **4 month** Payback Period (duration from the first investment to break-even)
- **1,278** person hour savings (0.7 FTEs)

The Details

File Productivity Benefits in Form Preparation

In 2008, the IRS changed the Form 990 from a 12-page financial document, into a minimum 13 page core form, with a possible 13 additional schedules of narrative documents, often resulting in 80 pages or more.

With this increased complexity, it takes some organizations up to 9 months to complete all the steps necessary with their accounting firm to create a complete 990 filing. 990-T, 990-PF, or multi-entity complexities adds to the burden and exponentially increases the risk.

Most tax software is not designed to handle the complexities of tax-exempt reporting, mostly delivering a “black box” approach – struggling with the narrative and subjective nature of the Form 990 and sacrificing control over preparation, process, and final outputs.

Without any new solutions or changes, the accounting firm is manually preparing and filing, using a set of custom spreadsheets, databases, apps and portals to help, but dependent on brute force and much back and forth with clients. The team suffers through the lifecycle each year, blind to the significant cost on the accounting firm and teams.

Current (As Is) costs add up, including:

- Dedicating an average of **41.0 person hours** annually on each form 990. This includes the team spending time on data collection, extraction, validation, compensation review, marketing / PR review, board review and additional edits, filing preparation, and electronic filing of the returns. This adds up to **4,100 person hours** each year, a little over **2 full time equivalents (FTEs)** and **\$260,000 per year** on the form 990 process.
- Spending an average of **23.0 person hours** over the year on each form 990T. This includes the team processing P/L from each client department, loss carry forward analysis, estimates for quarterly or delayed filings, extensions and return filings). This amounts to an additional 391 person hours per year, equal to **1/5th of an FTE** and an incremental **\$25,000 annually**.

Imagine if all your 990 functions were consolidated into a single, easy-to-use experience, providing digital tax transformation, machine learning and automation, to help you automate key processes and do more with less for your clients.

K1x, all-in-one tax process and filing solution, helping you to boost preparation and filing productivity, enabling you to better:

- **Organize** - Bring all your disparate tax functions into a single platform to manage all aspects of tax-exempt compliance in simple, friendly, intuitive fashion.
- **Accelerate** - Speed up your data collection, entry, and analysis processes by leveraging pre-built templates, harnessing the power of numerous delegation features, and working in a simple software interface built around you.
- **Analyze** - As the main public document for your clients, the 990 can make or break an organization's ability to collect contributions and maintain their programs. This means that risk analysis, carefully reviewed narratives, and presentation are essential. K1x tools make it easy to ensure nothing is missed and everything is the way it is intend it to be for your clients.

With K1x you can help your team and your clients to automate the manual efforts and streamline processes, helping to eliminate **26%** of the end-to-end processing time and tasks.

This means **10.7** person hours of savings for each 990 form over the course of a year. Across the 100 990 forms prepared and filed by our sample accounting firm, this adds up to **1,066** person hours of savings per year, an annual **\$68,224** in recouped costs and potential reallocation of resources.

For the 990Ts, **6.0** person hours can be saved on each form throughout the year, a savings of **101.7** person hours and **\$6,506** in labor costs across the 17 forms prepared and filed.

Forms Processing	Current (As is)	Savings with K1x	Proposed with K1x (To Be)
990s			
Number of 990s processed each year	100		100
Average person hours per 990	41.0	26%	30.3
Total annual person hours	4,100.0	1,066.0	3,034.0
Average cost per hour for team members	\$64.00	0%	\$64.00
Annual Total - Form 990	\$262,400	\$68,224	\$194,176
990Ts			
Number of 990Ts processed each year	17		17
Average person hours per 990T	23.0	25%	17.0
Total annual person hours	391.0	101.7	289.3
Average cost per hour for team members	\$64.00	0%	\$64.00
Annual Total - Form 990T	\$25,024	\$6,506	\$18,518
	YEAR 1	YEAR 2	YEAR 3
File productivity improvements and savings	\$74,730	\$79,588	\$84,761
Annual Growth	6.5%		

Maintaining and Supporting Homegrown Systems

To manage current tax compliance and reporting, many accounting firms use spreadsheets to collect, compile and tally the information from clients, databases to store the content, specialized applications to help with filing, portals and distribution costs. Depending on your standardization across your clients and teams, different tools may be in use across each, compounding the challenge.

Did you know...

- It can take an average of **40** person hours each year per 100 clients (**0.4** hrs per client) to maintain and support tax and compliance spreadsheets, often different for each client
- Database applications are often used to help support data collection efforts, with an average of **\$1,500** in annual licensing costs and **0.2** person hours per client per year
- Application management and support can take **0.1** person hours per client and **\$10,000** in licensing fees per year
- Distribution mailings and portal licensing can add up to **0.4** person hours per client and **\$12,000** a year or more.

For the example accounting firm, the analysis indicates that over **\$37,000** is spent each year on homegrown tool hosting, labor and licensing, with **110** person hours spent evolving, maintaining and supporting homegrown tools to make the current, mostly manual filing process work for the team. This includes a multitude of spreadsheets (often different for each client), databases, applications and distribution portals.

The example accounting firm could eliminate current homegrown systems for handling alternative investment data and managing tax and compliance reporting, replacing it with a more modern application to automate the preparation and filing process.

With K1x , the accounting firm accomplishes this, retiring the homegrown systems and the associated costs including maintaining and supporting spreadsheets, databases, specialized applications, as well as distribution shares and portals. Standardization of tools and processes can be achieved, helping the accounting firm and team avoid system costs while enabling scale.

In our analysis, almost all costs could be eliminated within months and certainly in the first year, yielding over **\$37,000** in annual savings.



Maintaining and Supporting Homegrown Systems	Current (As Is)	Savings with K1x	Proposed with K1x (To Be)
Spreadsheets			
Person hours per year	40.0	100.0%	0.0
Average burdened labor rate	\$64.00	0.0%	\$64.00
Annual labor costs	\$2,560	\$2,560	\$0
Annual licensing, maintenance and support fees for current tools	\$0	100.0%	\$0
Total	\$2,560	\$2,560	\$0
Databases			
Person hours per year	20.0	100.0%	0.0
Average burdened labor rate	\$120.00	0.0%	\$120.00
Annual labor costs	\$2,400	\$2,400	\$0
Annual licensing, maintenance and support fees for current tools	\$1,500	100.0%	\$0
Total	\$3,900	\$3,900	\$0
Applications			
Person hours per year	10.0	100.0%	0.0
Average burdened labor rate	\$175.00	0.0%	\$175.00
Annual labor costs	\$1,750	\$1,750	\$0
Annual licensing, maintenance and support fees for current tools	\$12,000	100.0%	\$0
Total	\$13,750	\$13,750	\$0
Distribution Costs / Portals			
Person hours per year	40.0	100.0%	0.0
Average burdened labor rate	\$175.00	0.0%	\$175.00
Annual labor costs	\$7,000	\$7,000	\$0
Annual licensing, maintenance and support fees for current tools	\$10,000	100.0%	\$0
Total	\$17,000	\$17,000	\$0
Total annual homegrown and current systems costs	\$37,210	\$37,210	\$0
Total person hours	110.0	110.0	0.0
	Year 1	Year 2	Year 3
Homegrown systems avoidance	\$37,210	\$39,629	\$42,205
Annual Growth	6.5%		

Reduce Staffing Limitations, Stress and Turnover

The manual K-1, 990 and tax data distribution processing tasks consume accounting resources, with tedious and mind-numbing work. This leads to accountant burnout and job dissatisfaction, raising the chance of turnover, and making it even more difficult to find replacements, as few want to do this work.

With so much heads-down work in K-1 and 990 tax data distribution processing, it becomes difficult to grow and still get the job done on time without adding more staff (which are difficult to find) or to elevate your accountants beyond the manual tasks to more strategic, value-added roles.

For our example accounting firm, with an estimated five people on staff, it is anticipated that because of today's high turnover rate of **17%**, that the firm would lose almost a person a year to attrition, a **\$59,904** estimated cost for replacement (offboarding, replacement recruitment, onboarding and training). And this is conservative, not counting the incremental lost billing hours, and client experience impacts, more impactful as the replacement could take a long time to be found.

The example accounting firm could improve team engagement and satisfaction to reduce the risks of turnover by eliminating manual K-1 and 990 forms processing and menial tax data distribution tasks.

This helps to:

- Reduce burnout and improve retention
- Enhance the ability to scale with existing team members, and better attract new teammates
- Elevate your team's ability to focus on more strategic, value added tasks and client experience

With K1x C-TRAC the example accounting firm could

- Automate key manual tasks and reduce workload end-to-end by 26% or more
- Leverage AI and technology to reduce process friction and avoid frustrating stalls and delays
- Improve accounting job satisfaction and engagement
 - Reduce turnover by at least 20%
- Improve recruiting capability, elevating the job from manual data entry and analog processing to more strategic and value-add.

Implementing K1x, it is anticipated that turnover can be reduced by at least 20%. This can mean an annual benefit of at least **\$13,000** in staffing risk avoidance.

Reduce staffing limitations, stress and turnover	Current (As Is)	Savings with K1x	Proposed with K1x (To Be)
Number of team members	5.0		5.0
Annual turnover	17.0%	22.5%	13.2%
Number of replacements per year	0.9		0.7
Average cost per replacement	\$66,560	0.0%	\$66,560
Annual turnover cost	\$59,904	\$13,312	\$46,592
	Year 1	Year 2	Year 3
Staffing Benefits	\$13,312	\$14,177	\$15,099
Annual growth	6.5%		

Grow Existing Client Revenue

Often clients are frustrated with delays in responses, reports, turnarounds and filings. Manual processes, process inefficiencies, communication back and forths all compound to frustrate your team as well as your clients.

Manual processing limits your ability to serve customers to the level they would like, and often constrain your ability to handle additional work or tasks for your clients, especially elevated tax advice and other value added deliverables, as your team remains bogged down with manual, tedious work.

We analyzed the example accounting firm, analyzing the automation of tedious tasks and removing the process friction and delays, helping to:

- Boost customer experiences, wanting your current clients to do more work with you
- Free up your team members from manual, tedious overload, to focus on existing account value-add, higher impact work and growth business development?

With K1x you can automate manual tasks and remove process friction in processing and filing, helping to improve the potential for revenue growth with existing clients. A conservative **2.5%** in existing client capability alone is equivalent to adding two to three new clients a year.

Grow Existing Client Revenue	Current (As Is)	Savings with K1x	Proposed with K1x (To Be)
Number of clients	100		100
Average revenue per existing client per year	\$18,800	2.5%	\$19,270
Total revenue	\$1,880,000	\$47,000	\$1,927,000
Profit margin	20%		20.0%
Total margin contribution	\$376,000	\$9,400	\$385,400
	Year 1	Year 2	Year 3
Grow existing Client Revenue	\$9,400	\$9,682	\$9,972
Annual growth	3.0%		

Expand Client Base

Often practices are resource constrained, making it difficult to grow by adding new clients. Resources are unfortunately bogged down with manual work, leaving little time for prospecting new clients, or having resources available to support new clients if they were on-boarded.

Getting more out of existing resources is not possible, as they are often overworked and at risk of churn, while adding additional resources is difficult if not impossible, with the limited number of qualified CPAs available.

The example accounting firm was modeled to:

- eliminate manual, tedious tasks and remove process friction,
- to free up resources to support new client acquisition and
- scale to support the adding of new clients and additional workload, without the need to add additional staff (which are difficult if not impossible to find and hire).

K1x delivers AI-powered automation to reduce manual, tedious work and free precious resources to support new client prospecting, onboarding and servicing without the need to expand team headcount, or scaling effectively to support client additions with less new team members than what would be needed otherwise.

With K1x, an additional two to three new clients could be added, a conservative 2.5% boost, with new clients more easily engaged and won with great client references through improved experiences as a result of K1x automation and process improvements.

Expand Client Base	Current (As Is)	Savings with K1x	Proposed with K1x (To Be)
Number of clients	100	2.5%	102.5
Average revenue per client per year	\$18,800		\$18,800
Total revenue	\$1,880,000	\$47,000	\$1,927,000
Average profit margin	20%		20%
Total margin contribution	\$376,000	\$9,400	\$385,400
	Year 1	Year 2	Year 3
Expand client Base	\$9,400	\$9,682	\$9,972
Annual growth	3.0%		