

The Art of Making a Small Business Picture Perfect



Cathy Deano and René Maloney became acquainted through volunteering at their children's school. A few fundraisers later, the two mothers from Mandeville discovered some interesting things about one another: they worked well together, lived within a few blocks from each other, and previously had been small business owners. It was on a walk along Lake Pontchartrain in 2007, that they brainstormed ideas for a business they could start together to make a little money and to have fun. "We batted around a few ideas," explains Cathy, "but nothing resonated until artist friends suggested the idea of 'speed' art classes. "René wasn't sure about it since she failed 6th grade art. But, when we discussed adding wine to the mix — Corks-n-Canvas was born."

Coming up with the idea of instructional art paired with friends (oh, yes, and let's not forget about the wine), was just the beginning. While their past experience as entrepreneurs would come in handy (Cathy had owned a restaurant, a jewelry business and a catering company; René had owned an etiquette franchise), launching a business post-Katrina on the rapidly-expanding, in-demand Northshore would be different. With start up-capital funded by personal savings, a tight budget coupled with expensive rental property, the biggest challenge was finding their original space in Mandeville.

After gaining in popularity, Cathy and René decided to open a second location in Metairie. This seemed to them a big move, but little did they know at the time, what even bigger opportunities were to come. "People visiting New Orleans would take a class at Corks-n-Canvas and wish there was one in their town," explains René. "Our first inquiry about franchising came from a couple who were relocating to St.

Petersburg to be closer to grandchildren and thought this business be just the thing for their retirement.”

Since they hadn't previously given serious consideration to franchising, they knew that had some research to do. First, Cathy and René turned to the group at PJ's Coffee for advice based on their proven success in franchising coffeehouses across the United States and in expanding their product line into supermarkets. René's experience owning a franchise earlier in her career taught her the need for a good foundation and system. She knew if they were going to move forward, they needed to do it right to ensure that their franchisees— and their brand— would be as successful as PJ's. Cathy and René were fortunate to have representatives from PJ's Coffee and their attorneys at Richards, Higdon, Huguet and Campani to help them through the initial process of compiling the mountains of paperwork necessary to franchise. In fact, it was through those “mentors” that they were introduced to CPAs Joseph and Kim Reagan with the firm Reagan & Reagan CPA, LLC. The Northshore firm has a market niche in the franchising world and brought to the table the insight and knowledge that crossed many types of businesses and industries. “Our firm started working with Cathy and René in the second half of 2010 after transitioning their assurance and tax services from a larger accounting firm,” explains Joseph Reagan, CPA. “During our first meeting with them, we were immediately impressed with their concept and felt it had the potential to grow into a much larger business with some support and guidance from the professional service firms they aligned themselves with.”

But despite the potential that Joseph and Kim saw, they also were realistic about the possible pitfalls that Cathy and René faced. “The first challenge we knew they would have is understanding the complex rules and regulations in the tax world,” affirms Kim. “We worked closely with them to ensure that their business remained compliant and looked to maximize their tax savings along the way. The second challenge Joseph and I knew they would have was maintaining a high-level viewpoint as they became immersed in the day-to-day operations of their business. As their external CPA, we provide a different perspective that may otherwise be missed because we can take a step back and look at the bigger picture and gain a fresh, new perspective. Sometimes that is all it takes to help clients become more successful.”

Cathy and René decided to franchise locations under “Painting with a Twist®”, maintaining the “Corks-n-Canvas” identity for their corporate stores. According to the Reagans, Painting with a Twist® continues to grow in domestic markets (locations in 17 states with 73 franchises) and is actively looking at venturing into foreign markets to keep fueling their success. Because Joseph and Kim work with several other franchisor clients, they leverage off of their best practices from an operational standpoint and communicate those to Cathy and René. “We try and add value to our clients, not just hand them audited financial statements or completed tax returns,” says Joseph. “We like to understand the operational and marketing side of each business we work with, which we feel makes us better CPAs to Painting with a Twist® and all of our clients. By

adding value outside of assurance and tax services, we feel our clients benefit by becoming more efficient and effective in all aspects of their business.”

One way that the Reagan & Reagan has helped Painting with a Twist® grow is by meeting with Cathy and Renéé throughout the year to discuss new franchise locations in new states and the potential tax implications. “We frequently have phone conversations with the accounting staff to answer general accounting questions or assist them with their accounting software,” says Kim. “Through these discussions, we get a better understanding of where the company is financially and what assistance they may need.”

Painting with a Twist® has no sales tax requirement, however there are numerous state tax filing requirements which are commonly overlooked in the franchisor world. From an income tax perspective, Painting with a Twist® is a pass through entity with filing requirements in multiple states. It was originally started as an LLC and with Reagan & Reagan’s guidance, they elected to be taxed as an alternative tax entity in an effort to reduce their overall tax burden and position the company for continued growth in the future.

Cathy and Renéé feel strongly that with franchising, they have more control over the system they have built. “We want to grow smart,” Renéé says with confidence. “As our revenue grows, we put more people in place that can keep the brand on track and add value to our franchisees. We don’t see limiting the amount of franchises as long as the demographics support them.”

The company maintains the artwork copyrights and brand direction of the franchise locations to ensure that each delivers the same fun experience by which the company was founded on. Corks-n-Canvas and Painting with a Twist® are one of the largest employers of aspiring artists. Corks-n-Canvas, along with the 73 franchise locations, has produced and owns the copyright to over 2,000 pieces of art completed by approximately 50 instructors. Each artwork was conceptualized and executed by the instructors with the idea of being an easy-to-follow piece of art for the inexperienced painter. Cathy and Renéé know that competitors come, and competitors go. They strive to maintain a steady, fun and inviting atmosphere. “We have the system behind us that has had the power to test components, reject what doesn’t work and embrace what does,” Cathy proudly notes.

When asked what they feel has contributed the most their businesses’ success, Cathy and Renéé are quick to answer. “Art makes people happy. Those who come to Corks-n-Canvas or Painting with a Twist® leave with a sense of accomplishment as well as a tangible item which reminds them of the great time they had. We also love that we are making art accessible to everyone,” says Cathy.

And, there’s no leaving out the professional side as well. “We own an Art for Fun Business, which by nature is not a conservative, detailed oriented business,” says Renéé. “Reagan & Reagan has helped us navigate the financial waters and kept us

focused on the goals which are steady growth. We also make sure that the people we do business with, like Joseph and Kim, have the same culture as us, and that is: People first. Business second."

Reagan & Reagan resonates that people-first philosophy. "Our firm strongly believes that being there for our clients year round is a key element of our firm's success as well as the success of our clients," says Joseph. "We want to be involved in all their accounting and business needs, January through December, so we understand what issues they may be having. This allows us to add more value to our clients as well as eliminate any surprises after the year is ended."

Just in case you're wondering, the left-brained, analytical Reagans did have an opportunity to exercise their creative sides at Corks-n-Canvas. Prior to working with René and Cathy, Joseph and Kim had a painting party with close friends and family. They said they really enjoyed the experience and came away with the satisfaction of having created a great work of art . . . just as they did for Cathy and René.