



THE MUSIC ROOM BOOMS WITH HELP FROM BOULDER VALLEY CPAS

Once facing financial ruin, the Jacksons now own the world's largest online retailer of certified pre-owned HiFi equipment.

The Great Recession was a global economic crisis that started in December 2007 and lasted through June 2009. The financial downturn originated in the U.S. and was essentially caused by predatory lending practices and unregulated markets. Over these 18 months, often deemed the worst economic recession since the Great Depression of the 1930s, the U.S. gross domestic product (G.D.P.) shrunk by 4.3 percent, and the unemployment rate hovered near 10 percent. Moreover, according to ATTOM, 1.65 million American homes went into foreclosure in the first half of 2010. Joshua Jackson and his wife, Melissa, were two of the millions of people across the globe who were severely affected by the fiscal calamity. In 2010, Joshua was laid off, and his family's home in Atlanta was foreclosed.

"I felt extremely powerless when Josh lost his job, especially because we were faced with the reality of losing our home, too," Melissa said. "We had two small kids at the time and could not go to work to help save our home. Losing our house to foreclosure was one of the most difficult things we have ever experienced."

Joshua scoured job search sites and ultimately secured employment in Boulder, Colorado. However, because the role wasn't slated to begin until June 2011, Joshua needed to gain another source of income to supplement the unemployment benefits he was receiving. Accordingly, the Jacksons ventured roughly 1,400 miles northwest to Erie, Colorado, and it was here that Joshua and Melissa founded The Music Room in May 2011.

It was also here that Joshua met a born and bred Brooklynite named Ernie Villany, who works as a certified public accountant (CPA). The Jacksons and Ernie mutually hoped—for their families and personal and professional goals—that Jim Morrison was correct when he sang,

"The West is the best."



THE MUSIC ROOM CASE STUDY

A side job, or a full-time opportunity?

Although The Music Room wasn't exceptionally lucrative from the outset, Joshua relished being his own boss and having more time to spend with his family. Joshua also recognized that he was a natural-born entrepreneur who loved the art of selling.

"In the beginning, it was just a simple eBay business that we were running out of a one-car garage in a rented home in Louisville, Colorado," Joshua said. "Melissa and I scoured yard sales, thrift stores, and Craigslist for bargain deals on items that could be packed and shipped to eBay shoppers around the world. Our main interest and most successes were with vintage stereo gear. It was really great to scratch the entrepreneurial itch that I had been feeling for a long, long time."

Feeling emboldened by his newfound flexibility and renewed career passion, Joshua scrapped his original plans and decided to dedicate all his efforts to making his startup prosper.

The Music Room steadily gathered momentum and, within a year, the Jacksons created a niche-market business that focuses on top-flight home audio equipment.

"About six months in, we hired our first employee to handle all of the photography and shipping so that I could spend more of my time on buying and selling," Joshua said. "We eventually narrowed our focus to home audio gear exclusively."

Changing financial advisors

The Jacksons and Villanys felt a kinship as East Coast transplants residing in the Centennial State. During this time, Ernie learned about the Jacksons' startup, was intrigued, and offered to provide financial advice to catapult it to the next level.

"My wife, Lara (Gonzalez), and I immediately bonded with the Jacksons because we all considered ourselves to be pioneers," Ernie, who established Lafayette, Colorado-based Boulder Valley CPAs in August 2009, said. "We all wanted to make Colorado a successful experience, and I knew that what they were doing was very cool, and very uncommon, and therefore potentially enormous. They are in what we call a recommerce space and, by 2011, eBay was already a household name. So, with a smaller, niche-oriented business that focuses on high-end audio, I wanted to help them thrive in the more specific recommerce space."

Before meeting Ernie, the Jacksons had been working with a "larger, more generic accounting firm." The Jacksons were displeased with the advice that they were receiving from this firm and grew frustrated by its impersonal nature. Conversely, the Jacksons appreciated Ernie's businesslike, yet genuinely affable, caring, and down-to-earth disposition. It became evident to the Jacksons that Ernie, and not a "larger, more generic accounting firm," was the CPA that The Music Room required.

"At the time, I think we just wanted someone that actually seemed like they were listening and understanding our unique challenges and someone patient enough to explain things to us in a way that we could understand," Joshua said.



We needed a 'there's no such thing as a stupid question' environment. We got that with Ernie, but he also exceeded any expectations we had by giving such sound, actionable advice on an ongoing basis. **Honestly, from a true startup with one employee to where we are today, Ernie has been there for us.**"

Handling the 'boring stuff'

Ernie had a strong suspicion that The Music Room was on the cusp of becoming a notably gainful enterprise. Although exciting, he knew that the "boring side of the business" would lay the foundation for The Music Room's long-term success and sustainability. So, Ernie began preparing to tackle unglamorous grunt work.

"When you sell stuff and you collect and remit sales tax, you could find yourself in a hole that you can't get out of very quickly," Ernie said. "I can't tell you how foundational bookkeeping is for a growing business. So, we built a bookkeeping platform and made sure they paid their sales taxes. This may sound obvious, but I've seen plenty of local businesses go under because they fall behind on their sales tax obligations. **I can't stress enough how important it is to stay diligent on the boring stuff.** There are these technical, tactical things that have to be addressed on a consistent, more or less monthly, basis."

The Music Room was doing well, but the Jacksons understood that to further drive company growth, they needed to start building a workforce. Thus, Ernie began to set up the business' payroll.

"We really got [a payroll system] in place very, very quickly," Ernie said. "Payroll is another one of those 'boring' things. Business owners have to learn to pay themselves to get the fruits of their labors. They also have to pay their employees. Again, all obvious things, but critical."

Melissa echoed Ernie's sentiments and raved about his keen financial mind and ability to serve as a mentor.

"Ernie has spent a lot of time advising me on how to maintain our books, inventory, and understanding our financial reporting so that I can manage our books and finances without being a trained CPA," Melissa said. "As a small business owner, you have to be a bit of a renaissance man or woman because you don't have the capital to hire experts in all aspects of running a business. So, that left me with learning how to handle the accounting department on my own. Ernie's time, patience, and advice have made a huge difference in my ability to keep our business in a healthy financial position over the past 10 years."

Relocating The Music Room

The "garage in a rented home in Louisville, Colorado," allowed The Music Room to sing. Nonetheless, Ernie sold the Jacksons on the benefits of investing in brick-and-mortar real estate. Shortly thereafter, they purchased a property in nearby Erie to serve as The Music Room's headquarters.

"Along the way, Ernie has given Melissa and me sound guidance on the tax side of things," Joshua said. "But, he's also helped us choose the right tools for our business at the right time and has been instrumental in introducing us to some key people that have helped us get over significant hurdles. Over the past few years, he's been there for us through a few rounds of financing. First, to acquire our commercial property and then to retrofit it to our needs. And now, to complete a 10,000 square-foot addition, which tripled our space. **Owning our own real estate is important to our business, and one of the things I'm most proud of.**"

Considering their plight during The Great Recession, Ernie is also proud that he played an instrumental role in the Jacksons' decision to buy real estate.



Among other positives, the acquisition strengthened their financial position and improved their credit score.

"When you get to the point where you need office space or warehouse space, you have to find your way to self rent, because that's a key pathway to accrue wealth," Ernie said. "You're never going to fully build wealth if you're renting office or warehouse space from a landlord. Purchasing property in Erie allowed them to save money and work towards building their credit back because they had experienced some really negative financial consequences when the real estate market collapsed."

The Music Room booms

Think about this: Today, approximately a decade after its inception, **The Music Room is the world's largest online retailer of certified pre-owned HiFi equipment.** Furthermore, the Jacksons' staff has dramatically grown and could reach 40 people by year's end.

"We'll have nearly 40 employees by the end of 2021, and our biggest growth opportunities are still ahead of us in the areas of new factory-authorized product sales and distribution," said Joshua, who revealed that every week he lists around 175 to 200 products for sale. "We serve audio and music enthusiasts across the USA by facilitating nearly every aspect of the hobby.

A customer looking to upgrade their stereo system can work with one of our sales consultants to get expert advice on their next purchase, whether it's new or used. They can also trade-in, or get cash, for their old speakers and components. And even if they are buying a used item, they'll have a warranty and a full support team after the sale as well."

Here is the bottom line: When the Jacksons started working with Ernie, The Music Room's annual revenue was less than \$1 million. **Currently, it's on pace to surpass \$15 million in annual revenue.** Perhaps of equal importance, the Jacksons say that Ernie provides them with the same level of service today that he did more than a decade ago.

"When we started working with Ernie, we had one employee and were doing less than \$1 million in sales out of our garage," Joshua said. "This year, we're on pace to exceed \$15 million in sales out of our headquarters in Erie. I'm sure there are more granular stats that could be interesting to look at, but I think it says a lot about Ernie—that we've received the same level of service from him and his team across the past decade."

Looking ahead

Fact: The Music Room has achieved a roughly 1,500 percent increase in annual revenue since the Jacksons began collaborating with Ernie. Still, the Jacksons are the embodiment of go-getters and they're confident that their business will enjoy even more annual revenue growth in the upcoming years.

"Honestly, we have been growing so fast that my brain can't really imagine what will happen in the near- and long-term future," Melissa said. "I am always surprised and amazed about what we achieve every single year."

Since facing financial ruin in Georgia's capital city, it's borderline surreal to comprehend how much the Jacksons have accomplished over the last 10 years in Colorado. The Music Room is booming and it's now readily apparent that "The West is the best" for the Jackson and Villany families.

Want business to boom like The Music Room?

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