



STATEMENTS

First Quarter 2008



by Ed Fahey

President's Message

An important responsibility of managing any company is to ensure that the strategic direction is aligned with the company's mission and vision. Developing a strategic plan involves challenging the status quo and asking what can we do to better serve our clients, contribute to our communities and provide opportunities for our employees. As RINA undertook our strategic planning process, we embraced our vision - *to be among the most respected accounting and consulting firms in Northern California.*

After assessing our strengths and weaknesses, comparing ourselves to our competitors, evaluating the needs of closely held businesses and their owners, as well as the needs of the many community organizations we serve, and considering the talents and aspirations of our people, we pinpointed three strategic areas to which we will devote our resources during 2008.

The first component of our strategic plan focuses on **developing and retaining our staff.** We recognize that we need talented, experienced professionals to deliver the quality of service you have come to expect from RINA. We also know that the development of our professionals will enhance their careers and our capabilities as a firm.

Focus on our strengths is the second component of our plan. We identified specific needs of the marketplace and specific individuals who will lead our efforts to develop these services. In addition to traditional offerings in audit and tax, we will improve our capabilities to provide services such as 401(k) audits, business valuations and estate planning. We will also leverage our expertise in serving the real estate, manufacturing, distribution and not-for-profit industries, which were identified as markets we serve well.

Finally, our focus on **client service** will be directed at **improving responsiveness** with an emphasis on **timeliness.** We are challenged to balance staffing and scheduling and to maintain consistent communications with clients regarding the progress of our work. We will be working closely with our clients to establish mutual expectations that will enable us to deliver timely service.

Throughout the process, we were aware of the interrelated nature of our three strategic initiatives. All are united with our motto: **Your Future is Our Focus.** We look forward to meeting the challenges of our strategic plan. We trust you will notice our improvement in these areas and welcome your comments regarding our progress.

INSIDE THIS ISSUE

Client Corner	Page 2
California Environmental Fee - A Little Known Tax	Page 2
I Lost My Home Through Foreclosure. Are there Tax Consequences?	Page 3
Companies' Fiduciary Responsibility in Retirement Plans	Page 3
RINA Gives Back	Page 4
Compliments to the Chefs	Page 4
Stockholder Spotlight - On the Air!	Page 4
First Quarter Calendar	Page 4



Client Corner

Collaborative Drug Discovery

by Pam Raumer, Business Development Director



Traditionally, drug discovery has been a secretive process, given that drugs are considered intellectual property. This is one of the many reasons why it takes so long and costs so much to develop a new drug. Barry A. Bunin, PhD, President and CEO of Collaborative Drug Discovery, Inc. founded CDD to enable scientists around the world to collaborate securely and selectively on drug data and to more rapidly develop drug candidates for commercial and humanitarian markets.

With CDD, commercial drugs for life threatening illnesses like cancer and malaria are developed more cost effectively and brought to market faster. CDD also focuses on neglected diseases, including malaria, African sleeping sickness, TB, and related tropical infectious diseases. Barry is “most proud of building up a business that does good for the world because the more successful we are, the more successful the field is”.

CDD has doubled their user base this year and has paying customers on four continents. Barry’s long-term goal is to have thousands of scientists using CDD everyday to transform the way drugs are discovered and developed. His business philosophy is that if you make sure your customer is delighted, they will refer other customers. One of his community members advised that “CDD has the potential to be the YouTube or the MySpace in the drug discovery industry, with the added twist of supporting 100% private or 100% public data.”

If you would like more information, you can visit CDD’s website at www.collaboratedrug.com.

“I use RINA for both my personal and business accounting. Everything has been done perfectly.”

- Barry Bunin, CEO Collaborative Drug Discovery

• *Notice from the RINA tax department* • **California Environmental Fee - A Little Known Tax**

The California State Board of Equalization is assessing an Environmental Fee on California businesses that use, store or generate hazardous materials, or that conduct activities related to hazardous materials. The Environmental Fee provides revenue for the California Hazardous Waste Management Program to address various hazardous waste issues. In the past, the annual fee only applied to certain corporations. Beginning January 1, 2007, Assembly Bill 1803 (Stats. 2006, ch. 77) expanded the fee to include: general partnerships, limited partnerships, limited liability partnerships, limited liability companies and sole proprietorships, in addition to corporations (including nonprofit corporations, “S” corporations and out-of-state corporations) operating in California. In general, the fee applies to businesses that have 50 or more employees who are employed more than 500 hours in California during a calendar year. The fee is based upon the total number of employees and annually ranges from a low of \$262 to a high of \$12,522 (at 1,000 employees). The annual fee is due to the State Board of Equalization by the last day of February. Please contact your RINA representative for additional information.

Stockholder Spotlight – On the Air!



On September 29th, Tim Tikalsky, RINA’s consulting and real estate group head, appeared on KNBR’s 680 weekly morning show, Gary Allen on Business. Tim discussed building wealth using real estate, as well as various tax considerations. Look (listen) for Tim to do more radio spots with KNBR’s Gary Allen in the near future!



I Lost My Home Through Foreclosure. Are There Tax Consequences?

by Ray Evans, Tax Manager

If you suffer the unfortunate loss of a home through foreclosure, there are tax consequences to be considered. Generally the loss of mortgage property by foreclosure is treated as a “sale” of the property for tax purposes. If your loan remains unpaid and is cancelled by the lender, you may have to include the cancelled amount as ordinary income.

The tax consequences of a foreclosure depend upon whether the loan is considered “recourse or “non-recourse”. For a recourse loan, the debtor remains personally liable for any unpaid debt balance not satisfied with the proceeds from the sale of the property. For a non-recourse loan, the debtor is not personally liable for any unpaid debt balance.

Under California law, mortgage debt is non-recourse if it was used to pay all or part of the purchase price of a dwelling of not more than four units, that the purchaser uses as a principal residence. However, refinancing an original purchase loan will take the refinance loan out of the purview of this law. A refinance and any other real estate mortgage including rental property or commercial may be recourse or non-recourse according to the terms of the loan. You should consult with an attorney to determine the type of loan you may have.

Taxpayers with non-recourse loans do not have cancelled debt income when the property is foreclosed. The amount of the debt becomes the sales price of the property. Gain or loss is measured by the difference between the basis in the property and the debt proceeds. Some or all of the gain from the sale of the property can qualify for the personal residence exclusion. The loss will generally be a non-deductible personal loss.

Taxpayers with recourse loans must make two computations. First, to the extent the sales price of the property exceeds the basis, gain is recognized. Second, cancellation of debt income is recognized to the extent the total amount of debt exceeds the fair market value of the property. A taxpayer may exclude the cancelled debt income if the taxpayer is insolvent. Also, the gain recognized can qualify for the personal residence exclusion.

If you need assistance regarding a foreclosure situation, be sure to consult your RINA tax advisor. We want to help you with this difficult situation.



Companies' Fiduciary Responsibility in Retirement Plans

by Jesus Guijarro, Audit Manager

ERISA (Employee Retirement Income Security Act) established rules to protect the assets of retirement plan participants. One requirement is that companies establish a formal committee to act as fiduciaries of the plan. These fiduciaries are subject to standards of conduct because they act on behalf of participants and their beneficiaries in a retirement plan. Some of their important responsibilities include:

1. Acting solely in the interest of plan participants and their beneficiaries with the exclusive purpose of providing and protecting benefits.
2. Conducting their duties prudently.
3. Following the provisions of the plan documents.
4. Maintaining diversity in plan investments.
5. Paying only reasonable plan expenses.

Fiduciaries that fail to fulfill their responsibilities may be personally liable and can be required to restore any losses and bolster any substandard profits made through improper use of the plan's assets.

Following are examples of less than prudent fiduciary behavior that needed to be improved in order to avoid personal liability:

- The company did not have a planning committee to monitor the plan and management did not clearly understand their responsibility as fiduciaries.
- Lack of periodic monitoring of the Third Party Administrator (TPA) to ensure the TPA was properly performing services for the plan.

- Plan fiduciaries were not meeting regularly and were not documenting their discussions with minutes.
- Fiduciaries were not properly covered by a fidelity bond.
- Employee salary reduction amounts were not deposited into the employee account in a timely manner. The law requires that participant contributions be deposited into the plan as soon as possible, but no later than the 15th business day of the month following the payday.
- Lack of non-discrimination testing to determine if highly compensated employees contributed more than their fair share into the plan. When such a test fails, certain contributions to the plan from highly-compensated participants must be refunded within certain time criteria.

With the increasing scrutiny from government agencies (i.e. Department of Labor), it is imperative to create a formal team acting as fiduciaries for your company's retirement plan. Each member is responsible for ensuring proper administration and fulfillment of their fiduciary responsibilities, regardless of any duties that may be contracted out to Third Party Administrators.

Please call RINA, if you have any questions regarding how to better fulfill your fiduciary duties to your plan.

RINA First Quarter

JANUARY

January 15

- Final 2007 estimated tax payments for individuals due

January 31

- Form W-2, Wages and Tax Statement to be furnished to employees from employers
- Form 1099 to recipients of dividends, interest, non-employee compensation, etc.
- Fourth Quarter 2007 payroll and sales tax returns due
- Form 940, Federal Unemployment Tax Return for 2007 due
- Form DE7, Annual Reconciliation Return for 2007 due

FEBRUARY

February 29

- Form W-3 Transmittal, together with Forms W-2 to Social Security Administration due
- Form 1096, together with appropriate Forms 1099 to the Internal Revenue Service due
- Oakland, Berkeley, and San Francisco City Business License returns due

MARCH

March 17

- Calendar year corporation 2007 income tax returns due

*** An Important Date Coming Up ***

APRIL

April 15

- Individual 2007 income tax returns due
- First installment of 2008 estimated income tax for individuals due

RINA Gives Back

by Michael Jordan, Stockholder

RINA Day at East Bay Habitat For Humanity



We closed our four RINA offices on October 26th, 2007, and spent a sun filled day in East Oakland, volunteering with East Bay Habitat for Humanity. An independent affiliate of Habitat for Humanity International, Habitat for Humanity East Bay was founded in 1988. Habitat's mission is to revitalize neighborhoods and create homeownership opportunities for families with limited incomes, by utilizing volunteer labor, donated funds and donated materials to build homes. To date, Habitat for Humanity East Bay has completed the construction of just under 200 single-family homes in Alameda County and West Contra Costa County. RINA staff spent the day doing mostly finishing work on the homes including painting, installing baseboards and hanging doors. We had a fun time working away from the office.

Compliments to the Chefs

by Gabrielle Gomez, Administrative Assistant

On October 16, RINA's administrative staff and a few adventurous stockholders were treated to cooking lessons at Kitchen on Fire in Berkeley. A commercial grade kitchen, fully stocked pantry, and entertaining chefs awaited us as we poured ourselves a glass of wine and prepared to learn about cooking something new. We chatted, chopped, grilled, sauteed, laughed and learned a new technique for seeding tomatoes. At the end of the day, we all sat down to eat the fruits of our labor and toast to a job well done.



NOTE:
Roseville Office
Has a
New Address!



Established 1946 • www.rina.com

Member of MGI

475 14th St., Suite 1200, Oakland, CA 94612 • (510) 893-6908 / FAX: (510) 834-1522 / 1-800-RINA CPA
3200 Douglas Blvd., Suite 100, Roseville, California 95661 • (916) 771-3000 / FAX: (916) 771-3252 / 1-800-570-0272
1220 Oakland Blvd., Suite 300, Walnut Creek, California 94596 • (925) 210-2180 / FAX: (925) 210-2199
120 Montgomery St., Suite 2075, San Francisco, California 94104 • (415) 777-4488 / FAX: (415) 777-0680

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