



STATEMENTS

Third Quarter 2019



A New Year, A New Tax Basis Capital Account Reporting Requirement

by Kim Quinn, Tax Senior

Partners in a partnership can often have a negative tax basis capital account. A negative tax basis capital account can be created in different ways, for example; deductions, distributions and losses allocated to a partner or partner contributions of property for which debt liability exceeds adjusted tax basis of the property.

A partner who has a negative tax basis capital account is not necessarily subject to income

recognition when the capital account goes negative if the partner has properly allocated his share of partnership liabilities.

In the 2018 Form 1065 instructions, the IRS inserted a new reporting requirement for the partnership. If the partnership reports partners' capital accounts other than on a tax basis (that is, GAAP, Section 704(b), book, or other), and if the tax basis reported would be negative, the partnership must report to the

partner what the beginning and ending tax basis negative capital accounts is on Schedule K-1 line 20 using code AH.

For those partnerships currently reporting Schedule K-1 partner capital accounts on a tax basis, they are already in compliance with the new reporting requirement and further information is not required.

—CONTINUED ON PAGE 2

IN MEMORIAM

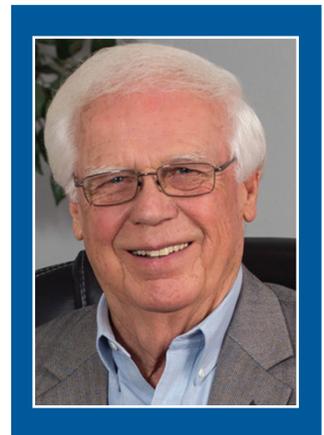
**William Fields, Surtec Inc & Surtec Adopt-A-Family
January 13, 1942 – April 11, 2019 • Client since 1996**

Many people who knew Bill Fields are grieving a great loss. Bill was known as an astute businessman and a generous individual.

As a businessman, Bill developed and manufactured superior products for the cleaning and maintenance industry that provides exceptional results while reducing costs. Surtec, Inc. was honored as Small Business of the Year in California for its contribution to the state's economy.

As a generous individual, Bill founded Surtec Adopt-A-Family in 1991 and has provided food and holiday gifts to over 7,000 needy families and over 20,000 children to date. The Surtec family of employees will deeply miss their friend, mentor and leader, but are determined to carry on with Bill's mission to provide highly valued products and services to their customers.

Brad Gai remembers Bill. "I had the pleasure of working with Bill Fields, Cheryl Sanders and Bill Haag at Surtec. They are a professional and friendly group. I appreciate the structure of the Surtec Adopt-A-Family. Bill ran that organization with no administration costs. Everyone that works for Surtec Adopt a Family is a volunteer. I have very good memories of everyone in my family participating in the food deliveries at the Holidays. It was an opportunity to have my children participate in a hands on project to help those in need. I am grateful to Bill for creating what I hope will be a lasting legacy."



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Client Profile Shelter Tech

by Pamela Raumer, Business Development Director



ShelterTech is solving the biggest technology challenges faced by those experiencing homelessness. Founded in 2016 in San Francisco, ShelterTech improves access to the internet, operates an online directory of homeless services and provides digital training and opportunities for people experiencing homelessness. Their programs target three core problems faced by those experiencing homelessness: poor access to the internet, difficulty finding reliable information for homeless services, and the digital divide separating the tech community and underserved communities.

ShelterTech is 100% operated by approximately one hundred volunteers including their Executive Director, Molly Cohen and Founders, Darcel Jackson, Hicham Sair and Derek Fidler. ShelterTech has installed Wi-Fi access in 50% of San Francisco's main shelters which has impacted 1,000 people experiencing homelessness. ShelterTech wants to expand their wifi service to all shelters and transitional housing in San Francisco and are looking to serve areas beyond San Francisco.

Shelter Tech has 3 main programs: ShelterConnect, AskDarcel and Casey. Shelter Connect works with internet service providers to offer free Wi-Fi in shelters and transitional housing facilities. AskDarcel, a website, allows case managers, city employees, and people experiencing homelessness to find thousands of housing, health, job, education, and other human services nearby and learn how to access them. Utilizing data from AskDarcel and hundreds of research hours and user

interviews, Casey provides step-by-step guidance for many of the most common problems faced by people at risk of or experiencing homelessness. Casey guides are delivered where they're needed most; paper guides are available in youth shelters and resource centers, and additional guides are in the works.

Molly is very proud of the impact ShelterTech has had on the homeless community. Delivering world-class technology products has assisted people across San Francisco. The wifi ShelterConnect allows people to apply online for housing and benefits, schedule appointments with doctors and case managers, search for jobs, search for other social services, and stay in touch with family and friends. It's a lifeline for getting back on their feet.

Molly's biggest challenge, as with most nonprofits, is to build and maintain institutional knowledge in ways that allow volunteers to do work that is impactful and not administrative. This is why she relies on RINA. "Having RINA as our accountant is invaluable. It's wonderful to have RINA in our corner and have our backs so we have one less thing to worry about. Charles, Katie & Chris helped us get organized and worked to get our books and accounting in order."

ShelterTech wants to maintain their model of having all volunteers do the incredible work that is so needed here in our own backyard. They are always in need of volunteers, donors and in-kind donations. They ask that you attend events because the more people get involved, the bigger impact they will have. You can learn more about ShelterTech at www.sheltertech.org or by emailing them at info@sheltertech.org.



A New Year, A New Tax Basis Capital Account Reporting Requirement —Continued from page 1

Partnerships that meet the following four requirements are exempt from the reporting requirement:

1. Less than \$250,000 in total partnership receipts for the year
2. Less than \$1 million in total partnership assets at the end of the tax year
3. Timely filing of all K-1s (including extensions) with partnership return and are furnished to partners on or before due date
4. No M-3 filing requirement for partnership

The IRS will be imposing penalties for failure to comply, however penalties will be waived for those partnerships filing timely tax returns providing all other required information. Further, those partnerships will have up to 180 days past the extended six-month due date to provide the remaining required information. Final reporting is required no later than March 15, 2020.

If you have received your partnership K-1 and have questions regarding new information reporting, please contact your RINA representative.



Get 3 Big Advantages with Strong Core Values

by Charles Sterck, Principal

Most entrepreneurs start out in business because they have a product or service that they feel proficient in producing or delivering. They are great at identifying “what they sell” and “how they do it” and often neglect to ask themselves:

- Who are we?
- What do we stand for?
- Where are we going?
- What is our purpose?
- How do we get there?
- What are the parameters that will guide this process?

These are among some of the fundamental questions each and every business owner must ask and answer for their business to be successful.

Undoubtedly, most business owners carry their Vision, Mission, and Core Values around in their mind, but few take the time to articulate and communicate these details to their team and customers. Jim Collins speaks extensively about these elements in his book “Built to Last”. These elements serve as a guide or compass against which all business decisions and strategy need to be aligned. And most importantly, they need to be in writing for everyone to see. We often ask the question.... What is the difference between a millionaire and a billionaire? Answer: A Millionaire has a plan and a Billionaire writes it down.

Often, the difference between ordinary and extraordinary businesses comes down to how well these three core elements are developed and utilized. Investing the time and effort to clarify your Mission, Vision, Core Values, and what you stand for strengthens your belief, and therefore the likelihood of achieving your goals.

We will focus the next several articles around these topics because we believe that these elements are a requirement for any business to thrive. Today we will focus on Core Values.

Core values guide day-to-day behaviors both within your organization as well as interactions with clients and customers. Collectively, they create the desired culture of your organization. These are often called our beliefs and philosophies.

Core Values tend to be few in number and meet the following criteria:

1. They form a collective company-wide belief. An organization requires values shared as a unit regardless of the values held separately by each individual.
2. They determine the standards of acceptable behavior concerning how to approach your work.
3. They are enduring and consistent over time. They are one of the last things you would want to give up no matter what is happening with or within the company.
4. They are driven by, and crystallized from, the top leadership in the company and telegraphed all the way through the organization.

Leaders must be an example to others in your organization. Team members will learn the company core values from the leaders who exemplify and instill these values in everything they do supported by the things that they say.

Core values are what support the company vision, shape the culture of the organization and reflect what a company values. They are the essence of the company’s identity – the principles, beliefs or philosophy of values. Many companies focus mostly on their primary product, service or technical competencies and forget what the underlying competencies are that make their companies run smoothly - core values.

Establishing strong core values provides both internal and external advantages to the company:

- Core values help companies in every decision-making process. For example, if one of your core values is to respond to a

client issue within 24 hours, your company should build systems to support this performance standard.

- Core values educate clients and potential clients about what the company is about and clarify the identity of the company. Our competitive world today almost demands having a set of specific core values that speak to the public. All companies that wish to maintain a competitive advantage must do this.
- Core values are becoming critical recruiting and retention tools. Job seekers do their homework on companies. They are applying for and weighing whether these companies hold the values that the job seekers consider as important.

At the end of the day, progressive companies must be open-minded, growth-oriented and flexible. In business, great entrepreneurs know that they must be open to new ideas. Success comes from knowing your strengths and weaknesses.

RINA has proven participatory facilitation core value exercises and have worked with organizations that have built 100% consensus among key management groups. We believe that core values are one of the key ingredients needed for every organization that aspires to grow and thrive in this ever-changing dynamic world. The truth is that great visionary companies began with a set of strong core values and a relentless drive for progress. Most importantly, they had a remarkable ability to translate these core values into concrete mechanisms.

Look for our next article to learn how these core values fit into the foundation of other key elements of a well-groomed, strong visionary company. Need our help? Please visit our website www.rina.com or contact us directly at csterck@rina.com

RINA Third Quarter

JULY

July 31

- **Payroll and sales tax returns** - Second quarter 2019 due

SEPTEMBER

September 2

- **County business property tax** - payment due.

September 16

- **S-Corporation returns** - Final due date for calendar year 2018 that filed an automatic 6-month extension.
- **Partnership returns** - Final due date for calendar year 2018 that filed an automatic 6-month extension.
- **Individual estimate** - Third quarter 2019 payment due.
- **Corporation estimate** - Third quarter calendar year 2019 payment due.

September 30

- **Fiduciary returns** - Final due date for calendar year 2018 that filed an automatic 5-1/2 month extension.

Coming up next quarter - October 15

- **Individual returns** - Final due date for 2018 who filed an automatic six-month extension.
- **C-Corporation returns** - Final due date for calendar year 2018 that filed an automatic 6-month extension



accountancy corporation

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Connect With Us



Tracking Your Way to Financial Success

by Brad Gai, Audit Stockholder

Don't we all have something we track as part of our financial management routine? We track our bank account for example. The practice of balancing the checking account each month when the bank statement arrives in the mail, or electronically, may not be as prevalent as it once was but we all know if we write a check if the funds are there to let it clear or not. My son made the mistake of not watching his bank balance closely as a new checking account owner and the bank overcharge penalty was a real bite into his limited capital at the time. He keeps enough funds on account to avoid the bank's penalties and has for many years.

A small business generally has cash management to track as well as billings, accounts receivable, accounts payable, possibly inventory, and debt service. Larger business enterprises have all of these to track as well as other areas that can contribute to success or hurt the bottom line.

As the business owner(s) delegate various management oversight to employees of the company, there are tools to aid the owner(s) in effective management and goal setting. The use of Key Performance Indicators (KPI) has been around for many years. While some companies look to implement KPI's into their management and goal setting plans when they are trying to "fix" something in the business, they are used by many successful companies as part of their management DNA mindset of success.

Implementing the use of KPI's into your personal finances or a company is not any more difficult than reconciling your bank account. In fact, most KPI measurement is much easier than a bank reconciliation and less of a time commitment. Small improvements in a KPI can have exponential impact on the bottom line. There is real impact from the idea that measuring a KPI can result in an improved KPI.

As space is available in future newsletters we will cover some of the basic KPI's to measure and why. The five ways KPI's fail and why. KPI's are custom to each business, but there are some standard operational and financial KPI's for customer acquisition, delivery time, sales conversion, cash flow; profitability; and revenue. A business owner should not wait to "fix" an issue in the business. Adopting a mind set which incorporates KPI's into the goal setting and management of any business will help the success of that business.

MGI Latin America Visit



MGI Worldwide LATAM General Annual Meeting hosted by Dilzanira Da Silva Santos Barroso and Jonilvania Mangureira Toledo Da Silva from MGI Controle Contabilidade.

On May 22nd, Jesús Guijarro, an audit manager at our Walnut Creek office attended the MGI Worldwide Latin America General meeting in Manaus, Brazil. The meeting was attended by most of the representing firms from Central and South America to discuss the direction in which the MGI World alliance is moving, as well as technical standards, technological updates and the marketing opportunities for its members. Attendees had an opportunity to enjoy Brazil's diverse cuisine, learn about the region's history and tour the incredible Amazon River and its wilderness. The next Latin America MGI Worldwide general meeting is scheduled for May 2020 in Buenos Aires Argentina.

MGI Worldwide is an international network of independent audit, tax and accounting firms, with more than 5200 professionals in over 260 locations around the world. RINA accountancy corporation has been a member of the MGI Worldwide family for more than 30 years.