

Your Future is Our Focus



STATEMENTS

Fourth Quarter 2019

RINA Accountancy Corporation has changed its Name to RINA Accountants & Advisors

We are proud to announce the changing of our name to RINA Accountants & Advisors. RINA accountancy corporation has changed its legal structure back to a partnership; the new name highlights the Firm's services and focus.

Founded in Oakland in 1946 as a partnership, the Firm has been serving the greater San Francisco Bay Area for over 70 years. With the transitions of Firm ownership over the years, there have been changes in the firm's entity structure. RINA will be branded as RINA Accountants and Advisors to reflect not only our traditional audit and tax services, but our forward looking advisory services as well.

RINA is a full service tax, accounting, audit and consulting firm with offices located in San Francisco, Oakland, Walnut Creek, and Bellingham, Washington. RINA provides services to closely-held businesses and their owners, not-for-profit organizations and high net worth individuals and families. We attribute the success and growth of our practice to the talent and expertise of our people while focusing our efforts on getting to know our clients so that we can provide proactive ideas and solutions to assist them in achieving their business and financial goals. We do not work with publicly held companies except for audits of their employee benefit plans and tax provision work.



In addition, RINA in 2017 established RINA Wealth Management Services, a wholly-owned Registered Investment Advisory practice whose focus is to provide an array of services to our clients including asset management, succession planning, insurance planning, and estate and retirement planning.

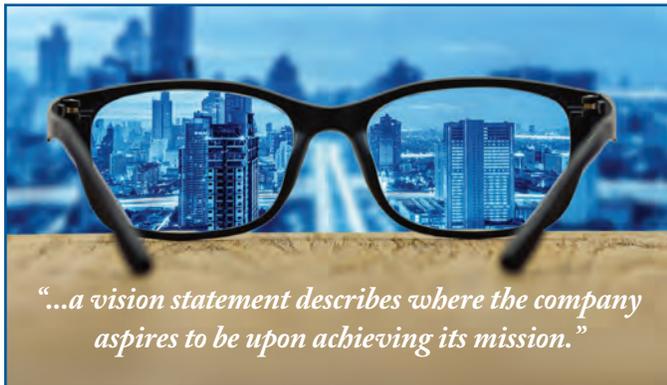
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Becoming an Extraordinary Business: Articulate Your Vision

by Geoffrey Kulik, Tax Partner



At the heart of every business there lies a Vision, a Mission and Core Values. The difference between an ordinary and an extraordinary company comes down to how these concepts are embraced by the culture of the organization and how the culture then manifests the concepts both internally with their team and externally with their customers.

What is a Vision Statement?

In simple terms, a vision statement describes where the company aspires to be upon achieving its mission. Where refers to where the company wants a community, or the world, to be because of the company's existence. The company vision is the fundamental reason for your business beyond making money. It is your guiding star!

Below are some questions that will assist you in creating your vision statement:

- Where do you want your business to be in x years?
- How many employees?
- How many customers?
- How many products or services will we have?
- Where will we be located or found?
- How do you envision the environment or atmosphere of the organization?
- Who does this vision inspire?

The easiest way to describe a company's Vision is to give examples of the visions articulated by clients we have had the privilege to serve as well as a story about famous businesses that everyone knows.

We helped a gourmet food company who underwent a strategic plan and as part of their process together, we articulated Core Values, Company Vision, and Mission. This top-quality business sourced extraordinary food items from all over the world. They wanted to source these unique products so that chefs had easy access to exceptional items which they could transform into special dining experiences. After nearly two hours of work, the company Vision was articulated as "We want to do things well so that others can do things even better".

Or consider a moving company that, among other things, moved trade shows from one location to another within the continental United States. In our session, their Vision was articulated as "All movers are not the same. We exist to help people manage their move along with the changes in their lives".

We have a client whose business exists to help entrepreneurs turn their ideas into realities. They help with prototypes as well as patent applications. In this case, because of our Strategic Planning process, this company articulated their Vision to be "We exist to provide a platform to realize ideas and inventions and to promote our financial success".

And, perhaps the best story is that of Walt Disney. We all know that Walt was an incredibly successful businessman and created an unbelievable empire. What you may not know is how this Vision played into the Disney empire.

When Epcot Center in Florida opened, Walt had passed away and Walt's brother, Roy, was talking to the media. A reporter walked up to Roy and said "Gee, Roy, this must be a real bittersweet day for you given that Walt isn't able to be here to see the completion of Disney World." Roy turned around and spoke to this reporter and said instantly "How naive you are. You are seeing Disney World because Walt saw Disney World. Walt had an unbelievably clear picture of what he wanted Disney World to look like when it was complete."

Every company should create the same type of Vision!

We are not suggesting that you will become Disney, but we are saying that there is huge value in building your business based on a strong vision such as the one that Disney created.

And, Disney is just one example. Vision is a bit of an airy word, but great companies have a very clear Vision of where they would like to be.

Once you have a Vision, communicate that Vision throughout your team. You must ask everyone on the team... how can we make this Vision tangible and real for us and for our customers? Our Vision is where our company can really make a difference!

RINA can help you articulate your Vision.

Contact csterck@rina.com for more information and to let him know how we can assist with the creation of your Vision by itself or in conjunction with exploring your Core Values and company Mission.

For more perspectives on Vision, check out:

- "Built to Last" by Jim Collins. (book)
- "Bring New Life to your Vision Statement" by Jamie Walters. *INC. Magazine*, March 6, 2000. www.inc.com/articles/2000/03/17727.html



Updates for Independent Contractors Assembly Bill No. 5 (AB5)

by Tom Neff, Managing Partner

Recent legislation is going to make it more difficult for employers to classify workers as independent contractors. On September 18, 2019, Gavin Newsom signed into law AB5, which will transform a large proportion of independent contract workers (such as delivery and transportation drivers) into employees, based on new criteria for classification. This law follows the “ABC Test” established by the California Supreme Court in the 2018 Dynamex case. Some workers will be exempt from the law - including insurance brokers, doctors, dentists, lawyers, architects, engineers, accountants and real estate agents. Under the ABC Test, a worker may only be classified as an independent contractor if:

- A. the worker is free from control and direction of the hiring entity in connection with the performance of services; and
- B. the worker is performing work outside the usual course of the business of the hiring company; and

- C. the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed.

Currently, workers classified as contractors do not receive minimum wage, overtime pay, sick leave, family leave, unemployment and disability insurance, workers’ compensation and protection against discrimination and sexual harassment. California state officials estimate that the state loses \$7 billion a year in payroll taxes due to misclassification.

The Gig Economy is fighting back. Lyft and Uber have said that they will spend \$60 million to fund a ballot initiative in 2020 to ask voters to approve the creation of a new category for ride-hail drivers. Although lobbyists have convinced lawmakers in more than two dozen states to pass laws that classify drivers as contractors, experts say that these companies will face an uphill battle in California as they struggle to become profitable.

Use an ESOP to Transfer Ownership of Your Business



According to data from the Census Bureau’s 2016 Survey of Entrepreneurs (the latest available survey), there were 5.6 million employer firms in the United States, and 99.7% of those businesses employed 500 people or fewer. Guidant Financial and LendingClub’s Report on the State of Small Business reported that 57% of small business owners are age 50 or older.

Develop a Plan

As owners of these businesses begin to think about retiring, they need to develop a succession plan. Although many will look to sell their businesses outright, an employee stock ownership plan (ESOP) offers another solution. ESOPs are qualified retirement benefit plans (similar to 401(k) plans) that give employees an ownership interest in the company. Data from the National Center for Employee Ownership (NCEO) shows that nearly 6,700 of these plans exist nationwide. Of those companies, the greatest numbers (22%) are in manufacturing and 11% are in construction, which may be surprising.

Establish an ESOP

The number of companies with ESOPs may seem low, but part of the reason may be that companies simply are not familiar with ESOPs or how they work. Essentially, ESOPs are employee benefit plans that are funded by tax-deductible contributions by the employer in the form of either company stock or cash. That contribution is used to purchase company stock.

ESOPs operate through a trust or other named fiduciary, which means that the administrative costs can be high. Other associated costs can be high as well. For example, the process of setting up an ESOP usually starts with a feasibility study conducted by an outside consultant. This study will include a business valuation, an analysis of the company’s cash flow and debt capability and a suggested structure for the ESOP.

Determine Fairness

If it is determined that an ESOP is a good option and the owners agree with the terms and suggested structure, a trustee needs to be identified. The trustee will hire a valuation firm to oversee the terms and issue a fairness opinion. This opinion will focus on the financials of the deal.

Once everything is agreed to, both the company and the trustee will need legal counsel.

The associated expenses may be high, but the tax savings for ESOPs can be substantial. For example, a business owner who sells more than 30% of his or her company to an ESOP may be able to defer any capital gains tax by rolling over the proceeds to a qualified investment. No tax would be due until those investments are sold.

Boost Morale

ESOPs also have an intangible benefit: company morale. Because the company’s employees also are part owners in the company, they have a vested interest in seeing the company succeed. Ownership-based cultures tend to boost employee satisfaction and retention.

Not all companies should consider ESOPs as a succession strategy. They work best for companies with

- annual payroll of at least \$1 million,
- at least 20 employees,
- solid management team,
- strong cash flow, and
- debt capacity.

ESOPs can be an excellent option for business succession, but you have to know a lot more about them before you can decide whether they are a good fit for your company. Call us today for help devising a strategic succession plan for your business.

STATEMENTS

RINA Fourth Quarter

NOVEMBER

November 15

- **Exempt returns** - Final due date for 2018 calendar-year that filed an automatic six-month extension.
- Due date for June 30, 2019 year end.

DECEMBER

December 31

- Final due date for calendar establishing qualified retirement plans for 2019 calendar-year taxpayers.

COMING UP IN JANUARY

January 15

- **Individual estimated income tax payments** - Fourth quarter 2019 due.

January 31

- **Payroll, household and sales tax returns** - Fourth quarter 2019 due.
- **Form W-2 (2019)** - Wages and Tax Statement, to be furnished to employees from employers.
- **Form 1099 (2019)** - to recipients of dividends, interest, non-employer compensation, etc.



accountancy corporation

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RINA Gives Back



CCIM/CREW East Bay Golf Tournament

Pamela Raumer, Business Development Director



NorCalCCIM and CREW East Bay hosted a golf tournament at the beautiful Sequoyah Country Club in the Oakland Hills on Monday, September 23rd. One hundred golfers and volunteers enjoyed networking with commercial real estate professionals on a private course that is surrounded by rolling hills and mature landscape. Prizes were awarded to Men and Women First, Second & Third Place, Longest Drive and Closest To The Pin.

A portion of the proceeds are going to scholarships for CCIM courses and CREW Network Foundation Scholarships. The RINA Team won the Men's Flight and RINA was the Tournament Sponsor.

If you missed this year's tournament, Save the Date for Monday, September 21, 2020!



New Lease Accounting Standard

by Howard Zangwill, Audit Partner

In July, FASB met to discuss several outstanding items, including the effective date for lease accounting for private companies and nonprofits. After deliberation and recommendations, the Board decided to postpone the effective date for private companies and nonprofits for 12 months pending a public comment period. If there is no opposition to the proposed lease accounting delay, the new ASC 842 effective date for private companies will be January 1, 2021.

It is expected that there will not be any opposition to postponing the lease accounting effective date. Many considered the postponement necessary so companies can use the extra time to learn from the experiences of public companies so they could implement the new standard effectively and efficiently.