BottomLine

Just a quick chat from your accounting firm

FredrickZink & Associates
A professional corporation. CPAs

Spring 2010

It's Not Just Tax Season...It's Spring

Growth In Little Packages And In Big Moves

This time of year it is easy for us to get caught up in deductions, credits, internal controls, and risk assessment, but we realize that there is more to life than taxes and audits.

Chuck is a proud new Gramps! Congratulations to the whole family on the safe arrival of baby Silas. Ask Chuck to see some of the adorable pictures if he hasn't already shown them to you.

Ellen MacKenzie, the face and voice of FredrickZink & Associates since 1997, is returning to her hometown of Boulder this May. Ellen will be truly missed. Not only because she is the "go to" person around the office, but because we will all miss her cheery smile and positive attitude that pervades everything she does and is about. We wish her the best on an exciting new chapter in her life.

Finally, don't forget that there are important deadlines on the horizon (we can't help it, we *are* CPAs).

Chuck Fredrick, CPA

Sidny Zink, CPA

Little shoes. Big steps. Spring is in the air.

STATE TAX CREDITS

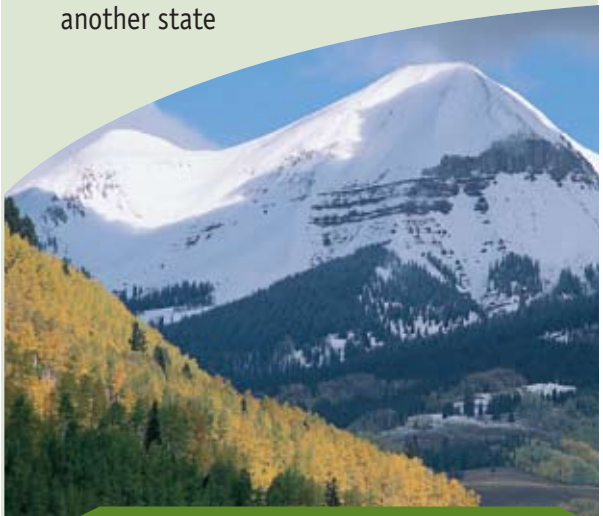
Have you taken advantage of all the State of Colorado tax credits?

Talk to your tax preparer if your business is located in an enterprise zone and any of the following are true:

- You established a new business facility
- You added employees
- You pay at least 50% of health insurance premiums for your employees
- You purchased tangible personal property
- You have a qualified job training program
- You made expenditures for research and development
- You rehabilitated a commercial building
- You preserved or rehabilitated historic property
- You provided child care services for your employees

You may also be eligible for a tax credit on your state return if:

- You purchased or paid premiums on a long-term care insurance policy
- Your trust is a resident of Colorado and another state



durangocpas.com
970.247.0506

"In this world nothing can be said to be certain, except death and taxes."

— Benjamin Franklin

Imagine for a moment that your estate is worth $5 million. Your tax liability will depend on what year you pass away. For instance, if you passed away in 2009 (which you didn't if you are reading this), the tax liability would be based on $1.5 million. If you pass away in 2010 there is no estate tax, and if you pass away in 2011 you would pay taxes on $4 million. That is because the estate tax has been repealed for 2010, but will be back starting in 2011.

However, there is more to the story than the estate tax rate. The capital gains tax on inherited property is far less favorable in 2010 and could result in a higher tax liability for smaller estates than larger ones.

Will Congress step in? There is a lot of speculation that Congress will reform the estate tax laws, but when will they become effective? The bizarre situation has created a lot of confusion, and made estate planning that much more challenging.

One thing is clear — you need to talk with your financial advisor about your goals. Although 2010 looks like the best year to leave this earth, it's best not to "go anywhere" too soon...let's allow this situation to get straightened out first.

Tax Year	Tax Rate	Tax Exemption
2009	45%	$3.5 Million
2010	0%	N/A
2011	55%	$1.0 Million

How Does Your Business Measure Up?

Benchmarking is the process of comparing your business with the statistical results (metrics) from industry leaders. It involves identifying best practices and borrowing ideas and solutions to improve your business.

There are four phases to benchmarking:

1. Identifying what you wish to benchmark.
2. Measuring those activities.
3. Comparing to industry standards.
4. Implementing policies to improve performance.

IDENTIFY

First, identify what you wish to compare with the industry standard. Performance metrics can be in the form of financial ratios, sales numbers, or operational quality and efficiency. Anything that can be measured can be benchmarked, but managers usually focus on cost, cycle time, productivity, and quality.

MEASURE

Next, you have to determine how to measure what you are comparing. You can't manage what you can't measure, and if you don't measure something you don't know if it is improving or not.

Common financial metrics include:

- Current ratio
- Quick ratio
- Gross profit margin
- Net profit margin
- Inventory days
- Accounts receivable days
- Accounts payable days
- Debt-to-equity ratio
- Return on equity
- Return on assets
- Fixed asset turnover
- Sales per employee
- Profit per employee
- Profit growth
- Sales growth

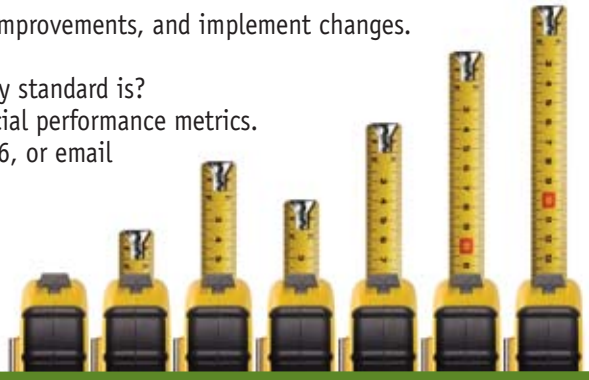
STANDARDS

Now you are ready to compare your results with the industry standard. In this phase you will be able to identify the areas where you do well and the areas that need to be improved.

IMPROVE

Determine how you can make improvements, and implement changes.

Need to know what the industry standard is?
We can provide you with financial performance metrics.
Call Ginny Johnson at 247-0506, or email gjohnson@durangocpas.com.



durangocpas.com
970.247.0506

Fraud Can Be An Occupational Hazard

We frequently hear about fraud in the news and (if you are like many people), you often dismiss it as a "big city" or "big business" issue. Unfortunately, occupational fraud is a very real problem for small businesses. According to a study by the Association of Certified Fraud Examiners (ACFE), the median cost of fraud in 2008 was $175,000 ($200,000 for businesses with fewer then 100 employees). The report estimates that 7% of all annual revenue is lost to fraud. More bad news — it takes 2 years, on average, to detect ongoing fraudulent activity.

According to the ACFE, the most common fraudulent activities for small businesses are check tampering and fraudulent billing. The most common reasons fraudulent activity goes undetected are the lack of management review and the override of existing internal controls.

Fraud type	Description	Example
FRAUDULENT BILLING	A person causes his employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices, or invoices for personal purchases.	• Employee creates a shell company and bills the employer for nonexistent services. • Employee purchases personal items and submits the invoice to the employer for payment.
CHECK TAMPERING	A person steals his employer's funds by forging or altering a check on one of the organization's bank accounts, or steals a check the organization has legitimately issued to another payee.	• Employee steals blank company checks and makes them out to himself or an accomplice. • Employee steals an outgoing check to a vendor and deposits it into his own bank account.
CORRUPTION	An employee uses their influence in a business transaction in a way that violates their duty to their employer.	• Employee receives or offers bribes. • Employee extorts funds from third parties.
SKIMMING	Cash is stolen from an organization before it is recorded on the organization's books.	Employee accepts payment from a customer but does not record the sale.
EXPENSE REIMBURSEMENT	An employee makes a claim for reimbursement of fictitious or inflated business expenses.	Employee files a fraudulent expense report claiming personal travel, nonexistent meals, etc.
CASH ON HAND	An employee misappropriates cash kept on hand at the employer's premises.	Employee steals cash from a company vault/drawer.
CASH LARCENY	Cash receipts are stolen from an organization after they have been recorded on the organization's books.	Employee steals cash and checks from daily receipts before they can be deposited in the bank.
NON-CASH	An employee steals or misuses non-cash assets of the victim organization.	Employee steals inventory from a warehouse or storeroom.
PAYROLL	An employee causes his employer to issue a payment by making false claims for compensation.	• Employee claims overtime for hours not worked. • Employee adds ghost employees to the payroll.
REGISTER DISBURSEMENTS	An employee makes false entries on a cash register to conceal the fraudulent removal of cash.	Employee fraudulently voids a sale on his cash register and steals the cash.

From the ***2008 Report to the Nation on Occupational Fraud & Abuse*

ARE YOU DOING EVERYTHING YOU CAN TO PROTECT YOUR BUSINESS?

Effective anti-fraud controls include:

- Surprise audits
- Job rotation/ mandatory vacation
- Hotline
- Employee support programs
- Fraud training for management/ executives
- Internal audit
- Fraud training for employees
- Anti-fraud policy
- Management review of internal controls
- External audit

Maintain Your Status!

If you haven't filed a return with the IRS in the last three years your tax-exempt status will be revoked!

In a recent news release, the IRS reminded tax-exempt organizations to file their annual information form or risk losing their tax-exempt status. Since the beginning of 2007, non-profit organizations that do not report to the IRS for three consecutive years will lose their Federal tax-exempt status. If an organization loses its exemption it will have to re-apply and any income received before reinstatement may be taxable.

Non-profit organizations with annual receipts of $25,000 or less can file Form 990-N electronically. All you need to file Form 990-N is:

- Federal tax identification number
- Tax year
- Legal name and address of the organization
- Name and address of the principal officer

Non-profit organizations with gross receipts above $25,000 must file Form 990 or 990-EZ annually.

Returns are due by the 15th day of the 5th month after the tax year ends. For more information go to the IRS website at www.irs.gov, or ask us for details.

C.P.A.s

Company Personnel Announcements

Michelle Sainio passed the CPA exam. Now she can have those three little letters after her name! Introducing: Michelle Sainio, CPA Congratulations!

Don't let a few gray hairs in his beard fool you…"old gramps" he's not. This is one hip grandfather, and a proud one too.

Ginny Johnson is back x 2! Well, she never left, but she did have a baby on January 15th! Lane Dalton Johnson and Mom are doing great.

Welcome Haley McCaffery!
Haley joins our firm as an Administrative Assistant in the front office.

FREDRICKZINK & Associates
A professional corporation. | CPAs

954 East Second Avenue | Durango, Colorado 81301

A CPAs interpretation of the Four Seasons:
Tax Season, Summer, Fall, The Start of Tax Season
What we meant to say was:
Happy Spring Everyone!