

ABOD & ASSOCIATES LLC **ACCOUNTING AND TAX PROFESSIONALS**

BUSINESS PLAN DEVELOPMENT SERVICES

INTRODUCTION

In today's highly competitive environment, formal business planning is essential to achieving business success. A well-written business plan is primarily a communication tool to be used in obtaining financing. In certain instances, particularly with early stage companies, the business plan also serves as a strategic plan.

With venture capital investors inundated by numerous investment opportunities from which they choose only a few, a sound and presentable business plan should be developed to immediately capture their attention. An investor's decision often turns merely by the contents and quality of the business plan. More often, they are motivated by the experience and talent of the firm's principals.

Besides providing facts and figures, an effective business plan enables investors to understand the entrepreneur's vision and his/her ability to manage the venture through its growth stages. Since very few new ventures succeed, investors need assurance that the management team has made an in-depth analysis of its opportunities and threats as well as its strengths and weaknesses, and that the company has an excellent chance to succeed.

HOW OUR FIRM CAN HELP

As a professional accounting and tax firm, Abod & Associates LLC and our highly experienced professionals provide comprehensive accounting, tax, and management advisory services to a wide variety of companies in multiple industries. Since its inception in 1984, the Firm has experienced dramatic growth due to its outstanding reputation in the community for providing quality, timely service and for taking a creative business approach to solving your company's challenges. Abod & Associates LLC has been a highly valued and integral team member in the success of several emerging businesses.

Our team combines expertise in tax, accounting, finance, strategic planning, systems implementation and management. The integration of these disciplines results in extensive and innovative services for our clients.

Our substantial financial experience allows our Firm to develop effective and persuasive business plans that help our clients:

- Attract investment capital;
- Focus ideas and establish goals;
- Identify and quantify objectives;
- Track and direct growth; and
- Create benchmarks for measuring success.

A METHODOLOGY FOR BUSINESS PLANNING

Comprehensive business planning evaluates and helps management develop the analyses of the following areas:

- o Record of achievements
- o Competitive analysis
- o Goal and objective setting

Constructive and useful business planning requires a broad-based understanding of changes taking place in the marketplace in which the company competes, or plans to compete, and the ever-changing financial markets. In-depth technical skills in a variety of disciplines such as tax, financial analysis, sales, marketing, compensation and human resources are critical components to assessing a company's opportunities and challenges. An independent perspective allows for the greatest possibility for fresh and innovative thinking.

KEY BUSINESS PLAN AREAS

- I Executive Summary
- II The Company
- III The Product/Service
- IV The Market
- V The Competition
- VI The Marketing Plan
- VII The Manufacturing/Operations Plan
- VIII The Management Plan
- IX The Financial Plan and Projections

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BUSINESS VALUATIONS

INTRODUCTION

Owners often make best-guess estimates of their businesses' value based on vague rules of thumb, book values, or old valuation reports. Relying on such informal, imprecise, and potentially outdated measure can lead to underestimates of worth and thus very costly mistakes.

Whether you are selling or buying a business; considering a merger, acquisition, or divestiture; planning your estate; or settling a contract dispute, it is simply good business practice to seek an objective valuation. And, of course, the methodology, accounting, and judgment of the professionals who make that valuation must be irrefutably sound to ensure accuracy.

We apply the high standards for which our firm is renowned to all valuations. No matter the size or nature of your business, our experts are committed to giving our clients valuations that are timely, supportable and credible.

Our valuation professionals have the extensive knowledge and experience to complete the valuation process quickly and responsibly and present the results in high quality reports designed to help you act fast when time is literally money.

WHAT IS "VALUE"?

A business's "market value" is by definition somewhat subjective in that it depends on a number of variables. What's more, there are at least seven different accepted methods of valuing a business. Given this variability, the outcome of a business valuation depends largely on the judgment and experience of the professionals who perform it.

WHEN DO YOU NEED A VALUATION?

While it is always in the best interest of any business organization to measure its current worth, in some specific situations an expertly established value is absolutely crucial. These situations include but are not limited to those involving:

- Mergers, Acquisitions and Divestitures
- Business Planning
- Litigation and Arbitration
- Marital Dissolution
- Partner/Shareholder Disputes
- Business Succession Planning
- Buy-Sell Agreements
- Estate and Gift Planning
- Obtaining Financing

In addition, estimating a business's worth without up-to-date professional advice on the latest accounting tax and industry changes that affect valuations can lead to uninformed decisions and expensive errors.

THE SCIENCE AND ART OF VALUATION

Every business valuation presents unique challenges and demands for creativity. Because valuation is a complex process with no simple formulas or clear means to rely on, it takes an experienced professional to keep abreast of all the ramifications of every component of value. Actually determining a business's overall value calls for a variety of methods tailored to each situation; selecting the appropriate ones and applying them creatively to the question at hand makes valuation a real art. Because valuation is not an exact science, its outcome depends on the judgment that goes into it and the documentation that supports that judgment.

We offer customized, closely held business valuations by professionals with a wide range of experience, training, and expertise backed by our firm's commitment to independence, quality, hands-on experience with actual transactions enables them to apply hard evidence in valuations beyond the theory most competitors rely upon along. Business valuations from HFM provide our clients and third parties with assurance and confidence about the fair market value of every company we evaluate.

Our professionals have also served as expert witnesses in litigation and disputes regarding business value and loss profits.

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ACCOUNTING SERVICES

INTRODUCTION

Abod & Associates LLC is a full service professional accounting and tax firm offering services to individuals and organizations of all sizes. Since our inception in 1984, our Firm has experienced dramatic growth due to its outstanding reputation in the community for providing quality, timely service. The Firm's principal service areas include:

- Small and Emerging Business Services
- Tax Preparation and Planning
- Management Consulting Services
- Auditing and Review Services
- Government Services

GROW WITH US

We provide accounting, tax and consulting services for small-to-medium and emerging businesses in need of the following:

- Tax planning and preparation for both the owners and their business entity
- Development of accounting systems
- Assistance with existing or converting to computerized accounting systems
- Management reports to assist in decision-making

OUR SERVICES

Financial Statement Services

- Compiling financial statements on a monthly, quarterly or annual basis
- Maintaining accounts receivable and accounts payable ledgers
- Record cash receipts, cash disbursements, accruals and adjustments to produce a general ledger or trial balance
- Calculating depreciation and maintaining schedules of depreciation of fixed assets
- Bank reconciliation's
- Account analyses and schedule preparation
- Depreciation and service area reporting

Tax and Business Planning Services

- Business and personal income tax returns and planning
- Succession and estate planning
- Sales and use tax returns
- Personal property tax returns
- Other business returns

Assistance in establishing in-house computerized accounting systems

- System needs analysis
- Network configuration
- Selection of hardware and software
- Implementation
- Support
- Training

Assistance with existing computerized accounting systems

- Monthly or year-end closings
- Modification of financial statements and accounting reports
- Development of additional financial and management reports
- Data transfer to spreadsheets and database
- Support
- Training

Other Services

- Consultation on financial statements prepared in-house including analytical review and business planning
- Implementation and development of financial accounting systems
- Cash flow analyses and planning
- Assistance with bank financing and relationships
- Bookkeeping instruction and training
- Development and documentation of accounting and internal control policies and procedures
- Assistance in preparing for audits
- Temporary bookkeeping and accounting services

Abod & Associates LLC Services

CONSULTING SERVICES

INTRODUCTION

Abod & Associates LLC, founded in 1984, specializes in providing accounting and consulting services to franchise businesses and emerging companies. The firm has built an outstanding reputation among clients, fellow professionals, investors, and others in the business community through our high quality of work and personalized service.

HOW WE CAN HELP

At Abod & Associates, we structure our services to the particular needs of our franchise business clients. We take a full “turnkey approach” to your company’s financial-services needs including:

- Setup of a computerized accounting system that interfaces with your point-of-sale system to poll all sales and payroll information directly from their sources.
- Compilation of monthly or other periodic financial statements including balance sheets, combined and multi-unit operation statements, cash flow statements, and other requested information such as graphs and actual-versus-budget comparisons with variances in dollars and percentages.
- Setup and full coordination of your business’s payroll, internally or with an outside payroll service company.
- Complete accounts payable and bill-paying services. A firm Director will issue checks

with a signature stamp, and we will age your company’s accounts payable to maximize cash flow and enhance cash management.

- Preparation of daily cash management reports and analysis of cash flow.
- Ensuring and reporting compliance with all franchise requirements.
- Preparation of all applicable tax returns including payroll, sales, personal property, franchise, and annual federal and state income tax returns.

INITIAL CONSULTING SERVICES

We offer initial consulting services for franchise acquisitions including:

- Reviews of acquisition closing documents to ensure proper allocation of the purchase price to maximize tax deductions.
- Set-up of fixed asset depreciation and amortization schedules for all applicable costs incurred.
- Assistance in the preparation of budgets and cash flow forecasts.
- Establishment of chart of accounts and full implementation of computerized accounting and information management systems.

OTHER CONSULTING SERVICES

In addition to receiving the services above at reasonable costs for the benefits, with Abod & Associates LLC your business also gets the expertise of a full-service accounting, tax, and management-consulting firm. Our staff is trained and experienced in working with owners and understands the needs of the small businessperson. In essence, you get the personal attention of an experienced “Chief Financial Officer” looking over your accounts and available to consult you on all the financial management aspects of operating your business, including troubleshooting when necessary *and you pay only for the time you need.*

TECHNOLOGY

Our firm uses state-of-the-art technology to communicate with clients via the Internet, mail, document scanning, facsimile, and voicemail. We can also deliver hard copies overnight to both local and out-of-town clients.

Abod & Associates LLC Services

CAFETERIA PLANS

This brochure has been designed to introduce you to the benefits shared by employer and employee alike through a Cafeteria Plan. Perhaps the best way to explain Cafeteria Plan is to answer the most frequently asked questions on the topic.

HOW IT WORKS

Q. *What is a Cafeteria Plan?*

A. A Cafeteria Plan is a written plan in which participating employees can select qualifying benefits from a “menu” of choices. In most plans, the eligible employee has the following options:

- To receive all compensation in cash
- To direct a portion of his/her salary to the Cafeteria Plan. The employee’s redirected salary is “banked” by the employer in an account maintained for the employee. When an expense is incurred for one of the qualifying benefits, the employee is reimbursed by the employer from the dollars in the “banked” account. These reimbursements represent an additional benefit to the employee as they also escape Federal, state, local and Social Security taxes.

Q. *What benefits can my company include in a Cafeteria Plan?*

A. Your plan can include all or any combination of the following:

- The employee’s portion of the health insurance premiums.
- Medical expenses not covered by insurance. Typical expenses include eyeglasses, medical examinations and insurance deductibles.
- Adult and child day-care expenses.
- Other insurance coverages, including dental insurance premiums, disability and accident benefits and group term life insurance premiums.

Q. *Do I have to include all of those features in my plan?*

A. No, you may choose to offer any of the benefits previously mentioned.

Q. *Why implement a Cafeteria Plan?*

A. You should implement a Cafeteria Plan for two primary reasons:

1. Your employees will save money.
2. Your company will save money.

BENEFITTING YOU

Q. *How will my company save money?*

A. Your company can recognize the following savings with a Cafeteria Plan.

- For those employees earning less than the maximum amount taxable for Social Security, the taxes will be avoided on the amounts redirected by the participating employees to the plan.
- Insurance premiums may be reduced for those coverages, such as disability insurance and workers’ compensation that are based on your employees’ taxable salaries.

YOU COULD SAVE UP TO 10% ON THOSE TWO ITEMS ALONE!

- Your company may also recognize a reduction for any retirement plan expense (profit sharing or pension plan) that is based on your employees’ taxable salaries.
- And, of course, our company can earn interest income on the balances in the Plan throughout the year.

The following example illustrate the savings to one employer:

The owner of ABC Company has implemented a Plan for his employees. 30 employees participate in the Plan and they each elect to reduce their compensation by \$2,000 a year to pay for health insurance premiums and other medical expenses.

•Annual salary reduction	\$60,000
•FICA saved (\$60,000 x .765%)	\$4,590
•Estimate other savings @ 3% Retirement plan contributions Unemployment taxes Insurance premiums based on Compensation	1,800
•Interest income earned on Plan Account balance (assume average balance of \$5,000 x 6%)	<u>300</u>
Total Benefit to Employer	<u>\$6,690</u>

Q. What other benefits will my company realize as a result of a Cafeteria Plan.

A. Because of significant cost increases for health insurance and other fringe benefits, many companies would like to change or reduce the insurance coverages they provide to their employees. A Cafeteria Plan can be implemented at the same time a change is made and thus, significantly reduce the impact of the change on the employee.

Abod & Associates LLC Services

CHARITABLE CONTRIBUTIONS

Effective after January 1, 1994, the Internal Revenue Service no longer allows deductions under Section 170 of the Internal Revenue Code for Charitable Contributions of \$25 or more unless the donor has contemporaneous written substantiation for the charity. In cases where the charity has provided goods or services to the donor in exchange for making the contribution, this “contemporaneous” written acknowledgement must include a good faith estimate of the value of such goods or services. Therefore, taxpayers may no longer rely solely on a cancelled check to substantiate a cash contribution of \$25 or more.

What is contemporaneous? That is, it must be obtained by the donor no later than the date that the donor actually files a return for the tax year in which the contribution was made. If the return is filed after the due date or extended due date, then the substantiation must have been obtained by the due date or extended due date. Clearly, when cash contributions in excess of \$25 are made it is in the best interest of the donor to ensure that they receive some sort of substantiation from the charity.

The responsibility for obtaining this substantiation lies with the donor who must request it from the charity.

The charity is not required to record or report this information to the IRS on behalf of the donor. In truth, however, we find that most charitable organizations are establishing programs to ensure that donors receive receipts.

The law provides that substantiation will not be required if, in accordance with regulations

prescribed by the Secretary of the Treasury, the charity reports directly to the IRS the information required to be provided in written substantiation. Currently, however, there are no regulations establishing procedures for direct reporting by charities to the IRS for charitable contributions of \$25 or more.

Experience has demonstrated that there is no prescribed format for the written acknowledgement. For example, letters, postcards, or computer-generated forms may be acceptable. The acknowledgement does not have to include the donor’s social security number. Valuation of the donated property remains the responsibility of the donor.

The written substantiation should also note whether the donee organization provided any goods or services in connection with the contribution in whole or in part and if so, must provide a description and good-faith estimate of the value of the goods or services. Under the law, these are referred to as “quid pro quo contributions”. You should be aware that the law requires charities to furnish disclosure statements to donors for such “quid pro quo” donations in excess of \$75.

If the goods or services consist entirely of intangible religious benefits, the statement should indicate this; but the statement need not describe or provide an estimate of the value of these benefits.

What are intangible religious benefits? An intangible religious benefit must be provided to the donor by an organization established exclusively for religious purposes and must be of a type that

generally is not sold in a commercial transaction outside the donated context. This would include admission to a religious ceremony and also generally applies to de minimis tangible benefits, however, do not apply to such items as payment for tuition for education leading to a recognized degree, or for travel services or consumer goods. Importantly, if the donor received nothing in return for the contribution, the written substantiation must so state.

The organization may either provide separate statements for each contribution of \$250 or more from a taxpayer or furnish periodic statements substantiating contributions of \$250 or more.

Separate payments are regarded as independent contributions and are not aggregated for purposes of measuring the \$250 threshold. However, the Service is authorized to establish anti-abuse rules to present avoidance of the substantiation requirement by taxpayers who write separate small checks on the same date. If donations are made through payroll deductions, the deduction from each paycheck is regarded as a separate payment. A charity that knowingly provides false written substantiation to a donor may be subject to the penalties for aiding and abetting an understatement of tax liability under Section 6701 of the Internal Revenue Code.

Clearly, these rules require additional substantiation requirements for taxpayers. If you would like assistance in determining how these rules specifically impact you, please feel free to contact us.