

LOOPHOLES

Keeping Your Family, Your Business and You — In the Loop!



by David Suss, CPA

From the Newest Partner's Office

I am truly honored and delighted to become the newest partner at the most prestigious CPA firm in the Coachella Valley. During my 7 years with MMGC, I have had the opportunity to work with a group of dedicated professionals whose primary mission has always been to provide exceptional service to its client base.

The legacy started by Lloyd Maryanov in 1964 is one that we, as a firm, are truly proud of.

Each day we strive to maintain the highest standards of professionalism, integrity and advocacy for our clients.

To that extent, we have assembled a team of well-trained ethical and responsible individuals to properly advise those whom we serve. In addition, we proudly remain an integral part of the community through the various civic, educational and charitable organizations, which we assist either individually or as a firm.

Our profession has and continues to undergo many changes. We have always postured ourselves to remain knowledgeable and up to date in all aspects of accounting regulations and tax law. By doing so, we have been effectively able to provide not only traditional accounting and tax services, but other advisory, consulting and financial services. Our office is state-of-the-art, utilizing the latest in technology to maintain efficient operations.

It is with a great deal of excitement and enthusiasm that I accept the challenges ahead. I am most appreciative of the support of my partners and our staff. I am also grateful for the confidence that our clients have placed in me and I will make every effort to continue to maintain that trust. It would be remiss of me not to express my sincere thanks to Howard Gordon, who has been a mentor, role model and friend since my arrival to the desert. I look forward to working with many of you in the future.

Carol Moreno Joins MMGC Financial Services

We are delighted to announce that Carol Moreno has joined MMGC Financial Services as Director of Fiduciary Services. Carol is a graduate of paralegal studies from California State University at Los Angeles, with extensive experience in trust, probate, and estate planning-related services. Her prior years in the banking, brokerage and pension industries, coupled with 32 years in the legal profession provide a substantial base for her involvement in forensic analysis of trust records and assisting clients with their fiduciary responsibilities as individual trustees in trust administration. Carol is a current member of the Los Angeles Paralegal Association (LAPA), Women Leaders Forum and the Desert Estate Planning Council, and serves on the McCallum Theatre Planned Gift Committee. You can reach Carol at 836-9052.



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LOOPHOLES® is compiled by the staff of Maryanov Madsen Gordon & Campbell. The articles and examples presented in this publication are of a general nature only. Please contact us for further information as to how these ideas may apply to your specific situation.



2004 TAX SEASON HOURS

MMGC's partners and professional team are available to meet with you whenever best suits your schedule. Our general office hours through April 15, 2004

Mon.-Fri. 8:00a.m. - 5:00p.m Sat. 8:00a.m. - 1p.m.

Our offices will be closed on Friday, April 16 for our annual Tax Relief Day

Business Valuation FAQs

by H. Les Kornblatt, CPA, CVA



Les Kornblatt

Question: What steps can I take to enhance the value of my business for a future sale?

Answer: Most buyers will negotiate for a price based on their perception of the risks inherent in the business. The higher the risks — the lower the price; and vice — versa. Perceived risk is affected by historical operating performance and financial strength of the company, employee, customer and supplier relations, organization and management structure, and other variables. To the extent you, the seller, can reduce the risks, you should expect a higher price and the transaction should also go more smoothly.

Financial/operating performance: Most small business owners are motivated to reduce income taxes. Financial statements and tax returns prepared on that basis can often understate the economic operating performance of the company. Have your accountant review your financial reporting to see if certain accepted accounting practices can be implemented to reflect the company's higher economic performance and greater financial strength. Three to five years of recent sustained historical growth should impress a buyer.

Employees: Potential buyers are concerned that key employees will leave the business during or after an ownership change. Keep key employees apprised of your plans to sell the business and seek their support in assuring prospective buyers that the transition will be smooth. Make sure employee compensation and benefits are competitive with the competition.

Customers and Suppliers: Review existing contracts. Favorable ones should be kept and extended, if possible, unfavorable contracts should be renegotiated or terminated. If location is important to your business, make sure the lease can be transferred to the new owner. Lease renewal options are generally more favorable to a potential buyer because they offer more flexibility. If the location of the business is an impediment to a sale, consider moving.

Organizational Structure: Potential buyers prefer businesses with professional management, a formal organizational structure, complete and accurate records, and adequate systems and procedures in place. Make sure contract files are adequately documented, minutes are up to date, tax and financial records are complete, and policy and procedure manuals are current and observed. Potential buyers will, undoubtedly, want to review these documents. If the company is a sole proprietorship, consider incorporating to facilitate ease of transfer and avoid potential legal problems.

Know the value of your business before you begin negotiating. Seek the advice of your attorney, accountant or other business advisors.

If you have any business valuation questions or are considering selling your business (or buying one), call Les Kornblatt at 320-6642 ext. 8500.

CA Long-Term Care Credit

You may qualify for a \$500 credit

to reduce your California Income Tax. The credit can be used by an individual taxpayer (called "eligible caregiver") who required or whose spouse or dependent requires long-term care (called the "applicable individual"). The person who requires the care — the "applicable individual" — must meet all three of the following conditions:

1 – The individual must be unable to perform at least three activities of daily living (ADLs) without substantial assistance from another individual.

2 – A physician's certificate must be obtained indicating the condition existed for a period of at least 180 consecutive days, a portion of which occurs in the taxable year.

3 – The certification must be on record within 39-1/2 months before due date for filing of the tax return (without regard to extension) — The physician's statement must be signed by April 15, 2004 for the 2003 tax return.

In order to obtain the benefit of the credit, the adjusted gross income (AGI) of the eligible caregiver must be less than \$100,000.

There is still time to obtain the physician's certificate (before April 15, 2004) if you qualify to claim the credit on your 2003 state tax return. Call us if you think you may qualify for this credit.



Bruce Legawiec, CPA



Enzo's Ristorante

If you haven't already tried Enzo's Ristorante in downtown Palm Springs, do so soon! Join owners, Enzo and Patrice Romeo, on their balcony overlooking Palm Canyon Drive and enjoy Chef Enzo's delicious southern Italian cuisine. Enzo grew up in his family's restaurants in Calabria, Italy. This recipe for "Taponata" was handed down from his grandfather in the early 1900s. Visit the restaurant and you'll be served this savory spread with crusty bread to enjoy while you consider the menu. Enzo's Ristorante is located at 254 N. Palm Canyon Drive (upstairs, across from the Hyatt Hotel). Their telephone is 416-4418.

TAPONATA

1 cup pitted Italian olives	1 oz. Parsley
1 cup pitted Greek olives	1 oz. Rosemary
1 oz. Raw garlic	6 Anchovy fillets
Capers to taste	

Combine all ingredients in a blender until olives are reduced to a fine chop. Drizzle Extra Virgin Olive Oil just enough to moisten, about 2-3 tablespoons. Serve at room temperature with crusty bread.

Watch for a New
QuickBooks Tips
Seminar
in June

Inside Information

Awards & Achievements:

Ben Ruby was recently promoted to Senior Accountant and **Andria Valdez** was promoted to Staff II Accountant. **Steve Erickson** is a member of the 2003-2004 class for Leadership Coachella Valley, **Kim McNulty** has been named a Vice President for the Palm Springs Chamber of Commerce and **Bill Cuff** is serving as Treasurer for the Coachella Valley Economic Partnership (CVEP). Several of our team recently celebrated significant anniversaries with the firm: **Heather Shimp**, 8 years; **Martha Luna** and **Mary Anderson**, 20 years of service and **Susan Crnic** and **Bill Kelly**, both celebrated 23 years of

service in February — congrats and thank you all! Special Kudos to Lyle's daughter, **Kimberly Pierceall**, on her internship with *The Wall Street Journal* and her first *WSJ* byline — awesome!



Client Kudos:

Congratulations to **Las Casuelas Terraza** which was recently ranked among the Top 50 Best Hispanic Restaurants in the nation by *Hispanic Magazine*. Congratulations also to



Morgan Levine of **Desert Adventures** who was honored by the **Palm Springs Desert Resorts Convention & Visitors Authority** as the "Front Line Employee of the Year" at their 15th Annual Membership Luncheon and Hospitality Achievement Awards in January.

Up Close and Personal



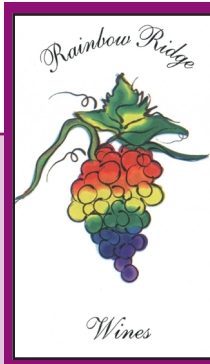
*Andria Valdez
Staff II Accountant*

Andria Valdez joined the MMGC team as a Staff I Accountant in August of 2002 and was promoted to a Staff II position this fall. She is a Coachella Valley native who grew up in the eastern part of the valley. She married her childhood sweetheart, Oscar, and they moved to North Carolina for his tour of duty in the service. The family relocated back to California in 2000 and Andria completed her bachelor's degree in Accounting from California State University San Bernardino in 2002. Andria handles both audit and tax work for the firm and loves the problem solving challenges that come with the job. Andria says, "What I like best is that the work is never the same. I also enjoy the problem solving skills that are required in both audit and tax engagements." Andria has a gift for math and was drawn to accounting through her mom's career. She also enjoys art and loves to draw (her father's influence) and treasures quality time with her family. Andria and Oscar have two sons, Oscar, age 8 and Adrian, age 6 and they are expecting their third child in May. Congratulations, Andria and Oscar!

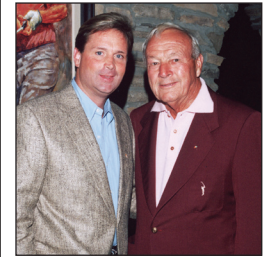
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MMGClient Spotlight *Have a Grape Day!*

Dennis Costa is a native Californian whose family has been involved in California's wine and ag industries for several generations. A former grower for Sutter Home, Dennis and his partner Tom Beatty launched Rainbow Ridge Wines in fall 2002 and have headquartered their company in Palm Springs. They debuted their first wine, a red Alicante Bouschet to award-winning accolades last year, including a 90 rating by the prestigious *Wine & Spirits Magazine*, a Bronze Medal in the *San Francisco Chronicle's* 2003 wine competition and a 91 rating in *The Wine Enthusiast*. Not a bad debut! Dennis and Tom are especially proud of these ratings, because their goal in founding Rainbow Ridge Wines was to produce outstanding wines and specifically target their product to the gay & lesbian consumer market. "Come Home to Family" truly expresses their corporate essence as Dennis' cousin Patrick grows the grapes and long-time associate Chad Joseph is their wine maker. Dennis and Tom also believe in



giving back to the community. To this end, a portion of their proceeds are donated to charities selected by their consumers — the Rainbow Ridge family. They've released a new Chardonnay and varietals are planned. Rainbow Ridge Wines are currently available in 25 states and are featured by area restaurants and Jensen's markets. Find a current list on their website at www.rainbowridgewines.com or give them a call at 760/327-WINE (9463).



Congratulations to David Chapman and Arnold Palmer on the opening of their new restaurant, Arnold Palmer's at Ave. 52 and Washington in La Quinta. Call 771-4653 for reservations.



**Dennis Costa
& Tom Beatty
Rainbow Ridge Wines**

Preparing a Strategic Plan

by Bill Cuff, Principal



Bill Cuff

Teacher Retention Credit is Back for 2003 Returns

The California Teacher Retention Credit that was suspended for 2002 is back for 2003. The credit range is from \$250 to \$1,500 depending on length of service. Teachers must obtain their current credential number. Credential numbers can be obtained on-line at <http://teachercred.ctc.ca.gov/teachers/index.jsp>.

In this article, I will describe ten steps in preparing a strategic plan. These steps are oriented to strategic plans for small businesses, which are focused on one market or market segment – not larger businesses, which are involved with numerous markets or market segments. In future *Loopholes* articles, I plan to provide more information related to each of these steps:

1. Determine the attractiveness of your market or market segment. Key factors in determining the attractiveness of your market include, but are not limited to, growth trends, size, and profitability. If the market is growing (e.g., at greater than 5% in volume), is large enough to generate your required revenues but small enough for you to have a dominant share (i.e., a #1 or #2 share position), and is profitable (e.g., a minimum of 5% net income after taxes), it may be attractive. If it is attractive, it may warrant your “investment” in it. If it is not attractive, a “maintenance” or “harvest” strategy may be more appropriate.

2. Determine how end-users of your product/service evaluate your product/service versus your competition. If you are rated better, again, your business may warrant an “investment” strategy. If not and if you cannot cost effectively improve your product/service, a “maintenance” or “harvest” strategy may be justified.

3. Determine how your organization (from employees to computer systems) rates versus your competition. For example, if your employees are not as capable as your competitors’ and upgrading them would be cost prohibitive, an “investment” strategy may not be justified.

4. Identify the key issues confronting your business (i.e., key opportunities and challenges) and attempt to identify resolutions.

Besides the issues raised by evaluating your market attractiveness and competitive position, you may face issues from lack of capital to necessary computer upgrades. If you can identify resolutions to your key issues, great! If not, well, simply put, you may be in trouble.

5. Identify your “vision” and “mission” statements. These statements will be guided by your answers to questions one, two, three, and four above.

6. Identify the key objectives for your organization. These objectives could cover areas such as overall strategic positioning, financial performance targets, product/service performance improvements, or the desired capabilities of the employee group. It usually is wise to limit these key objectives to no more than ten.

7. Develop an action program for each of your key objectives. These action programs should include milestones and assign individual employee responsibilities.

8. Prepare a financial plan for at least a three-year time horizon. This financial plan should include assumptions and a P&L, Balance Sheet, and Cash Flow Statements.

9. Prepare functional plans (e.g., marketing, sales, operations, information systems) for your organization. These plans should include objectives and strategies and be based on the financial plan.

10. Prepare an organizational and succession plan. It is critical to assume how the organizational structure could change over the three-year time horizon and which employees (assuming they currently are on your payroll) could fill key positions.

Strategic planning is a time consuming and daunting task for many small businesses, but, as some wise person once stated: “If you do not know where you are going, how will you ever get there?”

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