An Old Chinese Proverb Lends Perspective To Today’s New Definition of CFO

BY WILLIAM R. HAGAMAN, CPA, PARTNER; PRACTICE LEADER, TRANSACTION ADVISORY SERVICES GROUP

There is an old Chinese proverb which states, “May you always live in interesting times.” Today’s business climate can certainly be described as “interesting,” particularly from the perspective of the chief financial officer. There has been plenty of opportunity to reflect on the impact of past decisions; how to manage business now, in light of new pressures and considerations; and how to successfully move forward to a brighter future. Some feel the economy is trending upward with the end to this current recession being either the fourth quarter of this year or first quarter of 2010, based on the nation’s leading economic indicators, while others don’t see any end in sight. Regardless, the state of the economy has forced a change in the role of today’s CFOs, moving them to the forefront of their organizations as never before, with the conventional strategic plan giving way to the requisite survival plan. And if the proverbial message holds true, CFOs should embrace this change as the new norm.

Clearly we are in a period of time where “same old” is not good enough, and we can no longer believe this to be a short-lived downturn in the business cycle. With an uncertain economic future, the systems and procedures of the past must be evaluated and refined to meet the needs of the future. The demands and responsibilities of today’s successful CFO should reflect those efforts that are going to lend value to the core business:

- First and foremost, monitor and control costs and cash flow in order to preserve capital and streamline operations. In today’s economy, “cash is king,” particularly when it comes to negotiating best pricing with suppliers or taking advantage of possible acquisition opportunities;
- Look for merger opportunities. From a buyer’s perspective, the best M&A deals are done in a depressed economy;
- Continue to seek capital sources, even in this risk-averse lending environment. Credit is beginning to flow again; be patient and utilize your referral sources to assist with this endeavor;
- Remain compliant with regards to tax laws and reporting requirements, and have a clear understanding of areas of risk and how to manage them. In today’s governance-focused world, service-based businesses in particular need to

(continued, overleaf)
provides strong evidence of strong internal controls. Do look to outside accounting or legal counsel to keep you apprised of paramount issues;

- Be sure you are compliant with all contractual arrangements. This would include a review of any royalty, lease or acquisition agreements. The last problem you need now is a surprise liability from an agreement that was long forgotten;

- Work with the CEO and board to identify new growth opportunities or opportunities to restructure in order to drive bottom-line results;

- Build your networks and keep informed of your central and peripheral industries. Now more than ever, exploring what your industry peer group is doing can provide valuable insight to the very issue which may be affecting your business at that moment;

- Think in terms of efficiency to help free up time and energy, such as delegating routine finance responsibilities to junior staff, and implementing the right tools to automate processes.

Now more than ever, exploring what your industry peer group is doing can provide valuable insight to the very issue which may be affecting your business at that moment.

These are indeed interesting times in the business world, especially for today’s CFO, whose role has morphed into that of a strategic partner and adviser to the CEO, and not just the financial reporter. No one can predict what lies ahead with this economy. But the CFO who has embraced the leadership position will execute on the vision and forward-thinking initiatives which will improve the business’ outlook to not only survive, but to thrive for years to come.

For more information, please contact your local WS+B advisor.

WS+B: IN A POSITION OF STRENGTH

TARYN BOSTJANCIC, CPA, AND ANECCA MACHINGA, CPA, NAMED IN NJBIZ’S “FORTY UNDER 40”

WithumSmith+Brown, PC is pleased to announce that two of its partners, Taryn M. Bostjancic and Rebecca Machinga, have been named in this year’s “Forty Under 40” list by NJBIZ. Taryn and Rebecca, along with the 38 other honorees, were recognized at a dinner on September 10, 2009 at The Palace at Somerset Park, Somerset, NJ. This awards program honors men and women who have been making headlines in their field and who share a commitment to business growth, professional excellence and to the community.

“Both Taryn and Rebecca are very deserving of such recognition,” says Ivan Brown, Managing Partner of WS+B. “We are fortunate to have these two dynamic professionals as leaders in our firm, having been instrumental in creating and implementing programs which encourage career growth and work-life balance for so many.”

JAMES C. BOURKE NAMED IN ACCOUNTING TODAY’S TOP 100 MOST INFLUENTIAL PEOPLE 2009 LIST

James C. Bourke, CPA.CITP, Partner, has been named one of the accounting profession’s Top 100 Most Influential People 2009 by Accounting Today magazine. This is the second consecutive year that Jim has been named to this prestigious list that acknowledges those who exemplify influence and leadership within the accounting industry.

“This is a highly regarded list within our industry,” says WS+B Managing Partner, Ivan Brown. “Jim is a great ambassador to the accounting profession, and we congratulate him on this well deserved honor.”

In addition to serving his clients, Jim is the Director of Firm Technology and Practice Leader of WS+B’s Technology and Communications Group, overseeing all technology issues and operations for the Firm’s 13 offices and 400 employees.
YOUR INVESTMENTS MAY NOT BE AS SAFE AS YOU THINK: A LOOK AT THE SIPC

BY ANTHONY M. SARDIS, JD, LLM; PRESIDENT, INSURANCE & INVESTMENT ADVISORY GROUP, LLC
AN AFFILIATED COMPANY OF WITHUMSMITH+BROWN, PC

The Securities Investor Protection Corporation (SIPC) was created by Congress in 1970 to protect customers when their brokerage firm faces financial difficulties. The SIPC is not well understood by many consumers and has limitations which could expose consumers to unacceptable and/or avoidable risk.

Several strategies exist to mitigate the risks not covered by the SIPC. These strategies can be implemented with little or no cost. A brief summary of the SIPC is necessary to an understanding of those strategies.

WHAT DOES THE SIPC COVER?
The SIPC replaces “missing securities” which are stolen by a broker or put at risk when a brokerage firm fails for other reasons. It does not insure investors when their securities depreciate in value due to market risk.

The SIPC does not cover all types of securities. Many securities typically employed by sophisticated investors are excluded such as (1) currencies, (2) commodities and (3) warrants or rights to purchase or sell any of the foregoing (e.g., futures contract). SIPC also does not cover unregistered investment contracts (e.g., limited partnerships).

THE SIPC LIQUIDATION PROCESS
The first step in the liquidation process is to return to the customer all securities that are registered in his or her name. This step is generally inapplicable because most firms hold securities in their own name, not the name of their customer.

The second step is to take all customer securities held in the firm’s name and divide them among the customers in proportion to the size of their claims.

If the firm does not have sufficient funds to satisfy customer claims, the third step applies. In that instance, the SIPC will supplement the distribution up to $500,000 per customer for any eligible claim.

SIPC does not cover claims in excess of $500,000.

EXCESS SIPC INSURANCE
Many firms purchase additional insurance for claims not covered by the SIPC. This insurance can be purchased from two sources which are independent and privately managed. Neither is related to or governed by the SIPC.

“Traditional Insurance” is provided by a company such as Lloyds of London. These policies generally have aggregate and individual limits. For instance, each customer may be covered for $1 million, but no more than $100 million for all of a firm’s customers combined. Terms and conditions are important and will vary from firm to firm.

The “Customer Asset Protection Company” (CAPCO) is a special type of insurance company owned and operated by member firms. It was formed in 2003 because domestic insurers withdrew from the excess SIPC market. CAPCO has no specific dollar limitation to the coverage, though its ability to pay claims is limited by its financial resources.

SIPC TRACK RECORD
The SIPC has helped liquidate 317 firms in its 37-year history making possible the recovery of approximately $15.7 billion in assets for 625,000 investors. The SIPC estimates that 99% of eligible persons have fully recouped their losses in the failed broker cases it has handled to date. The SIPC, however, does not publish statistics which demonstrate how individuals with claims in excess of $500,000 have fared.

THE BOTTOM LINE
The likelihood that a consumer will incur a loss due to missing securities is slim. Losses can and have, however, occurred. Methods to mitigate that risk can be deployed with little or no interruption a client’s current investment strategy. So, why not consider employing them?

The following key risks should be considered:

- **INSUFFICIENT COVERAGE.** SIPC and Excess SIPC place limits on the amount a client can recover.
- **INELIGIBLE SECURITIES.** SIPC and Excess SIPC do not cover all securities and cash holdings.
- **SOLVENCY OF EXCESS SIPC.** Excess SIPC insurance is provided by private insurance companies. The ability of those insurers to pay claims, therefore, is critical.
- **DELAY IN RECOVERY.** The SIPC liquidation can take years to resolve.

ADDITIONAL PROTECTIONS
Methods exist to provide your account with additional protections by segregating client securities from those held in the firm’s name. The following two options are easily implemented for qualified investors:

- **PRIVATE PLACEMENT ANNUITIES.** A private placement annuity is a highly specialized insurance policy. It provides institutional pricing, full liquidity (i.e., no surrender charges) and customized investment options. Assets are not only segregated from the brokerage firm’s insolvency, but earnings in the product are also tax deferred.
- **FIDUCIARY ACCOUNTS.** Certain types of accounts are required by law to be segregated from the general assets of the brokerage firm. They are, therefore, protected from the firm’s insolvency.
GOING GREEN: TAX BENEFITS & ADVANTAGES

BY JAMES HANNAN, CPA, PARTNER; PRACTICE LEADER, MANUFACTURING, DISTRIBUTION & TRANSPORTATION GROUP

Given the current focus on energy efficiencies and "green" technologies embraced by the Obama Administration and various states, businesses and individuals are taking advantage of assorted tax incentives. Under the recently enacted American Recovery and Reinvestment Act of 2009, an even more robust package of tax incentives to encourage investments and consumer spending in renewable energy projects or more efficient technologies has been made available.

ENERGY INVESTMENT TAX CREDIT
Businesses investing in solar powered energy systems and facilities receive a substantial (30%) Federal energy investment tax credit in the year the facility is placed in service. Solar panels and a solar heating system both qualify for this credit.

Through December 31, users installing energy-efficient equipment and defined improvements will also be eligible for a bonus depreciation of 50% of the asset’s cost. Along with that, commercial businesses that install systems that reduce power consumption can deduct between $.60 and $1.80 per square foot of the qualified space.

There is also a substantial increase for 2009 and 2010 for the alternative refueling property credit—offered to businesses which install pumps that dispense alternate fuels like E85 fuel, electricity and natural gas—from 30% to 50%, and the cap, previously $30,000, is now $50,000. While hydrogen refueling pumps remain at a 30% credit, the cap has been raised to $200,000.

The new law also benefits users of propane and those in the industry, as Congress temporarily increased the amount businesses can expense from $125,000 to $250,000, and the phase out limitation for the credit was also temporarily raised from $500,000 to $800,000 for 2008. These changes apply to property placed in service in 2009.

INDIVIDUAL BENEFICIARIES
Known as the Residential Energy Efficient Property ("REEP") Credit, tax incentives are also available to individual taxpayers for expenditures for qualified solar electric and heating property, qualified fuel cell and small wind energy property, and qualified geothermal heat pump property.

The tax credit for improvements to energy-efficient existing homes is extended to 2010, with the credit increased from 10% to 30% of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements. Government buildings are eligible for incentives as well. In New Jersey, for example, the state picks up 75% of the cost of an energy audit and covers the full cost if the recommended measures are implemented.

NEW JERSEY SMART START BUILDINGS PROGRAM
Available through New Jersey’s electric and gas utilities, the Smart Start Buildings Program is designed to offer incentives for upgrading to high efficiency equipment, whether you are renovating existing space or starting new construction. This program offers benefits no matter the size of the project, with design support for ones over 50,000 square feet, and technical assistance for those that are smaller.

Incentives are also available for custom projects if your specifications are not defined by the program. While these services are free, pre-approval is required for almost all energy efficient incentives.

For more information on how your business can take advantage of tax credits for “Going Green,” please contact your WS+B professional.
DON’T ALLOW YOUR GOOD FORTUNE TO BECOME YOUR MISFORTUNE

BY CHRISTOPHER LITTLE, SENIOR ACCOUNTANT

Very few win the lottery. How those few that win deal with their new found wealth offers a lesson for the rest of us, who may come into good financial fortune through some other means such as the inheritance left by a parent, etc. Although winning the lottery or coming into a financial windfall seems like a dream come true, many who are so fortunate do not handle their money wisely. Failure to seek professional financial guidance could reduce or eliminate the ultimate financial benefits, which includes living the rest of your life free from the worries and concerns of financial insecurity.

Now, more than ever, with the unstable climate of the worldwide economy, the need for trustworthy financial advice is a must. If you are not a bean counter or financially savvy, it is easy to become the person who loses his shirt in a short period of time.

The key is money management. It is almost inevitable that after one receives a financial windfall, everyone and their neighbor will have their hands out looking for a buck. As statistics show, many will haphazardly distribute their money to family and friends, and invest poorly before fully understanding all of the implications of their actions. Much of their good fortune may be expended before they can even blink.

For instance, as stated in the article, 8 Lottery Winners Who Lost Their Millions written by Ellen Goodstein, “William ‘Bud’ Post won $16.2 million in the Pennsylvania Lottery in 1988 but now lives on Social Security. ‘I wish it never happened. It was totally a nightmare,’ says Post. Post admitted he was both careless and foolish, trying to please his family. He eventually declared bankruptcy. Now he lives quietly on $450 a month and food stamps.” This is just one of the many stories of good fortune leading to misfortune. “Approximately one third of all the ‘big winners’ go broke,” as stated in a 1998 article entitled Lottery in the United States: A Brief Overview by Ronald A. Reno.

Now, more than ever, with the unstable climate of the worldwide economy, the need for trustworthy financial advice is a must. If you are not a bean counter or financially savvy, it is easy to become the person who loses his shirt in a short period of time.

To avoid this, it is a necessity to hire the proper financial advisors. The February 2007 article, Taking Home the Jackpot, written by Ellen Florian Kratz states, “Brad Duke, 34, a manager for five Gold’s Gym franchises in Idaho, pocketed a lump sum of $85 million after winning a $220 million Powerball jackpot in 2005. He spent the first month of his new life assembling a team of financial advisors. His goal is to use his winnings to become a billionaire. His financial team assembled a financial plan to reach and maintain the $1 billion goal and to date, they are on track to reach it in 12 years. His total net worth as of February 2007 was at an unofficial value of $128 to $130 million.”

The goal for anyone who finds themselves instantly financially well off, is to preserve and maintain this new found financial security. The key to maintaining long-term financial security is careful planning with the advice of sound legal, tax and financial advisors. The use of appropriate accounting and tax saving strategies and following the advice of your certified public accountant are vital for the achievement of such a financial goal.

For more information on how to better manage your money, please contact your local WS+B advisor.
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Cherry Hill, NJ

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Under 40” list by

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its partners, Taryn M. Bostjancic

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for clients and friends of the firm.

The information contained in this publication is for informational purposes and should not be acted upon without professional advice. Please contact any one of our offices with your inquiries.

Despite a lagging economy, WS+B remains steadfast in growing its corporate leadership team, promoting six senior managers to partner level, effective July 1, 2009. This is the largest number of same-time partner promotions in the firm’s history. WS+B’s new partners include:

**Dave Dacey, CPA**, is located in the Firm’s New Brunswick office. He is a graduate of Rutgers Newark College of Arts and Sciences where he earned his bachelor’s degree in accounting. Dave is a member of the Firm’s Technical Resource Group and is a Practice Leader for the WS+B’s Employee Benefit Plan Services Group.

**Michael Hoffman, CPA, MS**, located in the Firm’s Princeton office, earned a master’s degree in financial planning from Seton Hall University. He also received his BS degree in accounting from Penn State University. Michael specializes in taxation and is a Team Leader for the Firm’s State and Local Tax Group.

**Gary Mauro, CPA**, is based out of the Firm’s Morrisstown office. He graduated from Seton Hall University with a BS degree in business administration with a major in accounting. Gary’s experience includes auditing, taxation, financial statement analysis and preparation and business consulting.

**Anthony Panico, CPA, MS**, is also located in the Firm’s Morristown office. Anthony is a graduate of Albany State University, where he earned a bachelor’s degree in finance and marketing. He also earned a master’s of science degree in accounting from Pace University’s Lubin School of Business. Anthony specializes in providing tax compliance and consulting services to the health care and not-for-profit industries.

**Eric Strauss, CPA, CGFM, PSA**, based in WS+B’s Greater Philadelphia area offices, earned a BS degree in accounting from The College of New Jersey. Eric has extensive experience in providing audit and consulting services to a wide variety of clients including not-for-profit organizations, government entities at the federal, state and city level, and closely held businesses.

**Brian Wallace, CPA**, is located in the Firm’s New Brunswick office. He is a graduate of Arizona State University where he earned his bachelor’s degree in accounting. Brian specializes in accounting and auditing services, and provides attestation and consulting services to entities in various industries, with a primary focus in financial services, healthcare and not-for-profit health and welfare organizations.