



News and Views

September 2009

Helping Our Clients Navigate Their Way to Success

News and Views, a publication of Bessner Gally Kreisman, L.L.P., is a communication platform designed to identify and simplify notable business themes and developments in the arenas of tax, accounting, finance and consulting. For further information about this communiqué, or any of the services available at Bessner Gally Kreisman, L.L.P., please visit our website at www.bgk.ca.

Bessner Gally Kreisman and Cogan & Associates Merge:

A Growth Opportunity for Clients and Firm Members

Our strategic merger with Ottawa-based Cogan & Associates became official on August 1, 2009. Practicing as Bessner Gally Kreisman L.L.P. Chartered Accountants, our increased presence in the Ottawa marketplace will deliver additional and enhanced services to our clients. With over 100 team members now and a seamless merger underway, our Ottawa office and Cogan & Associates have relocated to new premises at:

340 March Road, Suite 400, Kanata, Ontario K2K 2E4
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Bessner Gally Kreisman and Cogan & Associates were founded in 1950 and 1980 respectively. Together we offer a wide spectrum of services including auditing, accounting, taxation, wealth management, real estate, investigative and forensic accounting, finance, mergers & acquisitions and information technology.



Our firm's clients ranging from start-ups to mature organizations, include some of Ottawa and Montreal's more prominent businesses. Clients with international business interests or holdings are served through the firm's membership in AGN International, a global grouping of over 190 independent accounting and consulting firms.

The shared operating philosophies of the merged firms are apparent as they look forward.

"Leonard and his team are a very welcome addition to BGK. Our expanded presence in the Ottawa marketplace bodes well for our business and our people. Cogan & Associates is a great complement to our group and we expect to capitalize on enhanced service opportunities for our clients," shares partner Michael McCrann, head of BGK's Ottawa location.

"The additional services and resources of BGK's Montreal office are most attractive to Cogan & Associates. We will be able to serve a broader base of clients and there is a shared approach and philosophy in how we treat our people and our clients. This is a wonderful opportunity for all of us," observes Leonard Cogan, managing partner of Cogan & Associates.

In Montreal, managing partner, Louis Ruta, concurs, "We have designed an absolute win-win scenario for our clients and our people. Our increased numbers facilitate our services to a broader client base and the merging of our firms allows for additional opportunities for our people."

The newly merged firm will continue to serve both private and public companies in a vast array of industries. Its diverse client base is made up of individual and corporate clients.

For further information, please contact Michael McCrann, CA or Leonard Cogan, CA at (613) 836-8228 or mmccrann@bgk.ca or lcogan@bgk.ca.

Are You Setting Up Family Members To Fail?

Slow economic times often result in a business owner bringing even more family members into the business

Help Wanted: Relatives Encouraged to Apply - Skills Optional

Many family businesses start with limited financial capital and a strong determination to succeed. Of necessity, these businesses rely on family members to provide manpower.

In the early days, that reliance is understandable, though not always advisable. As the business grows, it can become a serious problem.

Recognize the Challenge

Take the accounting role as an example. Quite often, a family member will take on the responsibility for writing cheques, handling payroll, invoicing, paying bills, etc.

To some, that seems a fairly simple set of tasks and one that they prefer to keep in the family because of trust and privacy issues. However, good business management requires that financial data be an accurate and timely presentation of the whole picture. Simply writing cheques and processing payroll doesn't provide a good financial accounting of the business.

In this case, the family member has been asked to perform a function that may be much more complex than his abilities. Try as he might, he won't be able to provide the necessary information because he doesn't have the training to manage the accounting process correctly.

The result: a frustrated family member and less-than-adequate financial information. This is a prime example of setting up a family member to fail.

It is natural to want to involve family members in the business. And it's human nature to be less than objective about the abilities of our relatives, especially our children. In that innocent-enough process, we sometimes expect more than our relatives are able to give.

If we are willing to provide adequate training, family members may be an excellent resource. If we aren't, we're asking for trouble.

Slow economic times often result in a business owner bringing even more family members into the business. Consider, for instance, the son or daughter who graduates from college and is unable to find gainful employment. A common response is to give that person a position in the family business.

Again, because it may be difficult to be objective, the business owner may not see that person's deficiencies and may fail to address them early enough. It's easy to take for granted that family members understand the business and what needs to happen – they've grown up around it after all.

Both family members and non-family employees can be adversely affected. It may appear to others that family members are receiving special treatment or aren't being held to the same standard as other employees. This situation can hurt morale and productivity.

So, how do we keep from making these mistakes? It isn't easy because of the inherent lack of objectivity. But, we can try.

Take appropriate steps:

- Develop a good job description for every position in your company, from the very first hire to the current need. Get help, if necessary, to define the duties and responsibilities and to determine the skills required. For instance, you might ask your CA to help you define your needs for an internal accounting person.

- Evaluate the family member being considered based on the job description. Does she have the skills required? Does she know how to perform the duties and responsibilities.
- Lay out a development plan to bridge the skill or experience gaps noted. You may still choose to hire the family member but both of you will be conscious of deficiencies that must be addressed.
- Use outsiders to help you evaluate the progress of the family member and provide coaching or to work with the family member as needed to perform high-level services. Again, you might call on your CA to coach the family accountant and provide feedback on his progress and continuing education needs.

Staffing your business adequately is critical to your success. Helping family members succeed may be critical to the ongoing health of your relationships.

For further information, please contact Clifford Herer, CA at (514) 908-3610 or herer@bgk.ca

Home Renovation Tax Credit and the Tax Credit for Home Improvement and Renovation: Similarities and Differences

Last winter, the Canadian and Québec governments announced new home renovation tax credit programs for individuals. Although the conditions surrounding the granting of the new tax credits are similar, the programs have significant differences that are worth examining before planning home renovations in 2009.

The federal program is a non-refundable tax credit for eligible expenses of more than \$1,000, but not exceeding \$10,000. The maximum credit granted is \$1,350 ($\$9,000 \times 15\%$). This amount can be shared among members of the same family. The Québec tax credit applies to eligible expenses greater than \$7,500 but not exceeding \$20,000. The maximum amount granted is \$2,500 ($\$12,500 \times 20\%$). Under the federal program, if two or more families co-own an eligible dwelling, each family may apply its credit (up to \$1,350) to its own share of the expenses. Under the Québec program, the aggregate of the amounts reported by the families on their income tax return must not exceed the amount granted for individual families for that year. Both the federal and provincial tax credits should be claimed on the 2009 income tax return.

Expenses are considered eligible for the federal tax credit if they were incurred between January 28, 2009 and January 31, 2010, under the terms of an agreement made no earlier than January 28, 2009. Expenses are considered eligible for the Québec tax credit if they were the subject of an agreement made in 2009 and are paid no later than June 30, 2010.

To qualify for the federal and Québec tax credits, an eligible dwelling must be the property of either the taxpayer or his or her family member at the time the eligible expenses were incurred. The expenses incurred for more than one eligible dwelling, for example, a principal residence and a country home, can be added up for eligibility for the federal tax credit, but only the expenses for the principal residence are eligible for the Québec tax credit. With respect to co-operative housing, the taxpayer's share of the expenses for renovating common areas is eligible for the federal tax credit, but not the Québec tax credit.

In terms of eligible expenses, both tax credits may be obtained for durable renovations other than routine maintenance expenses. Some types of work on the eligible dwelling's lot may qualify for the federal tax credit but not the provincial tax credit; for example, landscaping, resurfacing a driveway or parking area, installing a pool, sauna, hot tub, or septic tank or field, installing or renovating a fence or low wall, and installing outdoor play structures. Certain types of repairs do not qualify for the Québec tax credit, such as repairing a leak, a door or cracks, or painting the outside of the property to spruce up its appearance, but federal criteria are more flexible with respect to some repairs that may not be considered part of usual home maintenance activities.

There are also differences in eligibility requirements for the providers of eligible goods and services. Both governments require appropriate documentation showing the name of the seller or contractor, the goods and services purchased, the delivery date or the date on which the work was carried out, the nature of the work, the amount charged, and proof of payment. However, to be eligible for the Québec tax credit, the work must have been carried out by a qualified contractor, i.e. someone other than the homeowner (or his or her spouse) who has a business establishment in Québec. If required under the Building Act, the contractor must have held an appropriate license number delivered by the Régie du bâtiment du Québec at the time the work was executed. Under the federal tax program, the work can be done by the homeowner, but payment made to the homeowner's relative for the work is not eligible unless the relative has a GST/HST number.

Lastly, expenses eligible for the Québec tax credit are reduced by any amount of governmental or non-governmental assistance received (e.g. the Renovation Québec program), but amounts submitted for the federal tax credit are not affected by such assistance. Expenses submitted for the federal tax credit may also qualify for other types of federal credits, for example, the Medical Expense Tax Credit, but taxpayers may not request two Québec tax credits for the same expense.

For further information, please contact Martin Beaulieu at (514) 908-3652 or mbeaulieu@bgk.ca

What is Your Company Policy Regarding BlackBerry and Other Mobile Devices?

As businesses constantly strive to achieve greater productivity in the workplace many have either equipped or support their staff using BlackBerries as well as other smart phone devices such as Apples's iPhone and various Windows Mobile devices.

With the evolution of these new business tools come concerns related to privacy and data theft. Exposure of sensitive client information could be very damaging to your company's reputation in the marketplace. While some of these concerns can be dealt with on the IT administration side, not having a proper company policy in place regarding mobile devices is negligent at best.

Below can be found some relevant points to include in your company policy:

- Prior to initial use for connecting to the corporate network, all BlackBerries and other mobile devices must be registered with the company's IT department. Non-sanctioned access to the company's computing resources via a BlackBerry or other mobile device is strictly forbidden.

- The company's IT department must approve the specific handheld and connection type as being secure and protected.
- Most mobile devices power on by default with no security. A power-on and "idle time" password should be used. At a minimum, every mobile device should be set up to power-on with a password and should require a password if the device is left idle for more than 20 minutes.
- Under no circumstances should your network login password or other sensitive passwords be stored on the mobile device.
- Damaged or broken mobile devices should not be sent to retail service centers by staff without first wiping out any sensitive information such as e-mails and calendar entries. The reason is that mobile devices are usually replaced, not repaired and returned to the employee. Therefore, any data that was accessible on the mobile device would then be potentially available to repair technicians and buyers of surplus equipment.
- Any mobile devices to be discarded, returned to the manufacturer or given to friends and/or family should be reimaged or erased before leaving the employee's control.
- Never leave the device in a public area. The user agrees to immediately report to his/her manager and the company's IT department any incident or suspected incidents of unauthorized access and/or disclosure of company information.

Advise your staff that they should get assistance from your internal IT resources for the setup of BlackBerries and other mobile devices to gain access to company e-mail and data.

Other non-security related company policies to consider with BlackBerries and other mobile devices are ownership costs, reimbursement policies, overtime pay clarification for BlackBerry use.

For further information, please contact Dan Marcus at (514) 908-3611 or dmarcus@bgk.ca

A Guide to Weathering Tough Times in the Non-profit Sector

Tough economic times challenge non-profit organizations in two ways. First, there is less money from donors, from institutional funders and from the clients who pay fees for services. Second, there is more need. Poverty often increases stress on people and creates new needs for services.

The resulting decreased revenues and increased demands for non-profits can be met in only two ways: sharper expense control and enhanced revenues.

In such times, it is productive to re-evaluate your agency in the most basic terms.

What is your mission? Review and rate your agency's expense items in that context. One way to do this is by pulling your most recent budget and ranking each line item with its importance to your mission, with 5 being the most important and 1 being the least. Those line items with the lowest rank are the first to go. Those with the highest are the last.

One of the more distasteful tasks in expense cutting is the elimination of jobs. Like expenses, jobs most critical to the mission should be the last to go.

Tough times can be an opportunity, albeit unwelcome, to increase the strength of your agency's roster. Without regard to pay grade, task or department, rank your employees in order of best to worst. Those at the top are the most important to keep.

Before a job is eliminated, consider if job sharing may work. While it has its weaknesses – two people can earn half of what they did before – job sharing gives your agency the opportunity keep valued people.

And fiscal security needs to be viewed as more than just expense cuts. Revenues need to be protected and enhanced whenever possible.

Although your donors have supported your mission in the past, in tough times, they may rethink their regular gifts. To help your agency stay at the top of their lists, here are three areas to enhance your pitch:

1. Demonstrate that your agency uses its money efficiently. This can be done by comparing your level of service – number of clients served, client hours, services offered – to national standards in your revenue category in your industry. If your agency compares favourably, you have a record of efficiency. Your national association should have these standards available to you.
2. Your services do more to help people. Is the demand for your services up? If so, tell your donors why.
3. You face more competition with institutional funders. In an economic downturn, grants are fewer and smaller, and more agencies are vying for the same ones. This means that, although your agency may have always been funded by a particular set of grantors, it may not be as successful as it had been. You may need to submit applications to more grantors. And each application must be more sharply written to stand out from the influx the grantor is undoubtedly receiving.

It is important to review your fee-for-service schedule also. While you do not want to do anything that will make services less accessible to the poorest of your clients, a sliding scale may allow you to adjust the top fees by a few percentage points.

Balancing your agency on the three-legged stool of mission, revenue and expense is more precarious than it's ever been.

For further information, please contact Derek Silverman at (514) 908-3628 or dsilverman@bgk.ca

BGK Briefings

- Tax partner, Sydney Berger and tax manager, Mathieu Ouellette have become regular contributors to Paul Delean's column, Tax Strategy, in the Montreal Gazette. Please visit our website to see their responses to a host of tax queries.
- Andrew Perez, an administrative team member at BGK who works on filing and other office tasks, is a Special Olympic Athlete and has been with our firm since March. He placed 9th in swimming in the Canada Games Selection in 2008 and in May of 2009, took 3rd place in the Canada Games Selections earning two bronze medals - one in the 100 meter crawl and another in the 100 meter backstroke. This past July found Andrew participating in the Special Olympic Provincial Games in St. Jean-Sur-Richelieu. BGK is immensely proud of Andrew and congratulates him on his wins and winning attitude.
- Robert Grodinsky, a member of BGK's audit team, represented Canada in July in the 2009 Maccabiah Games in the sport of rugby. The Maccabiah Games, an international Jewish athletic event similar to the Olympics, is held every four years in Israel. Robert, who has played competitive rugby for the past eight years for the Town of Mount Royal, had team mates from Montreal, Toronto and Vancouver. His team played against Chile, USA, Israel and South Africa. Robert's final game vs. South Africa was broadcast on national television in Israel and rugby happened to be the most watched sport at this year's Games. Cheering him on were BGK firm members, Abbey Kreisman, Lois Schapira and Jack Altman. Congratulations to Robert on his great participation at this renowned event!

Second Thoughts

"If you want your life to be a success story, then begin by realizing that you are the author and each day you have the opportunity to write a new page."

Mark Houlahan

News & Views from BGK is sent to clients and friends of our firm on a bi-monthly basis. The technical information in this newsletter is necessarily brief. No final conclusion on these topics should be drawn without further review by and consultation with our professionals. Subject material is presented for general educational purposes only. For comments and questions regarding this newsletter, please contact Clifford Herer at (514) 908-3610 or herer@bgk.ca or Michael McCrann at (613) 836-8228 or mmccrann@bgk.ca.

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