CICION DONNELLY-BOLAND AND ASSOCIATES Delivering quality, commitment and value. CONSTITUTION CONTRIBUTION CONTR

ACCOUNTING | FINANCIAL SERVICES | GOVERNMENT AND NON-PROFIT CONSULTING | HUMAN RESOURCES | TAXES



"What happens in Vegas, stays in Vegas" certainly doesn't apply to online activity. It's more along the lines of, what happens online is there to stay and for all to see. There are a number of questions facing employers and employees:

- 1) What can and can't be controlled by employers as to what employees post online?
- 2) When can an employee be disciplined for what is posted online?

IN THIS ISSUE

- 1 Online Behavior: What Can Employers Do?
- 3 What's Changing About Your 2018 Tax Situation?
- 4 Accounting for R&D Start-Ups
- **5** Employee Classifications
- 6 The Importance of Audit Preparation



Most of us are aware of the tweets television celebrity Roseanne Barr posted that got her terminated from her sitcom. That may be one of the most highly publicized examples, but employers are facing situations every day in the workplace.

HR professionals are usually on the front line of defense when an employee posts something offensive. These posts may have even been posted before the employee was hired. Many times, supervisors are at HR's door asking, "What can I do with this employee?" There are typically two answers, and neither one is usually what supervisors want to hear. One, it depends on the circumstances, and two, doing nothing can be as bad, or worse, than taking action.

The internet and social media outlets have clouded the boundaries between someone's personal and professional lives as more and more workers follow and "friend" co-workers online. The result is that co-workers become more aware of each other's personal information and will participate in online conversations about each other's lives, whether it revolves around work or not. Private conversations that historically took place at the "water cooler," Friday happy hour, or at the gym, are now taking place online for all the world to see, including bosses.

In the early part of this decade, the National Labor Relations Board (NLRB) started hearing complaints from



employees who had been disciplined for their online behavior, and the flood gates were opened. The NLRB warned employers that their social media policies could not punish workers for discussing wages, working conditions, and terms of employment. These are all considered "protected concerted activity." These types of conversations can include complaints about company management, low wages, and co-workers.

Workers can be terminated for participating in disparaging commentary regarding protected classes of employees,

such as race, religion and gender. Disclosing any confidential company information is a reason for terminiation, but that is often based on circumstances.

The rules of behavior on social media are vague and fluid, just as social media itself is. Much of what occurs on social media occurs without our knowledge, thus it is virtually impossible for us to manage.

This area within the HR space is constantly changing and new regulations covering what is and isn't allowed will continue to arrive on the landscape. Stay aware of current litigation and regulations and make sure you consistently enforce compliance with your company's rules. If you need help, please don't hesitate in contacting the professionals at Donnelly-Boland and Associates. We have a well-equipped Human Resources staff to assist you in keeping up to date. ♥



Should I adjust my withholding allowances?

What deductions are still available to me?

Donnelly-Boland has answers!

Call to schedule a tax prep appointment today!

Brentwood 3730 Brownsville Road Pittsburgh, PA 15227 Phone (412) 884-4829 **Waynesburg** 69 S. Washington Street Waynesburg, PA 15370 Phone (724) 627-6491





What's Changing About Your 2018 Tax Situation?

Here are highlights of five major tax changes you shouldn't ignore because they're bound to make a difference to your tax situation:

1. Larger standard deduction adds uncertainty. The standard deduction increased to \$12,000 for individuals and \$24,000 for married couples (up from \$6,350 and \$12,700, respectively). While some will find themselves moving from itemizing to using the standard deduction, many will not. This is especially true if you own a home, have high medical bills, or donate to charities. Single taxpayers will also find themselves less

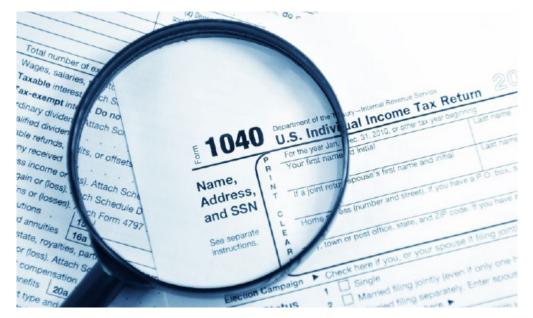
likely to use the standard deduction, as new deduction limits tend to favor them over married couples.

- 2. Personal exemptions eliminated and the Child Tax Credit expanded. exemptions of \$4,050 for you, your spouse and each dependent are gone. The Child Tax Credit, however, has been doubled to \$2,000 per child. The income limits are drastically higher for the credit phaseout: \$200,000 for single and \$400,000 for married (up from \$75,000 and \$110,000, respectively). As a result, most people with children under age 17 will be entitled to the Child Tax Credit.
- 3. Big changes for small businesses. The top C corporation tax rate has been lowered to 21 percent (down

- from 35 percent). There is a new tax benefit for sole proprietors, partnerships and S corporations in the form of a 20-percent qualified business income deduction.
- 4. New limits added and deductions removed. There is a cap of \$10,000 placed on state tax deductions this includes property taxes, state income taxes and sales taxes. And home equity loan interest can now only be deducted if the funds are used to buy, build or significantly improve your home. Plus, all miscellaneous deductions have been eliminated, including non-reimbursed job expenses, union dues and investment-related expenses.
- 5. Proposed smaller Form 1040 requires six new schedules. In an attempt to deliver a postcard-sized Form 1040, the IRS has proposed a smaller Form 1040. Lines are combined or shifted to one of six new schedules. With the creation of the newly proposed form, the 1040EZ and 1040A would be eliminated. If published, the 1040 may be more complicated than ever.

In addition, bonus depreciation and Section 179 expensing have been expanded. Unfortunately, the domestic production activities deduction (DPAD) is no longer available this year.

With all of the tax changes, this year's filing season is setting up to be an adventurous one. Schedule an appointment soon to get your planning underway. ∞







Accounting for R&D Start-Ups

Over the last few decades, Pittsburgh has transformed into a hub for technology and innovation. From the universities and incubators throughout the city to the increased presence of large corporate tech firms, start-up companies continue to emerge. Many of these companies raise initial capital through investment by one or more of the regions top-notch accelerators. Raising investor capital carries with it its own set of issues and complexities, and while that is a viable solution, many others choose to apply for non-dilutive grants to help fund and advance their research. One of the most common grants research and technology companies apply for are Small Business Innovation Research (SBIR) grants. And while grants are a fantastic source of non-dilutive capital, they also come with potential complex rules, regulations, and compliance issues. However, there are a number of accounting-related solutions that can help with administration of the grant if setup properly from the outset.

Accounting

Once a business has received an SBIR award, it's time to address those accounting system requirements. While Phase I awards are generally less restrictive due to the heavy exploratory research component, it is best to have your system in place during this phase. This will help inform how you propose any

follow-on phases or additional research applications. To do this, we recommend establishing a chart of accounts that clearly distinguishes between direct and indirect costs and also facilitates administering multiple grants or projects simultaneously. This becomes much more critical once a company moves on to Phase II awards, which generally cover multiple years and may require establishment of an approved indirect rate through the regulating body overseeing the grant. The key to demonstrating an acceptable accounting system to a government agency requires employing accounting principles to accurately track assets, liabilities, equity, revenue, and expenses. You will also need to produce accurate job cost reports, time sheets, and demonstrate the ability to project results and monitor your organization. Most importantly, you will need to clearly demonstrate the ability to track direct and indirect expenses separately.

Grant Reporting

As a business becomes an SBIR awardee, there are formal reports that need to be provided on two different occasions. The



first is when the Phase I period ends. This report details a summary of the research you have conducted so far, including results and the activities to carry out the remainder of the project. You may also add significant problems and conclusions you have reached during Phase I. How did you resolve these problems? What problems were you not able to solve? Including conclusions that support a Phase II proposal helps transition to the second type of report you will need to submit to move forward. If you're interested in seeking funding for your next step, the Phase II proposal follows a similar format. How are you going to remedy the problems found during Phase I? What will your budget look like, and most importantly, are you equipped to propose and support an indirect rate, which can help sustain company operations?

Evolving with the Business

During the start-up phase of a company, many things may change. In some instances, companies may have to scale up while others may have to scale back. Part of advancing your small business with an SBIR grant is adjustment. What help will you need to move forward? What steps should you take to meet these requirements? We can provide that adjustable scale to best meet your needs.

Whether it is an SBIR grant or contract, you will need to have some basic accounting infrastructure to help with administration. Give us a call today so that we can help you navigate through the complexities and create a plan of action to move you forward.





mplovee

Employee Classifications

Proper classification of exempt and non-exempt employees can often be difficult for employers. The biggest risk with improper classification is that most companies are not even aware that they are doing anything wrong. Oftentimes wage and hour violations go unnoticed and employees don't raise a red flag, so no action is taken. Unfortunately, companies don't get off the hook for being unaware of their errors with classifications.

The Fair Labor Standards Act (FLSA) continues to be a hot topic in the U.S. There are an increasing number of cases revolving around wage and hour violations with companies paying exorbitant amounts to fix their mistakes. No company is too big or too small to be the next target of the Department of Labor.

One of the most common mistakes that employers make is offering their non-exempt employees "comp time" in lieu of overtime pay. With this, employees are able to bank any hours they work in excess of 40 hours per week. These employees are then able to use their comp time for additional time off. While many times the employer is well-intentioned, it is not up to them to offer comp time. Employers must pay the overtime rate established by the FLSA (currently one and one-half times the employee's regular rate of pay) for all hours worked

over 40 in a workweek. If caught, an employer could owe back overtime wages and withholding taxes, but may also be subject to significant financial penalties. The pay out by an employer is usually more costly than having paid overtime correctly in the first place.

Other common, but risky mistakes include:

- Docking an exempt employee's pay without merit. There are very specific rules that allow for an exempt employee's pay to be docked
- Erroneously classifying employees as independent contractors
- Having exempt employees spend too much time on administrative, non-exempt work
- Failing to properly calculate an employee's overtime pay rate
- Failing to maintain adequate records
- Improper tracking of employee work time

A company that commits any of these violations may be liable for unpaid wages, penalties, fines, interest, and attorney fees for all affected employees.

The Department of Labor provides extensive tests to determine how an employee should be classified. Employers must follow these guidelines to avoid costly mistakes.

If you are struggling with proper classification of your employees, or if you want to make sure you have your employees classified correctly, then call Donnelly-Boland and Associates today. We have Human Resources professionals on staff who are able to assist you.



SMALL BUSINESS SEMINAR SERIES | 2018

Budgeting November 13 - 12:00pm Financial Analysis December 11 - 4:30pm No cost to attend!

Questions? Contact Matt Fazio | mfazio@donnelly-boland.com | 412-882-5383 x1138





The Importance of Audit Preparation

Many banks are now requiring businesses to have audited financial statements. These documents help to provide banks with reasonable assurance that the financial statements display an accurate picture of the business. Did you know that over half of businesses that apply for a loan are rejected? Audits can help increase your chances of getting approved for a loan, and lower your interest rate.

However, audits can be time consuming and costly for many businesses, which is why audit prep is very important.

Being prepared for an audit not only reduces the time auditors will be at your business, but it also helps contain your costs because of the decreased time. Auditors need well-organized documents to complete their audit and if your documents aren't organized properly, then your auditors spend their valuable time getting things in order. In addition, being prepared for an audit will allow auditors to do their job more efficiently, and look at your accounts in more detail to find discrepancies. This will help them to save your time and theirs to reduce expenses and allow you to focus on your business.

In preparation for an audit, you want to make sure your records are organized at year-end and you have backup for all your journal entries, as well as your checks and deposits. Remember, auditors are there to help reassure that your financial statements are fairly presented, so the more prepared you are for an audit, the better off you will be. Below are some key points that will help you when dealing with your auditors.

- Review your existing controls and check that you are following them
- If you had a prior year audit, review the audit firm's previous year recommendations to ensure you are following them
- Meet with your auditors prior to the start of the audit to discuss significant internal and external changes that may impact your organization
- Request a list of items that the auditors will need ahead of time
- Reconcile all balance sheet accounts

If you are unsure on where to start, then Donnelly-Boland can help you prepare for an audit! We have an experienced team of Staff Accountants and Controllers who have been involved in audit preparation for many years.

Donnelly-Boland's experience is not limited to one industry, as we have been involved in various industries and have helped numerous businesses prepare for an audit. The following are just some of the areas that Donnelly-Boland can help you with when preparing for an audit.

- Review account balances
- Account reconciliations
- Document internal controls
- Assist with audit inquiries
- Compile information for preparation of annual tax returns

Let us help you prepare your business in the best way possible. Contact Donnelly-Boland and Associates today to get in touch with our team of professionals. ∞



About Us

Donnelly-Boland and Associates, a certified woman-owned business enterprise, is a CPA and management consulting firm that provides an array of professional services including accounting, financial services, government and nonprofit consulting, human resources, and taxes. We have extensive experience in providing these services to governments, nonprofits, individuals and service businesses. Donnelly-Boland and Associates was incorporated in 1992 and is headquartered locally in Baldwin, Pennsylvania with offices in Brentwood and Waynesburg. We assist a variety of organizations, large and small, on both an interim or more permanent basis.

The Value of Proven Results

We serve every client with a depth of resources and the highest level of expertise, yet offer the personal attention and accessibility that builds strength and trust. We've proven it's possible to offer comprehensive accounting, financial services, government and nonprofit consulting, human resources, and taxes by topnotch professionals without sacrificing value.

Let Donnelly-Boland and Associates be the breath of fresh air you need to find temporary or long term solutions, project assistance, or a different perspective. Our owners and many of our employees are not just accountants, they are business owners and entrepreneurs themselves and have confronted many of the same challenges you face every day. Feel assured that your financial information is accurate, precise and always available in a timely fashion. Now you'll have the time you need to focus on the growth and success of your business or organization.

Offices

Brentwood Office

3730 Brownsville Road Pittsburgh, PA 15227 Phone (412) 884-4829 Fax (412) 882-1084

Home Office

2801 Custer Avenue, Suite G Pittsburgh, PA 15227 Phone (412) 882-5383 Fax (412) 882-1084

Waynesburg Office

69 S. Washington Street Waynesburg, PA 15370 Phone (724) 627-6491 Fax (412) 882-1084

DONNELLY-BOLAND AND ASSOCIATES

Delivering quality, commitment and value.

The Hough Building, Suite G 2801 Custer Avenue Pittsburgh, PA 15227

DONNELLY-BOLAND AND ASSOCIATES

Delivering quality, commitment and value.





www.donnelly-boland.com