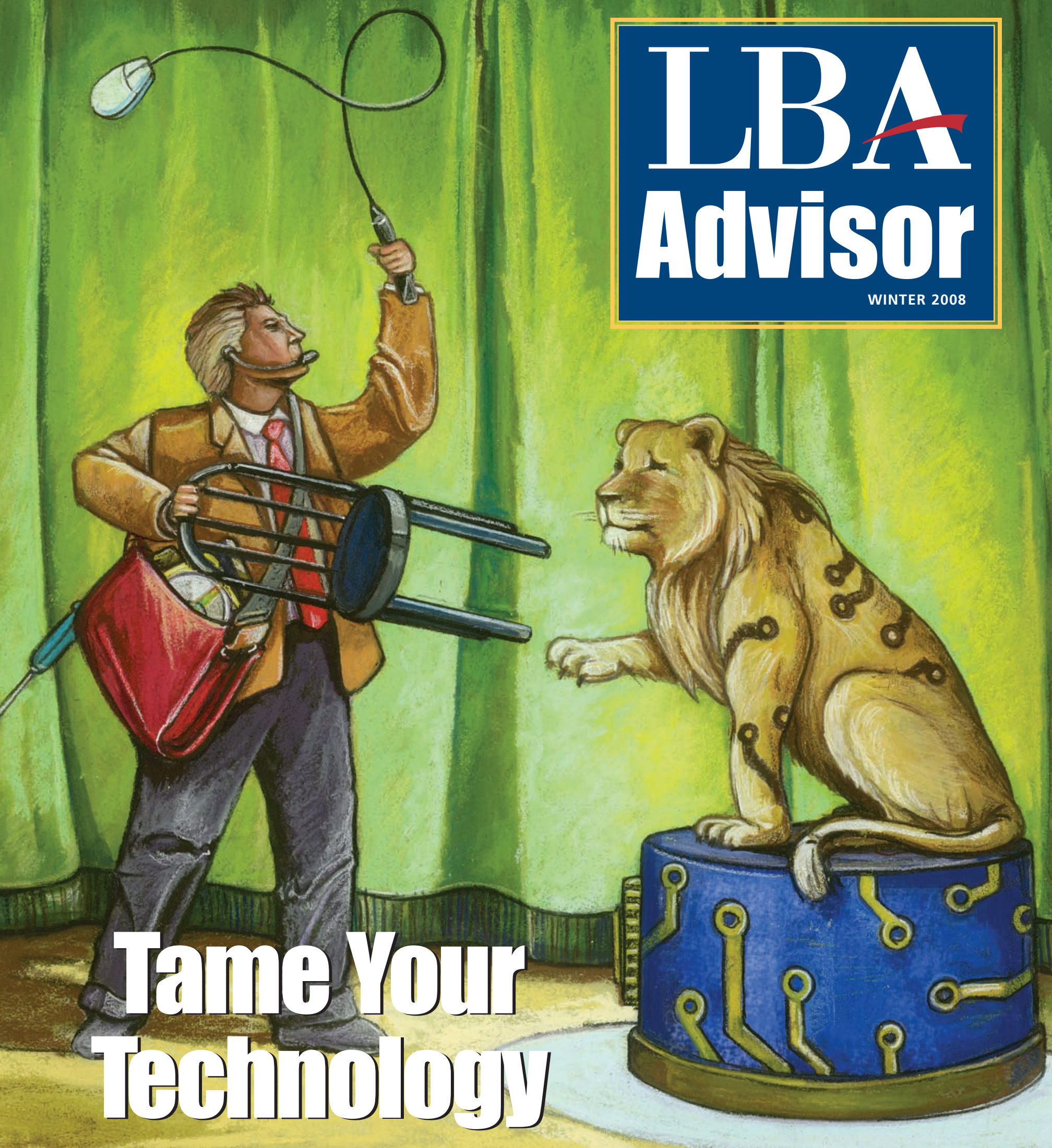


LBA Advisor

WINTER 2008



Tame Your Technology

Dear Clients & Friends:



Richard D. Brock, CPA
Chairman of the Board

Happy New Year! As is always the case when a new year is upon us, it is hard to believe how quickly the years come and go. But when we look back at 2007, we are honored to have had such an award-winning year and want to thank each of you for your trust in us. We continue to look to the future to build on these standards of excellence in respect to both helping our clients succeed and fostering an exciting and challenging career environment for our people.

At LBA, we recognize the direct connection between the service we provide to our clients and the dedication of our talented staff. As a result, we strive to attract and retain the absolute best talent. To do so, we are committed to making LBA the absolute best place to work. We are proud that our efforts have resulted in attracting and retaining the outstanding people who work here at LBA and to have earned a spot on the *Jacksonville Business Journal's* list of Best Places to Work in Northeast Florida was a true honor.



Neal J. Von Stein, CPA
Managing Partner

2008 promises to be another year of opportunity for us to better serve our clients and we are excited about some new and improved services. First, we have expanded our technology consulting practice. These LBA professionals are certified in several accounting software systems which allows them to work with you in determining which system is the best fit for your business. From the beginning of the selection process, to the installation and training, LBA's technology consulting advisors are with you every step of the way. Learn even more as you read the full story on page eight in this issue of the *LBA Advisor*.

Our healthcare team is also preparing to unveil some new technology that will help ensure our physician practice clients have the opportunity to optimize income, comply with all billing and utilization standards, increase efficiency and be in a position to effectively negotiate with third party payers. Details on this exciting new product will be revealed later in the year.

Finally, it is that time of year again when we begin to work with each of you on preparing your 2007 corporate and personal tax returns. Our tax professionals are eager to assist you with this annual process so please do not hesitate to contact your LBA representative with any questions you may have.

Our best wishes for a happy, healthy and successful 2008. Thank you for being such a valued part of our extended LBA team.

Best wishes,

Two handwritten signatures in white ink, one for Richard D. Brock and one for Neal J. Von Stein.

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Joey Cummings, CPA, CVA
Principal

Revisiting College Savings Plans

Beginning in 2008, the infamous *Kiddie Tax* will apply the parents' top tax rate to the investment income of a child between the ages of 18 and 23, who is in student status. The ugly surprise will be that when parents begin to cash in investments that have been dutifully saved for college, those gains and earnings will be taxed at the parents' top bracket even if the investment is owned by the child.

Section 529 Plans

These plans are named after a section of the Internal Revenue Code that provides their tax-favored status. Section 529 plans are state-sponsored and come in two flavors: prepaid tuition programs and traditional college savings accounts.

A prepaid tuition plan lets you purchase tuition now for use in the future. The growth of the

When a 529 plan is established, it is considered a gift from the owner who establishes the plan to the initial designated beneficiary.

investment is tied to the rate of tuition increase in the state's college system. This plan is best suited for those who expect a child to attend a public university or college within the state. Assuming you invest \$8,000 today in a prepaid tuition plan, when your child starts college at a state university in 12 years, your \$8,000 will theoretically pay the entire first year of tuition, even though tuition costs may have risen to \$20,000 per year by then.

However, the prepaid tuition plans only cover the cost of undergraduate tuition at in-state public colleges, which means that other expenses, such as room and board and books, are not covered by this plan. These restrictions will vary among the individual prepaid tuition plans.

In contrast, a state savings plan lets you build an education fund within an individual investment account. Money you contribute is invested in one or more specific investment portfolios. You generally pick your investment portfolio at the time you open an account and your investment return is not guaranteed.



The state savings plan does, however, offer more flexibility in paying your beneficiary's education expenses. These expenses can include tuition, books, equipment, fees and room and board at any college accredited by the U.S. Department of Education, as long as the beneficiary is enrolled at least half-time. This includes undergraduate colleges, graduate and professional schools, two-year colleges as well as technical and trade schools.

Selecting the Plan

An individual can open a 529 plan in any state, but as a general rule, check out the plan for your state of residence first. Many states will subsidize the investment for in-state investors with a match, or perhaps provide an income tax deduction on the state income tax return. After those possibilities have been investigated, an investor considering a 529 plan should look at other state alternatives. When looking at the variety of state plans, consider the mix of underlying funds offered by the particular state plan, their cost and investment performance.

Families have clearly recognized the distinct advantages offered by 529 plans, as there is now in excess of \$100 billion invested nationwide. With the 2008 Kiddie Tax facing most college students, these plans become even more important. If we can assist with how a 529 plan might fit your situation, please contact us.

Home Interest Expense: Tips and Traps



Ed Grenadier, CPA
Partner

For many, one of the most significant income tax deductions is their home mortgage interest. But this important deduction comes with a number of traps, as well as several opportunities. Here's a refresher on that topic.

Home Acquisition Debt

The tax law actually permits the deduction of interest associated with two home mortgages: your principal residence and one other secondary residence. The debt proceeds must have been used to acquire, construct or substantially improve the residence, and the debt must be secured to that residence. This latter requirement of having the debt secured to the property can be a problem with family financing.

Example. Phil, a 28-year-old, is acquiring his first home and borrows part of the acquisition funds from his parents on a private note. The funds borrowed from his parents allow Phil to have a sufficient down payment to secure a better interest rate on the first mortgage from his bank. Both the bank mortgage and Phil's note to his parents are acquisition debt, as the proceeds trace to the purchase of his home. But Phil's interest expense on the note to his parents is nondeductible unless his parents secure that note by recording it at the county courthouse.

The Two Residence Limit

The home acquisition interest deduction is limited to the taxpayer's principal residence and one other residence selected by the

taxpayer that is used personally, such as a seasonal vacation home. The general test of personal use is 14 days within a year, or 10% of the number of days that the property is rented, whichever is greater. Personal use includes days of use by family members.



For those with multiple homes, the key is to identify the secondary residence with the greatest interest expense.

For those with multiple homes, the key is to identify the secondary residence with the greatest interest expense. Interestingly, this residence can be a mobile home, boat or house trailer, as long as the property contains sleeping space, toilet and bath facilities, and cooking or kitchen equipment. As a result, that expensive recreational boat, with the proper facilities, can qualify for deductible interest as a second home.

The \$1 Million Limit

Home acquisition interest, whether for one or two residences, is subject to an overall \$1 million debt limit. If the combined debt on the principal and second residence exceeds that amount, only the allocable

portion of the interest expense attributable to the first \$1 million of debt is tax deductible.

Home Equity Debt

In addition to deducting the interest attributable to residential acquisition debt, a taxpayer is permitted to deduct interest on up to \$100,000 of home equity debt. Home equity debt is defined as any debt secured by a qualified residence that is not acquisition debt. The home equity debt privilege is valuable, as it allows a taxpayer to achieve deductibility of interest on debt used for personal items (otherwise nondeductible), such as vacations, gifts to family members, retirement of credit card debt, etc.

It is possible for a single loan to represent both acquisition debt and home equity debt. But the home equity portion of the proceeds must be used for purposes other than residential acquisition, construction or substantial improvement.

Deductible Points

For most taxpayers, points and fees associated with new debt must be amortized over the term of the loan. However, a special rule allows points on a principal residence acquisition or improvement debt to be deducted when paid. Points represent a charge of the lender, and are often listed on the closing statement as a loan origination fee or loan discount. The taxpayer needs to pay these points from cash at closing; they cannot be borrowed from the lender.

But points on debt associated with a second residence (i.e., a vacation home) are not an immediate deduction. They must be amortized ratably over the term of the mortgage. Similarly, points on a refinanced home mortgage, including a principal residence mortgage, must be amortized over the term of the debt.



LeeAnn Brust

RN, MBA, CCP, CPC, CMPE
Executive Director
LBA Healthcare Consulting
Services, LLC

Is your Accounts Receivable spiraling out of control? Many practices come to us for assistance with A/R troubles once they have already hit crisis proportions.

Practice Check-Up: Is Your Accounts Receivable (A/R) Out of Control?

Needless to say, it is always best not to let your A/R get out of control before realizing there is a problem. The key to maintaining a healthy A/R is preventive maintenance! Below are some tips to help you and your staff address your current A/R problems, monitor A/R totals correctly, and keep collections running smoothly. Some of the suggestions may seem very basic, but by implementing one or more of these ideas you can help your billing department clean-up the old and keep up with the new.

General A/R Tips and Suggestions:

- Post charges and payments on a daily basis, ideally within 24 hours, but never later than 72 hours.
- Claims should be processed and sent out daily.
- Electronic claim errors should be corrected, processed and re-sent daily. The goal is to track trends in the errors found, fix the problems and ultimately have cleaner claims going out, with fewer rejections.
- Educate your front desk. Show them the error reports so that they know what fields of information are missing and have them correct their own errors. This method is a great training tool.
- Establish a reward system for declining error rates (i.e. lunch, small gift certificates....)
- Work your denials daily. Many billing departments are so busy, that frequently these get put in a folder and saved for last. After the appeal is filed, make a copy and follow-up on them within a given time period, usually 30-45 days. When your staff complains of not having enough time to work them, explain that this is a pro-active way of working the A/R and must become a priority for them. Establish weekly/daily hours that are spent doing nothing but A/R follow-up. Monitor the progress at weekly or bi-weekly staff meetings.
- Send out patient statements weekly, as close to carrier payment as possible. To save costs, make sure your system is set not to bill a patient more than once within a billing cycle, unless new activity has occurred. You may also consider outsourcing.



- With proper oversight, allow your staff use of the Internet. Most insurance carriers have great interactive websites with lots of useful information; including changes in policy, as well as access to checking claim status, filing of appeals, as well as follow up on appeals.
- Educate your staff. Arrange for your billing staff to attend coding seminars, collection seminars and anything else pertinent to medical billing. The benefits are twofold, it allows your staff to keep abreast of the constantly changing rules and lets them know that the practice is investing in them.
- In addition, send staff to classes that your billing software vendor may offer. This will keep them aware of upgrades, changes and how to best

utilize the software to enhance the specific needs of your practice. Most software vendors share the basics during the initial training period, however, your system may have some wonderful time-saving abilities and short cuts that your staff may not be aware of as well as additional reports you are not utilizing currently.

Monthly Reports:

Run, review and work the following reports on a monthly basis: Insurance A/R, Patient A/R, and Credit Balances. Most systems suggest these reports be run based on Date of Service.

- **Insurance Reports:** Work the oldest and highest dollar amounts first. Start with your top five carriers. Look for problem trends when researching these balances. Have your staff establish a relationship with a Customer Service Representative with each Insurance Carrier who you are participating with. Make sure that you are aware of how your system handles claims that are refilled; many systems re-age a balance when it is refilled. It is important to know what makes up your aging.
- **Patient Responsibility Reports:** Work the oldest and highest balances first. If your staff is making phone calls make sure they have a script to follow. Also make sure your staff knows to only speak with the patient or the responsible party. Allow payment arrangements where patients can make monthly payments or offer discounts on large balances if the patient agrees to pay in full. Motivate your staff by offering overtime, financial incentives or time-off based on their collection rates. Consider an evening or weekend phonathon with prizes. If you are not currently using a dunning system, consider implementing one. If you are currently using a dunning system, review it, update it if necessary and reconsider the timeframes originally set up.
- **Credit Balance Reports:** This report should be run and reviewed monthly. State and Federal Regulations require that credit balances be reviewed and returned immediately upon being identified. These overpayments if not returned are subject to interest and fines for all carriers. If you have not received a letter asking for a refund, you should call or write the carrier and ask them to send you a letter of request, so that you may return

the overpayment.

If your credit balance report continues to be large month after month, a complete audit should be performed to determine why. Some of the errors we have seen in other practices include:

- Duplicate postings - which happens if an electronic EOB gets posted more than once (be sure your staff deletes or marks the EOB after posting so it doesn't accidentally get posted twice).
- Incorrect posting of payments and/or credit adjustments.

Use the talent in your billing office wisely. Put your most talented person on payment posting. This will help ensure that errors are identified upon posting the EOB's. More importantly someone who has a lot of billing experience will be more likely to identify denial trends, miscoding, inappropriate bundling and zero pays. Remember that credit balances affect the bottom line of your Accounts Receivable. Your system may be capable of running an A/R report excluding credits. If not, your system will subtract the credits from the A/R number, thus creating a reduced A/R amount that is not entirely accurate.

Please contact the Healthcare Consulting Division of LBA if you have questions, or would like us to help you develop an A/R Clean Up Action Plan. Please let us know if we can be of assistance to your billing staff in achieving and maintaining control of your Accounts Receivable.



CPT® Code Set Changes for 2008

Sections	Added	Deleted	Revised
Anesthesia	2	1	1
E/M	12	3	9
Surgery	73	22	127
Radiology	8	7	24
Path/Lab	11	1	11
Medicine	21	0	119
Category II	102	5	3
Category II/Modifier	1	0	0
Category III	13	11	13
Appendix A-Modifiers	1	0	8
Totals	244	50	315



Bowing Out Gracefully...and Skillfully

The true value of your company may depend largely on the effectiveness of your exit strategy.



Harry Parsons, CPA
Partner

For business owners who have spent their lives building a business, retiring or moving on to the next opportunity may not be an easy prospect. Many owners lack company-sponsored pension plans, and most of their wealth is tied up in the business. If you are facing this situation, now is the time to start developing an exit strategy.

Unlike people whose investment portfolios are diversified in many different stocks and bonds, business owners tend to have invested the majority of their funds in one thing: their company. This can make it difficult to cash out when it's time to move on.

An exit strategy involves developing a plan for:

- passing on responsibility for running the company,
- transferring ownership, and



- extracting your money.
Because a stable business is worth more than an unstable one, creating a seamless transition is essential to maximizing business value.

Developing an effective exit strategy involves planning on several levels, including consideration of corporate changes, personal lifestyle changes, family issues, and income and estate taxes.

The cornerstone to any exit strategy is knowing what your business is worth. Your company's value is probably not equal to its book value, as many other elements play a role. A professional valuation will lay a solid foundation for creating your exit strategy.

Assess Your Needs

The first step in creating an exit strategy involves assessing your needs. Important questions include the following:

- Have you identified a family member or trusted manager to succeed you in running the company? If not, you may want to consider selling your business to maximize value and avoid a crisis.
- Have you planned for estate taxes? If you don't have the liquidity necessary to cover your estate tax liabilities, consider buying life insurance or creating a gifting program.
- Will other factors, such as relationships with other shareholders or changing market conditions, play a role in your business's future? Disagreements with other shareholders or risky market conditions may dictate the type of plan with which you feel most comfortable.

Depending on the results of your needs assessment, you have several alternatives.

Set up an ESOP. An employee stock ownership plan (ESOP) can effectively transfer all or part of your company's ownership to employees while providing you with liquidity.

Go public. If your company has enough size and growth to warrant it, a public offering can raise capital and gain liquidity. However, an initial public offering is costly, as is complying with the ongoing reporting requirements. And because the market will expect you to stay on as a significant shareholder for some time after

the public offering, this is a long-term exit strategy.

Sell your shares back to the company. If you have other partners, you may be able to structure your buy-sell agreement so that the company or other shareholders buy back your shares.

Bring in a strategic partner. If you still have some time before retirement, bringing in a strategic partner – either through a merger or a joint venture project – may provide you with the liquidity to diversify your investments now. It may also provide you with a future successor.

Make a private sale. When planning a private sale, consider your logical buyers, such as current management, a customer, a competitor, or a private investor. Determine if the sale is likely to be outright, a leveraged buyout or an installment sale. Plan now to ensure that you have the liquidity you need when you leave.

Gift to family members. If you plan to transfer ownership to a child or other family member, creating a gifting strategy early will

allow you to reduce transfer taxes. We can help you transfer ownership in a way that will enable you to retain control.

Now Is the Time

Once you have evaluated your alternatives, create a plan to achieve your retirement or post-sale goals. Consider everything from the transfer of management to the transfer of ownership. Put the plan in writing and distribute it to those involved.

Now is the time to begin creating an exit strategy. You should devote the same amount of energy to your departure plans that you did to building your business, so that you can fully realize the value that you have created. We can help you assess your needs and evaluate your options, from determining your individual cash needs to helping you establish a fair selling price for your business. Please feel free to call us with any questions.

IRS Scrutiny on Expense Reimbursement Plans

Consequences can be harsh.

When a company properly reimburses an employee for travel or other out-of-pocket expenses, the company receives a tax deduction for its expenditures, and the employee does not have to include the reimbursement in his taxable income. No wage reporting or payroll taxes come into play.

To meet IRS rules on expense reimbursements, employers generally have two choices: they can reimburse actual expenditures incurred by each employee, or they can use IRS standard allowances. To simplify recordkeeping, many employers have moved to these IRS standard allowances, such as the current 48.5¢ per mile business mileage rate. For out-of-town travel costs, there are several choices for standard per diem allowances to reimburse meals and lodging. For example, a full day of out-of-town, overnight travel can result in a \$45-per-day meal allowance, or even a \$58-per-day amount in specified high-cost locations. Similar standard amounts exist for lodging costs. As an alternative, employers may use the approved per diem travel and lodging amounts

that are specific to each travel locale.

In late 2006, the IRS issued a tough ruling, holding that employers who do not follow either actual reimbursement or IRS-approved standard allowances, and are found to be reimbursing employees at a rate greater than those allowances, will have their reimburse-



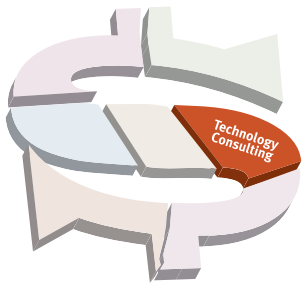
ments recharacterized as wages. This interpretation was particularly aimed at the trucking and construction industries, where employees apparently were receiving meal allowances that are based on miles traveled and that are in excess of the various IRS-

approved per diem amounts. When this occurs, the onus falls entirely on the employer to demonstrate compliance. The IRS plan was to recharacterize the entire reimbursement – not just the excess – as wages, and charge the employer with all delinquent payroll taxes and penalties.

Fortunately, in recent administrative guidance, the IRS has taken a more reasoned approach. Where employers have used expense allowance arrangements that do not properly comply, the IRS has indicated that its examiners will not impose wage treatment in prior years unless there has been a pattern of abuse or evidence of intentional noncompliance.

Further, for periods beginning in 2007 and after, the IRS will tax as wages only the portion of the employer reimbursements that exceeds the federal per diem limit, unless the employer plan evidences a pattern of abuse or the employer has no system for tracking whether excess payments have occurred to employees.

The consequences of an out-of-compliance expense reimbursement arrangement can be very serious, so please let us know if you have any questions regarding your specific expense reimbursement policies.



LBA Expands Technology Consulting Practice



Jim Mainwaring, CPA
Senior Manager
LBA Technology Consulting

Does your accounting system provide timely, accurate or meaningful information? Is your accounting department spending a lot of time inputting data, running reports and closing the books? With all of the choices available, is it difficult to decide which system best fits your needs? If your answers to at least one of these was unfavorable then you may need help with assessing or repairing your accounting system or with a migration to a new system.

The mission of the LBA Technology Consulting Group is to recommend, implement and support accounting software applications. Accounting systems that have been properly designed and implemented will provide many benefits. They could save an organization time, reduce costs, and provide better information. All of these will increase the organization's efficiency and profits. On the other hand, an accounting application that is the wrong fit, was poorly designed or that is extremely out of date, will cost the organization more time, effort and profit. There have been clients who were ready to migrate to a new application but found after careful analysis that all they really needed was an enhancement to their current application.

Growing companies often find they need more sophisticated features or more accounting personnel.

The process starts with a client meeting where we drill down to gain a solid understanding of how they operate so that we can recommend the right accounting system. We discuss their goods and services; how sales and payments are made; and how the goods and services are produced and delivered. There are many other factors to consider in choosing a system, including job costing, E-commerce, internal control, and the number of users to name a few. The answers to these questions help us determine the software and services necessary to complete the implementation in a successful manner.

A successful system is our goal and a system that solves the client's business needs is paramount to success. Their business need could be to start a new operation, fix a problem, avoid something unfavorable or some combination of these. Whatever it is, we will

Accounting Management Software Survey

Source: May 2007 NY CPA Journal

Top Reasons in Selecting Software	Mean*
Functionality	1.298
Cost	3.070
Compatibility	3.386
Vendor Stability	3.561
Vendor Support	3.772
Other	5.913

*1 is highest

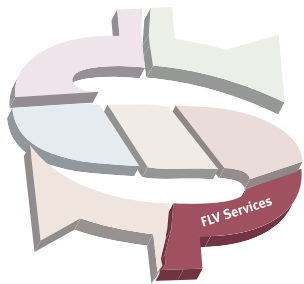
Top Reasons to Not Change	Rank
Cost	1
Disruption	2
Satisfaction with Current Software	3
Effort to Convert Data	4
Better Products not Available	5

drill down to understand it and develop a solution that will provide value and satisfy the business need.

The primary or "back end" applications that we would implement would be Great Plains, Quickbooks, Peachtree, Microsoft Small Business Financials, and Timberline. We will also work with many other front end applications that would collect information and interface with the back end applications. Front end applications could include E-commerce, time and billing, manufacturing or inventory.

If an organization is expanding, it will likely outgrow QuickBooks and Peachtree because the organization needs more features, faster database performance or more accounting users. Growing companies often find they need more sophisticated features or more accounting personnel. As a company's transactions and lists (vendors, customers, inventory items and employees) increase, QuickBook's and Peachtree's performance may decline. The point at which each product's performance declines varies based on the edition, version, and the number of transactions and lists.

LBA stands poised and ready to assist organizations that need an accounting system or that need help with their current system to make it the best it can be. The process of identifying the business needs, the drivers and the solutions while performing your everyday job can be a daunting task. Let LBA focus on your accounting software system so you can focus on your business.



Calculating Damages in a Weak Economy

Spreadsheets replace crystal ball

Let's face it: calculating economic damages can be akin to looking into a crystal ball. Not only are you trying to anticipate how the damaged party will continue to suffer in the future, but you are also trying to foresee what might have happened if the wrongful act had not occurred.

To eliminate some of the uncertainty, parties to a lawsuit usually hire financial experts. Armed with spreadsheet software, industry expertise, analytical skills and market data, experts offer more than a mere stab in the dark — they provide unbiased assessments backed by financial evidence.

Special challenges

When the economy as a whole performs poorly, a financial expert's job becomes increasingly challenging. In a soft economy, it's easy to attribute too much of a damaged party's monetary loss to another party's wrongful act, such as a breach of contract, trademark infringement or negligence.

Experienced financial experts use industry and market data to isolate the probable consequences of the damaging act from the influence of other events, such as macroeconomic developments, industry trends and internal factors.

Isolating causes

For instance, suppose ABC Supplier Co. delivered defective widgets to XYZ Manufacturing Co. As a result, XYZ filed a breach of contract lawsuit and alleged economic damages.

The year following the alleged breach, XYZ showed its first net loss ever, and revenues declined by nearly 20%. The owner is certain that ABC's defective materials are to blame.

Enter Jane Smith, XYZ's experienced financial



expert. She uses the business valuation prepared for the owner's divorce six months before XYZ's breach of contract as evidence of the company's \$10 million pre-breach value.

To estimate its post-breach value, she uses a recent offer XYZ received to purchase the company for \$8.3 million. After careful analysis of these figures, she estimates that XYZ's value decreased by \$1.7 million following ABC's breach.

But Jane doesn't stop there. She analyzes the performance of

seven public companies comparable to XYZ over the same period. Her analysis reveals that profits also plummeted in comparable businesses, which experienced a decline of nearly 12% in median market capitalization.

Industry publications

Industry publications support Jane's public market research. Causes for the industry's overall decline cited in the publications include a decrease in consumer demand, an increase in material cost and the impact of technological innovations.

Armed with this additional market data, Jane concludes that the company's value would have decreased by \$1 million even if ABC had not breached its supply contract. Therefore, Jane calculates XYZ's economic damages at \$700,000.

While Jane's analysis is initially hard for XYZ's owner to swallow, it provides evidence to the court that Jane was unbiased and has taken the time to fully eliminate from her calculations the other reasons for the company's decreased value. After ruling in favor of XYZ on the breach of contract allegations, the court also accepts Jane's analysis and awards XYZ the full \$700,000 in damages.

When estimating damages in today's weakened economy, a qualified financial expert provides confidence that the job will be handled well.



Scott A. Steadman, ASA, CFC
Director
LBA Forensic, Litigation and
Valuation Services

When estimating damages in today's weakened economy, a qualified financial expert provides confidence that the job will be handled well.



Catherine M. Beaver
Director
LBA Retirement Plan
Services, LLC

Cash Balance Plans Make a Comeback



Thanks to the Pension Protection Act and a key court decision favoring cash balance plans, a hybrid of defined benefit and defined contribution plans, a number of large organizations are considering them as part of their benefits package.

A cash balance plan is a qualified plan. In each cash balance plan a participant has an account. The account grows in 2 ways: a contribution and an interest credit, which is guaranteed rather than being dependent on the plan's investment performance. This is a defined benefit type of plan that specifies both the contribution to be credited to each participant and the investment earnings to be credited based on these contributions. Each participant has an account that resembles those in a 401(k) or profit sharing plan. The accounts are maintained by a plan actuary who generates annual participant statements. It is important to note that there is not actually a cash account in existence for each participant. Hypothetical retirement accounts define an employee's accrued benefit at any point in time. The account is merely a record-keeping feature.

Growth of account:

The company contribution – a percentage of pay or a flat dollar amount determined by a formula specified in the plan document.

An annual interest credit – the rate of return is guaranteed and is independent of the plan's investment performance. The rate changes each year but usually is equal to the yield on 30-year Treasury bonds (around 5% in recent years).

Candidates for Cash Balance Plans:

- Partners or Owners who wish to contribute more than \$45,000-\$50,000 per year to their retirement plan
- Groups already contributing 3-4% to employees
- Groups with consistent profit patterns
- Partners or owners over 40 years of age who wish to accelerate their pension savings

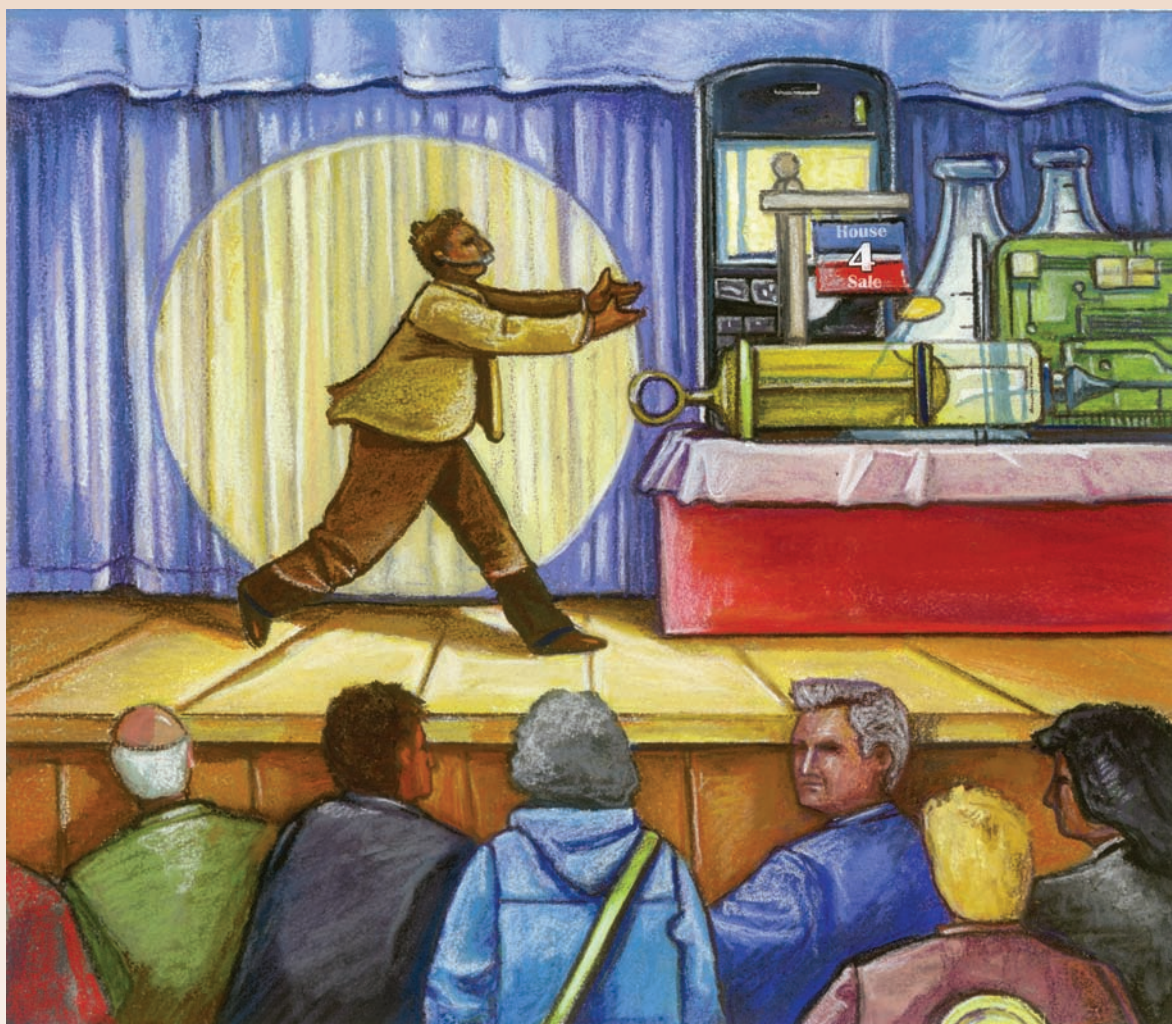
Qualified Default Investment Alternative

The Pension Protection Act of 2006 (PPA) created the Qualified Default Investment Alternative (QDIA) largely to promote the offering of automatic enrollment 401(k) plans. The QDIA provides employers a safe harbor from fiduciary risk when selecting an investment for a participant or beneficiary who fails to elect his or her own investment. Employers following the QDIA regulations will have no legal liability for market fluctuations when providing a QDIA for employees who do not choose their own investments.

Qualified Default Investment Alternatives

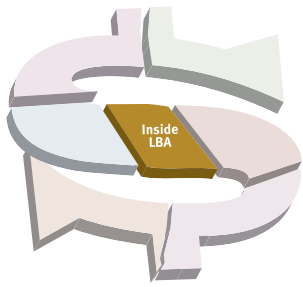
The PPA goal for the QDIA is that it meet a worker's long-term retirement savings needs, rather than just preserving capital. The final regulations provide four QDIA investment alternative mechanisms, rather than specific products. An example of a product for each category is provided.

- A product with a mix of investments that takes into account the individual's age, retirement date, or life expectancy (for example, a life-cycle or targeted-retirement-date fund)
- A product with a mix of investments that takes into account the characteristics of the group of employees as a whole, rather than each individual (for example, a balanced fund)
- An investment service that allocates contributions among existing plan options to provide an asset mix that takes into account the individual's age or retirement date (for example, a professionally-managed account)
- A capital preservation product for only the first 120 days of participation. This eases administration, for example, in the case of workers that opt-out of participation within 90 days. After 120 days, the plan fiduciary must redirect the participant's investment into the above three QDIA categories (unless the participant opted-out of the plan or redirected investments during the 90 days)



RETIREMENT PLAN LIMITATIONS FOR 2008

401(k) Plan Limits	2008	2007	2006	2005	2004
401(k) Elective Deferrals	\$15,500	\$15,500	\$15,000	\$14,000	\$13,000
Catch-Up Contribution Limit	\$5,000	\$5,000	\$5,000	\$4,000	\$3,000
Annual Defined Contribution Limit	\$46,000	\$45,000	\$44,000	\$42,000	\$41,000
Annual Compensation Limit	\$230,000	\$225,000	\$220,000	\$210,000	\$205,000
Highly Compensated Employees	\$105,000	\$100,000	\$100,000	\$95,000	\$90,000
Non 401k Related Limits					
403(b) / 457 Elective Deferrals	\$15,500	\$15,500	\$15,000	\$14,000	\$13,000
SIMPLE Employee Deferrals	\$10,500	\$10,500	\$10,000	\$10,000	\$9,000
SIMPLE Catch-Up Deferral	\$2,500	\$2,500	\$2,500	\$2,000	\$1,500
SEP Minimum Compensation	\$500	\$500	\$450	\$450	\$450
SEP Annual Compensation Limit	\$230,000	\$225,000	\$220,000	\$210,000	\$205,000
Defined Benefit Plan Limit	\$185,000	\$180,000	\$175,000	\$170,000	\$165,000
Social Security Wage Base	\$102,000	\$97,500	\$94,200	\$90,000	\$87,900



Leadership

Several of our team members have risen to leadership positions within a variety of organizations. LBA encourages its staff to strive for these external leadership positions and we are proud of their accomplishments. Please join us as we congratulate them.



Richard Brock, CPA

LBA Chairman of the Board

Appointed as Treasurer, Big Brothers Big Sisters of Northeast Florida



Ed Grenadier, CPA

LBA Partner

Elected as Second Vice Chair, Board of Directors for the FCCJ Foundation



Dave Howie, CPA

Manager, LBA Audit Services Team

Appointed to the Board, St. Johns County Historic Resource Review Board



Scott Lanigan, CPA, CrFC, CFC

Principal, LBA Audit Services Team

Appointed to the Duval County Unit Operating Board, American Cancer Society



Jim Mainwaring, CPA

Senior Manager, LBA Technology Consulting Services Team

Appointed as an Officer, BNI Wealth Builders, Mandarin Chapter

Same Face. Different Place.



Erin Fleming, a Staff Accountant who

has been part of the LBA team for 2 years, has joined the Audit Services Team. In his new role, Erin will work with several of LBA's corporate clients, conducting reviews and audits of their year-end financial statements.

New Designation



Scott Steadman, the Director of

LBA's Forensic, Litigation and Valuation Services Group, has completed the requirements to attain the designation of Certified Fraud Examiner. The CFE

designation is granted by the Association of Certified Fraud Examiners to only those individuals who meet certain academic and professional requirements and who then pass a stringent exam. The CFE designation denotes proven expertise in fraud prevention, detection, deterrence and investigation.

LBA Expands Technology Consulting Practice

We are happy to announce that we have expanded one of our valuable service offerings. LBA Technology Consulting Services, led by Senior Manager Jim Mainwaring, recommends, implements and supports accounting software applications. To learn more about this exciting new practice and what they can do for you, please read the full story on Page 8 or visit our website at www.TheLBAGroup.com.

New Team Members

LBA continues to grow and it is with great appreciation that we thank our clients and friends for your continued trust in our team. Please join us as we welcome our newest team members.



Nieman Arnold

Healthcare Associate

LBA Healthcare Consulting Services, LLC



Niki Bouge

Administrative Assistant

LBA Retirement Plan Services, LLC



Zach Garretson

Staff Accountant

Audit Services Team



Lauren Groff

Staff Accountant

Business Advisory Services Team

Software Certifications

Several members of our team have recently attained certifications on QuickBooks® and Great Plains accounting software systems. Please join us in applauding their efforts.

Certified as QuickBooks® ProAdvisors:



M.C. Harrell, CPA

Senior Manager

Business Advisory Services Team



Kay Sellers

Senior Accounting Associate

General Accounting Services Team



Debra Soberay

Manager

General Accounting Services Team



Darlene Witham

Senior Accounting Associate

General Accounting Services Team

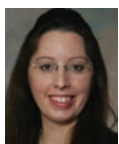
Certified in Great Plains Financials:



Christine Miller, CPA

Manager

Business Advisory Services Team



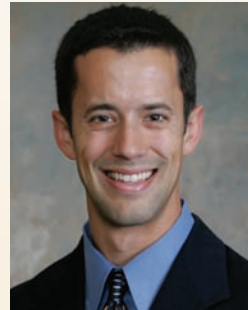
Lisa Renhack

Senior Accounting Associate

General Accounting Services Team

Promotions

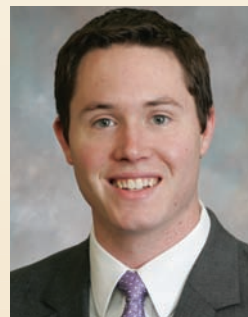
We are extremely proud of the hard work and dedication our team members consistently give to the firm. It is this commitment that allows us to provide our clients with a premier level of service. We proudly announce these recent promotions.



Daniel Brock

Senior Accountant

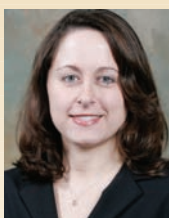
Business Advisory Services Team



Andrew Murphy

Senior Accountant

Business Advisory Services Team



Cathy Hubbard

Administrative Assistant
Administrative Support
Services Team



Jim Mainwaring, CPA

Senior Manager
Technology Consulting
Services Team



Adam Phelps

Staff Accountant
Audit Services Team



Nick Hautala

Staff Accountant
Audit Services Team



Jennifer Moore

Staff Accountant
Business Advisory
Services Team



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