



Summer 2009

Business Focus

Client of the quarter: Sawdust City LLC How one family turned a challenging time into a thriving family business

Sawdust City LLC is one of the country's leading manufacturers of solid pine designs, accent furniture, storage furniture, mudroom furniture, décor, display cabinets, shadow boxes, picture frames with sayings, message boards and more. Owned and operated by Liz and Lanny Collins out of Eau Claire, Wisconsin, this business began as a means to survive during a family medical crisis, and fourteen years later, has grown into a nationally known, successful family business.

Turning lemons into lemonade

In 1995, Liz and Lanny's third child, Reid, was born severely ill. Later, the family was told that Reid was the sickest baby to survive in the history of Eau Claire and Minneapolis medicine. 26 surgeries, three months in Minneapolis Children's Medical Center, and two years of around the clock care, Reid's recovery is nothing short of a miracle. Today, you'd never know Reid had the beginning he did, and he's perfect. The family feels blessed.

When Reid came home from the hospital and for two years after that, he could not be exposed to very many people because of his severely damaged immune system. Liz couldn't work, and the kids couldn't go to day care, and they were left with some incredible medical bills.

That Christmas the family hand made their gifts. Then the phone started to ring with a tremendous amount of interest in the homemade presents. In February, Liz proposed to Lanny the business idea of Collins Designs. She thought, "Maybe there were a lot of people out there who wanted things we could make. I'd do the patterns, design, finishing work and sales; he'd do all the carpentry (after he got home from work). We did

things this way out of our garage for five years. We met great people, customers and fellow crafters all over Wisconsin and Minnesota."

When all three of their kids, Morgan, Haley and Reid were in school full-time, Liz and Lanny were going to dissolve the company and move on. But then Liz thought they had something worth keeping and growing. So they looked into launching an official business.

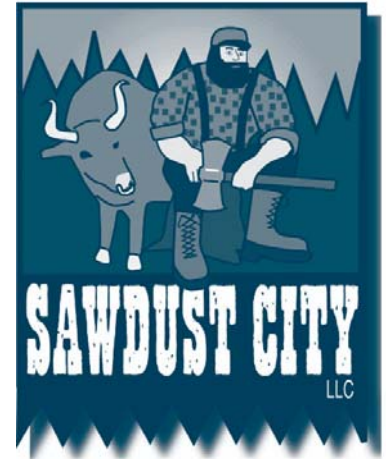
In their re-launch, they learned that Collins Designs wasn't available as an LLC name. At that time, Morgan was doing a school project on the area's history, and they came across the fact that "Sawdust City" is Eau Claire's nickname. It also described what their shop looks like most of the time and reflected a family history of lumberjacks! So they renamed the company Sawdust City LLC. Lanny quit his job to run the shop, and Liz began to promote the business.

The rest is history

Today, Lanny continues to manage the shop while Liz handles product design, sales and marketing. They have a large shop on the north side of Eau Claire, WI, and 20+ valued and talented employees. They have over 2,300 sign designs featuring rural wisdom, humor, sentimental sayings and a host of delightful observation covering all occasions. They have recently introduced new products such as picture frames with sayings, locker units for mudrooms, adjustable shelving cabinets, trash and recycle bins, shadow boxes, chalk boards, kid's art display boards, magnet boards and some great cork boards. They also have the capability to make custom signs.

The handmade difference

No other similar business offers more selections, more colors or ships as fast



as Sawdust City. They have been featured in the *New York Times*, Home and Garden Television (HGTV) and *Better Homes and Garden* magazine, along with numerous feature articles in trade magazines such as *Country Business* and *Giftware News Magazine*.

Liz states, "Our furniture items are so appealing because everything is fully-assembled, solidly built and made to be used. Anything to do with mudroom organization right now is selling like crazy. Also unique to Sawdust City is our ability to make custom orders. We can alter everything we make along with creating completely new items that customers are wanting. We send out custom work just about as fast as our regular line items."

"All signs and furniture are handmade with care in the USA (still in Eau Claire). Hallmark qualities of our product line are great prices, solid construction, appealing design, incredible color choices, fast custom work, great shipping rates and hand crafted products meant to be used and last!"

They also have a strong Web presence at www.sawdustcityllc.com which has caused the *New York Times* to call twice and feature three of their products in the newspaper.

Partnership with HK (continued from page 1)
Sawdust City is serviced by Doug Rogers, CPA and partner, out of our Platteville, WI location. How did this family startup connect with Doug 200 miles away? A strong family referral and a high impression of their first meeting with Doug began the partnership in 2005. "Doug replies to all of our questions in a timely manner. We very much appreciate the accounting knowledge and sound business and financial advice," says Liz. Doug responds, "It has been most enjoyable to watch Sawdust City grow and thrive in recent years. Liz and

Lanny have each applied their special skills to the business. Liz brings creativity, vision and unique business development skills. Lanny manages the production and quality aspects. They have been great to work with!"

A bright future

Sawdust City plans many more product design offerings, expanded exporting to Canada and adding more of a Web presence. They hope to continue to make the company a very attractive package for the right buyer when they are ready to sell. They continue to thrive, even in the current economy, so the future looks very bright indeed!

A final word from Liz, "We are amazed daily to be able to go to work and do something we love, creating things that people want to have in their stores and in their homes, all over the U.S. and Canada. We are fortunate to have great people all around us, helping in every way, to get it all done."

Congratulations to Sawdust City for overcoming significant obstacles to find unique and successful product offerings. And thank you for being our client of the quarter!

■ **Changes in employee benefit plans**

Important changes are taking place in the administration of employee benefit plans. Two of the most important changes are the new accounting rules for measuring and reporting fair value of plan investments and compliance issues and audits for 403(b) plans. Your first step is to determine whether or not your organization needs an audit of your employee benefit plan. If it does, here are two new important changes.

Do you need an audit?

The Department of Labor's (DOL) Employee Retirement Income Security Act (ERISA) defines the types of employee benefit plans that are required to have an audit. In general, plans with 100 or more eligible participants at the beginning of the plan year are considered large plans.

These plans are required to have an annual financial statement audit and must file the Form 5500 for large plans. Plans with less than 100 eligible participants at the beginning of the plan year are considered small plans.

These plans may be exempt from the audit requirement and should file the Form 5500 for small plans.

Some exceptions to the audit requirements exist including plans which:

- provide benefits exclusively through allocated insurance contracts
- are funded solely by premiums paid directly from assets of the employer
- forward any participant contributions within three months of receipt

If you already know you need to conduct an employee benefit plan audit or may think you do, read on for two important updates.

The new accounting rules for fair value measurements

One of the latest, most important changes to employee benefit plans is measuring and reporting fair value of plan investments. This requirement is the Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157).

This standard requires employee benefit plans to implement new accounting rules for valuing and reporting the fair value of their investments in the plan's financial statements. This requirement establishes:

- a new uniform definition of fair value
- acceptable valuation techniques
- the hierarchy framework for measuring fair value

Which plans are affected? FAS 157 must be implemented for all plans that prepare generally accepted accounting principles (GAAP) financial statements, regardless of whether the plan administrator engages its independent auditor to perform a full scope or limited scope audit of those financial statements.

This applies for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

Plan sponsors and administrators should be well prepared for the implementation of FAS 157. This includes understanding how these changes affect the operation of your plan, your new responsibilities, any audit changes and much more. Some of the new requirements of FAS 157 are straightforward and some are complex. Thoroughly understanding the new requirements and engaging with knowledgeable, trusted advisors and auditors will best prepare you for the new requirements.

The new required compliance issues and audits for 403(b) plans

For the first time ever in 2009, new filing and audit requirements exist for 403(b) plans. These plans, subject to Title I of ERISA, are now subject to the same Form 5500 requirements as 401(k) type plans. This new rule is particularly complex because organizations that have been around for decades offering 403(b) plans may now have to conduct an employee benefit plan audit for the first time ever.

Who will be required? Large plans, ERISA-covered plans with 100 or more eligible participants, will generally be required to file audited financial statements beginning with their 2009 Form 5500 filing. Small plans, ERISA-covered plans with fewer than 100 eligible participants, may be able to use the Short Form 5500-SF.

The DOL estimates that approximately 7,000 large 403(b) plans will be subject to the new financial statement audit requirements and another 9,000 small 403(b) plans may be eligible to use the new abbreviated reporting forms. Be sure to conduct proper due diligence to understand your compliance and/or audit requirements.

Conducting employee benefit plan audits has been a fact of life for many organizations. With these new changes, your organization may need to change its approach to the audit or conduct an audit for the first time ever. It's important to be up-to-speed on the new changes and consult with a trusted advisor.

For more information about employee benefit plans, contact Sue Lawler, audit manager, at slawler@honkamp.com or 888-556-0123.

Article source: *American Institute of Certified Public Accountants (AICPA) Employee Benefit Plan Audit Quality Center*

■ State and local tax (SALT) exemption certificates

For each and every sale of tangible personal property that is made by your company, we recommend that you either (1) charge sales tax or (2) obtain an exemption certificate from your customer. This recommendation has never been more important.

Previously, if your company was selected for a sales and use tax examination, and you did not have all exemption certificates on file at that time, the Iowa Department of Revenue would allow you to go back to your customers and obtain an exemption certificate.

Recently, the Iowa Department of Revenue has changed their operating procedure related to exemption certificates. The Department of Revenue is now instructing all of their field agents that if an exemption certificate is not on file for the period

under examination, the field auditor does not have to allow the company time to go back and obtain those certificates.

Furthermore, if the exemption certificate that you have is expired (over three years old), the exemption certificate is no longer valid.

Example: ABC Company made an exempt sale of widgets to Customer XYZ on January 1, 2006. On that same day ABC obtained an exemption certificate from XYZ stating that the purchase of widgets was exempt from Iowa sales tax. Subsequently, ABC sells widgets to XYZ on January 2, 2009, relies on the original exemption certificate completed by XYZ on January 1, 2006 and does not charge sales tax to XYZ.

The Iowa Department of Revenue selected ABC for a sales and use tax examination and selects the January 2, 2009 sale to XYZ to review for sales tax compliance. Given the fact that the exemption certificate is expired and no longer valid, the Iowa examiner determines that the sale is taxable. Furthermore, the examiner is not required to allow ABC to contact XYZ and obtain an updated exemption certificate.

Obtaining, reviewing and updating exemption certificates has never been more important, therefore we strongly recommend reviewing and updating all of your sales tax exemption certificates. For any questions regarding this or other sales and local tax issues, contact our SALT consultant, Keith Habel, CPA, at khabel@honkamp.com or 888-556-0123.

■ Organizing your tax information

The vast majority of IRS or state tax notices received by taxpayers are due to taxpayers not providing their tax preparers with the correct amount and dates of the quarterly tax estimates which they made. Often,



this requires an amended return to correct this matter on the related state or federal tax return, costing additional filing fees and potentially additional taxes, interest and penalties.

Honkamp Krueger & Co., P.C. has found that the best method to avoid this is to:

- make a copy of the voucher and tax estimate before mailing
- put the copy in your tax records envelope
- provide this to your tax manager at year end along with all the other information you have assembled throughout the year

To make tax processing a lot easier, we suggest organizing a tax

records envelope/file at the beginning of the year and routinely file all of your tax related information in this envelope/file as the year progresses. Also, many of our clients make copies of checks for charitable donations, property tax payments and auto licenses so at year end most of the information they need is already organized.

Our firm's policy is to scan the tax sensitive information you provide to us and to return all original copies. We do not maintain any of your original copies. To make tax preparation easier, use the envelope/file system to organize your tax information as the year progresses.

The top 10 reasons not to plan for retirement: Getting back on the road to retirement

by Ann McCorkindale, CFA, CFP®, Chief Investment Officer
Honkamp Krueger Financial Services, Inc.

Available on our Web site at
www.honkamp.com/resources/hot-topics.aspx



■ Profile assessments: What is your customer service profile?

Does your company have a customer service vision or philosophy? Do your employees know what that vision or philosophy is? If so, how are they implementing it?

Honkamp Krueger & Co., P.C.'s Customer Service Profile (CSP) is designed to help you answer the above questions and much more.

In today's competitive environment, customer service is an area that can either make or break your company. Studies have shown that as high as two-thirds of all customers leave due to poor customer service.

Most often customer service issues can be easily avoided if the proper knowledge and training is provided.

The most common customer service errors are caused by miscommunications and new or unusual situations. Our CSP assessment will help you to avoid these costly errors. The CSP will identify your employees' strengths or weaknesses in the key areas of customer service as well as gauge their perspective course of action in numerous customer service situations. This important information will allow you to align an employee's customer service profile with your company to present a professional unified customer service philosophy.

You can also take this process one step further by pairing the CSP assessment with our customized customer service training seminars.

For more information about profile assessments, contact Chris Johnson, human resources sales consultant, at 888-556-0123 or cjohnson@honkamp.com.



■ Are you in compliance with the new COBRA requirements?

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law. Among other provisions, the ARRA expanded the federal Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage to provide a 65 percent federal subsidy toward an eligible employee's COBRA premium for up to nine months.

Employers were required to be in compliance earlier this year, however, compliance continues for any employee involuntarily terminated through the end of the 2009 calendar year. For group health plans using calendar months as the period of coverage, the subsidy applied beginning March 1, 2009.

Basic guidelines include:

- Eligible employees are those who were involuntarily terminated from employment between September 1, 2008 and December 31, 2009.
- Employers are required to pay or subsidize 65 percent of the monthly COBRA premium to the insurance company on behalf of the eligible employee(s) for up to nine months.
- Employers providing the 65 percent subsidy amount will take that amount as an offset or credit to their 941 employment taxes that are paid to the IRS.

Of special note to smaller employers: Employers not subject to the federal COBRA law may be covered under state continuation

■ Human resource seminars give valuable tips

On Tuesday, July 21 and Wednesday, July 22, Honkamp Krueger & Co., P.C. offered clients and businesses the free seminar, "Are missing HR basics costing you money?"

Attendees learned valuable information about how businesses can save money with the strategic use of handbooks and policies, benefit offerings, and other basic human resource strategies. Also, trends in different industries were presented to help attendees understand where their business stands compared to others in their industry. Finally, tips were given about having difficult conversations with employees.

The seminar was presented by Honkamp Krueger's experienced human resource consultants, Diana Moroney, SPHR and Troy Wright, SPHR. If you missed this seminar or have an idea for future seminar topics about human resources, e-mail hr@honkamp.com.



laws, which are also subject to this subsidy.

Please utilize the Department of Labor Web site www.dol.gov/ebsa/COBRA.html for full details and for the new model notice forms.

We have COBRA administration services available through our human resource consulting services department and can assist you in the administration of COBRA or administer your COBRA for you. Call us for details at 888-556-0123.

Honkamp Krueger News

■ HK launches new Web site

At the end of June, we launched our new Web site at www.honkamp.com. Although the Web address is the same, the entire site received a complete overhaul to help us better communicate with our clients and prospective clients. This includes:

About Us. Discover more about the firm under the About Us menu option. This includes the firm history, biographies and photos of all of our partners and managers, our community involvement, and our affiliate businesses and organizations.

Why Us? Fourteen of our clients were nice enough to let us tell their HK story on our new site. Check out what they have to say under the Why Us? menu option.

Services. Did you know HK offers over 15 different services available to clients? Check them out on our new Web site under the Services menu option.

Resources. This area is filled with valuable information for our clients such as an archive of past *Business Focus* issues, hot topics and articles, common Web site links, and the newsroom.

Careers. Job and internship openings, interview and resume tips, and HK career information are under the Careers menu option.

Locations. Contact information and maps for our six office locations are under the Locations menu option.

This is just a glimpse of what our new Web site has to offer. Visit us at www.honkamp.com. E-mail our marketing director, Nicole Gantz, ngantz@honkamp.com with any Web site feedback.

Visit the new HK Web site



■ New hires

Brock Renbarger has joined our tax credit department as our tax credit research analyst, where he will research the available state and federal tax credits for our clients. He was previously an intern with the tax department. **Erika Dye** has joined our firm as staff auditor. Erika earned her B.B.A. in accounting and business administration from the University of Dubuque in May. She was previously an audit intern with the firm. **Briana Seemann** joined the firm as an administrative assistant. **Brent Tegels** has joined our Hiawatha location as a staff accountant. Brent earned a bachelor's in accounting and finance from the University of Iowa in May. He was previously an intern with the firm.

■ Promotions

Katie Lange has been promoted to our accounting efficiency and supporting staff position. She will be working with our six offices' accounting departments in setting up new general ledger accounts, acting as a liaison for training and implementation of processes, and leading other special projects. **Jeff Baltierra**, **Jay Harris**, **Renee Hesselman** and **Katie Thomas** have all been promoted to accounting managers. **Adam Reisch** has been promoted to a manager in the audit department.

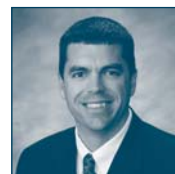
Nicole Gantz has assumed the responsibility for facilitating the firm's practice development activities. She is also the firm's marketing director.



Katie Lange



Jeff Baltierra



Jay Harris



Renee Hesselman



Katie Thomas



Adam Reisch



Nicole Gantz



■ Holiday closures

Honkamp Krueger will be closed on Monday, September 7 for the Labor Day holiday.



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740 North 15th Avenue, P.O. Box 188
Hiawatha, IA 52233
319-378-3370

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Your partner in success.

■ First Time Homebuyer Credit

An important tax credit modified by the American Recovery and Reinvestment Act of 2009 is the First Time Homebuyer Credit. Here are some common questions about this credit:

Q. Who qualifies for this credit?

A. In general, the taxpayer can not have owned a principal residence in the U.S. for three years prior to the purchase date of the home. If you are married, this must be the case for both spouses in order to qualify.

Q. What types of homes are included?

A. Homes include traditional single-family homes, multi-family units where you also live as a primary residence (only the portion that is used as your residence qualifies), a houseboat, a mobile home or a purchased condo. These must be used as your principal residence.

Q. What is the time period for this tax credit?

A. Homes must be purchased between April 8, 2008 and November 30, 2009 to be used as a primary residence. Title must pass on or by November 30, 2009. If it is a newly constructed home, the move in date is considered the purchase date.

Q. What are some of the stipulations of the tax credit?

A. Some of general stipulations are as follows:

- The home must be in the United States
- A person can not sell the home before the end of the year they purchased it in
- A person can not claim a credit on a home if it is inherited or gifted
- A person can not claim a credit on a home if it was purchased

from a related person, including a spouse, ancestor and lineal descendants, nor a corporation or partnership in which a person directly or indirectly owns 50% of the entity

Like any tax credit, the details and stipulations are complex and the above information is only general information regarding the credit.

Contact your CPA for further information on the first time homebuyer credit.

