

NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTION

WINTER 2018

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Kendra J. Bell, CPA

2017-18 NHSCPA President

It's hard to believe, but this is my last message to the membership. Of course, it is always bittersweet when something comes to an end, but it also means new leadership at the Board level and with that fresh ideas which are essential to continued success.

It's been an exciting year here at the Society. Our new team at the Society is now settled in. We have a truly amazing staff that serves our membership in a myriad of ways. It has been a pleasure to be a part of such an amazing team and I only hope that our members recognize what a resource we have here at the Society. It truly is a hub of our profession and a perfect first stop when you have a question or concern. If Robin, Amanda or Juliana do not have the answer, I know firsthand they will do whatever possible to get one for you.

I must also recognize my fellow Board members that take time out of their busy schedules to give back to the profession. This group of fourteen dedicated professionals bring their knowledge to the Society's table, offering their ideas and expertise, which is essential to the Society's continued success in providing our members with the tools they need to navigate our profession.

Time and time again we talk about change. The Society continues to offer many of the valuable events and programs that have traditionally occurred. We have also introduced some new or revitalized events and initiatives this year. Highlights over the past year at the Society include:

- Combining the Annual Meeting and CPA Inauguration in May 2017
- Implementation of a new strategic plan
- Young Professionals Committee roll out their new Mentor Program
- Many events offered free of charge to our members thanks to our generous sponsors
- First Annual Emerging Leaders' Summit
- Partnership with NH Jumpstart
- The Society in collaboration with the NH Board of Accountancy introduced House Bill 1401 to update the New Hampshire Accountancy Act to coincide with the Uniform Accountancy Act
- Past Presidents' Luncheon held in January 2018

As I finish my term as President, I reflect upon what being a member of the NH Society of CPAs means to me. I can remember many times in my life that I've been involved with an organization or held a job that provided me with some great opportunities to travel, learn new things, and give back to my profession and my community. Most impactful for me is the relationships I have formed along the way. This certainly holds true in connection with not only my membership at the Society but especially over the last several years serving on the Board. Often in life we question whether to embrace an opportunity due to the changes it will bring or the commitment it involves. When this dilemma presents itself, I always remember the yeses and how much by just saying this simple answer can be so rewarding.

"I have enjoyed life a lot more by saying "yes" than by saying "no" – Richard Branson



Robin Abbott, CEO

As we embark on a new tax season and prepare ourselves for tremendous changes in federal tax reform with the Tax Cuts and Jobs Act, I don't want to lose sight of the incredible accomplishments and new initiatives we have achieved thus far at the NH Society of CPAs. What an amazing year it has been! At this point, I have traveled to all of the regions of the state and many points in-between, visiting with firms, large and small to learn more about their business and highlight ways we can support their important work. I am continually amazed at the commitment of our CPAs to their colleagues, staff, interns, students and professional partners across the state. Please know that I am speaking to all of you when I say, "Thank you!"

I also want to thank the 2017-2018 Board of Directors and our Committee members for their commitment and willingness to take part in our Society from aspects of governance, legislative efforts, education, promotion and outreach. Your thoughts, comments, and opinions are always welcomed and very much appreciated. It is because of your support of our Strategic Plan, that we can all share in the success of some very noteworthy accomplishments.

When I began in this position almost two years ago, my goals were to enhance our Society's ability to prepare for the future and increase our visibility and statewide brand. By building collaborative partnerships within the profession, as well as our business colleagues in New Hampshire, I have seen this goal take shape and thrive. There is no better aspect of this effort to highlight than the support of our Corporate Sponsors. Thanks to them, we have been given the opportunity to extend our growth and outreach beyond this profession. I ask you to please join me when possible, to support them as they have done for us this past year and onward.

I am also very proud of the efforts we have made to promote quality in our CPE education, both regionally and across state lines. Collaborations with the Maine

Society and other professional associations such as the NH Estate Planning Council, NH Bar, NH Bankers Association and more have enhanced the quality of our conferences and community connections. We look forward to more of these efforts in the future.

Most notably, I would like to thank all of the hard work and efforts of my incredible staff, Juliana Summers and Amanda Renfrew. For a small working staff, we certainly pack a lot of work into our days and I know that without them, we would not be able to accomplish the important tasks and responsibilities put before us. They are highly committed to making the Society successful and do a great job with the many hats they wear.

I would like to recognize and congratulate one of our Executive Committee and Board Members, Kerrin Rounds, who has recently joined NH Department of Health and Human Services as their Chief Financial Officer (CFO). Her previous position was as Assistant Director of Audit with the NH Department of Revenue Administration. Previous to that she worked for Maine Revenue Services.

Kerrin has been an enormous asset to the Society and constantly goes above and beyond to support the work we do and the members we serve. We are so honored to have her share her experience and knowledge with us.

I would also like to thank Kevin Kennedy of Maloney & Kennedy, PLLC, Karl Heafield of Baker Newman Noyes, and Karen Boulay of Melanson Heath for helping to update the NHSCPA Legislative Guide. Your efforts are very much appreciated.

Finally, thank you for allowing me to serve you as your CEO. Each day has truly been a humbling and rewarding experience. Wait until you see what we do next year!

Respectfully yours,

A stylized, handwritten signature in black ink, appearing to read 'Robin Abbott'.

Robin Abbott, CEO

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Legislative Update

What a start we have had to 2018. Record-breaking cold and record-breaking speed for a NH CPA Society bill to start moving through the legislative process.

CPA Bill moving down the Field

The Society asked Sen. Representative Patty Lovejoy (D), a CPA from Stratham, to sponsor a piece of legislation, **HB 1401**, which would change the definition of "Attest" to be consistent with the 7th Edition of the Uniform Accountancy Act. The update primarily affects the definition of "Attest" and adds firm mobility to individual mobility in the New Hampshire Accountancy Act. A hearing was held on Thursday, January 23 on the House Executive Departments and Administration Committee. Joel Olbricht represented the Society with insightful testimony. Rep. Lovejoy was excellent, as always, explaining the language in terms non-CPA's can understand. Rep. Erin Hennessey (R), a CPA from Littleton, also a co-sponsor, was there for the entire hearing and executive session ready to jump in if needed. HB 1401 is clearly a bi-partisan bill with impressive sponsors.

After a few questions for Rep. Lovejoy and Joel, the committee voted unanimously to pass the bill and send it on its way. This may be the fastest bill to be heard and voted on in the 2018 session. It was exactly 23 minutes from start to finish. So the bill will be voted on by the entire House in late February or early March and, if successful, off to the Senate for deliberation. Wow! What a star team!!!

New Speaker

The House opened its first session of 2018 with a new, yet former Speaker of the House, Gene Chandler. Speaker Shawn Jasper stepped down when he was appointed Commissioner of Agriculture by Governor Sununu. The election of Speaker Chandler has brought little change in the way the House has been operating.

Speaker Chandler's platform was essentially to maintain the status quo. He has kept in place current Committee Chairs and the existing leadership team as well as added a few conservatives to his leadership team. He will not seek reelection as Speaker when the new House convenes next December after the 2018 general election. Thus, expect Speaker Chandler to keep a steady course through the remainder of this session.

Tax Changes

Interest and dividend tax reform

Being a non-budget year, we are seeing a number of bills having to do with changes in the New Hampshire interest and dividends tax. Bills that have been introduced in the House or the Senate dealing with increasing the exemption limit or phasing out the interest and dividends tax in New Hampshire are:

HB 1429, which would increase the exemption from \$2400 to \$4800 has been killed in the House Ways and Means.

HB 1554, which increases the exemption from \$2400 to \$3500 and additionally reduces the research and development tax credit against business taxes from \$7M to \$2M has passed the House Ways and Means Committee and awaits a vote by the full House.

SB 404 completely phases out the interest and dividends tax over a five-year period with a total repeal on January 1, 2024. The Senate Ways and Means Committee has passed it along party lines. Expect it to pass the Senate.

The verdict is out but our guess is something changing the interest and dividend tax will pass; it is election year.

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Technical changes to business taxes

HB 1292, which has passed the House, changes the effective dates of the reductions in the BPT and BET to the beginning of the respective calendar year. We expect this will have a hearing in the Senate in April and will probably move forward.

HB 1355, which creates a commission to study our tax structure as it relates to the demographic and economic changes in the state, has been killed on the House floor. The bet is the current taxing structure remains in place no matter how old we get in a state!

HB 1422 adds a requirement that the business tax rate reductions adopted in 2017 shall only take effect if the combined revenue growth in the general fund education trust fund for the fiscal year ending June 30, 2018 does not exceed the change in the CPI +1%. This bill is sponsored by all Democrats, and in an election year, one would wager it does not pass.

Tax credits

There are not as many bills up this year as last year dealing with tax credits against business taxes, however, there are a few.

HB 1681, which would create an early childhood development tax credit specifically for contributions to construction or renovation of child daycare facilities, did not fare very well as the full House voted it down on party lines.

However, **HB 1686** which allows a taxpayer to donate to the NH education scholarship fund and take a tax credit against their interest and dividends tax is waiting for a House Ways and Means Committee vote. It will be interesting to see if this one survives.

HB 1758 which would create a tax credit against the BPT and BET for businesses that allow paid maternity and paternity leave was voted down unanimously by the House.

The business tax credit bill that will be the most interesting to watch is SB 564. This bill specifically allows for a 10 year exemption from the BPT and BET for qualified companies that are working in the regenerative tissue manufacturing businesses. The bill also allows employees who are working in the industry for five years to have their student debt paid off or even be compensated for student debt they have paid off previously.

The development of regenerative tissue research is a very competitive business nationally. This bill is targeted at helping a specific industry, regenerative tissue research, develop in the Manchester Millyard. The idea is for New Hampshire to get a head start in the race for tissue regeneration research. The US Department of Defense has given an \$80 million grant to a new organization head-quartered in Manchester, the Alliance for Regenerative Manufacturing Institute (ARMI). ARMI wants to attract companies in the regenerative research tissue industry to locate in New Hampshire. They are hoping to create a business eco-climate in the Manchester Millyards for the development of this new technology.

Questions around this bill are: Does it open the door for New Hampshire to give incentives, as other states do such as North Carolina, Georgia etc., to businesses to have them locate in NH? Is it constitutional? Is it precedent-setting?

SB 564 will certainly be watched closely.

Business Tax Valuation

SB 509 which was requested by the town of Portsmouth, would have allowed towns and cities to require owners of business property to provide, upon request of assessors, income and expense information for the purposes of determining market value of the

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Legislative Update

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property and, therefore, determining an assessed valuation of the property for tax purposes. This bill is an attempt by assessors to get rental income and expense information from property owners. However, the way the bill was drafted any business who owns property would be a target for income and expense information. This bill was very broad. The Senate has voted to kill the bill but this is not the last attempt by assessors to get the business income and expense information from businesses to increase their valuation for property tax purposes.

Governor State of the State

The Governor delivered his State of the State on February 15, 2018. A few highlights on our business climate:

- New Hampshire is one of the most over-regulated states in the country.
- The Governor initiated a three phase approach to deregulation. Last summer, as part of phase one, New Hampshire wiped over 1600 regulations off the books by executive order.
- A Regulatory Reform Steering Committee was created to review the State's current regulatory structure and propose reforms to streamline government and reduce the burden on citizens and businesses.
- Comprehensive regulatory reform efforts have been proposed in legislation. HB 1104, if signed into law, will streamline permitting processes, modernize New Hampshire corporate filing systems, reduce confusion and inconsistencies in local regulations.
- The state has created a one-stop-shop for all of our business needs by forming the Department of Business and Economic Affairs.
- New Hampshire has no income tax, no sales tax, and now, we have lower business taxes and fewer regulations.
- New Hampshire has the fastest growing economy in New England.
- New Hampshire has the second lowest unemployment rate in the country.

According to the Governor, New Hampshire is the number one state in the nation for economic freedom, and the number one state to raise a family. What a cheerleader!

Lightning Speed

This session will move at lightning speed as it is an election year. The session is slated to be over by May 24. So hold on and speak up **now** if there is legislation you would like the Society to pay particular attention to or follow.

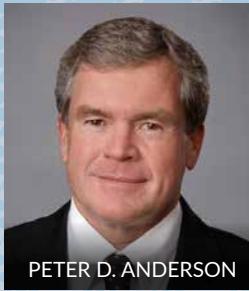
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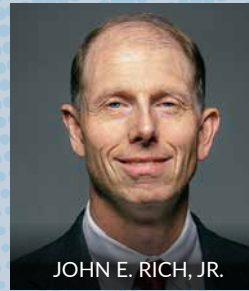
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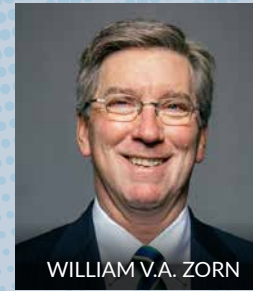
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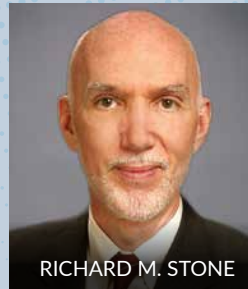
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Highlights of Benefits and Compensation Changes in the 2017 Tax Act

By John E. Rich, Jr.



In addition to the well-publicized tax cuts for individuals and corporations contained in the federal tax legislation enacted on December 22, 2017, informally known Tax Cuts and Jobs Act of 2017 (the “Act”), there are significant tax changes to benefit and compensation programs. This article highlights some of the important changes impacting employee benefits that became effective January 1, 2018.

Health and Retirement Plans

The Act did not alter the requirement for large employers (50 or more full-time employees) to offer affordable coverage of minimum value to ninety-five percent of full-time employees and their dependents. However, the Act eliminates the individual mandate requiring all Americans to purchase health coverage beginning in 2019. As a result, employers may see more employees declining coverage either for themselves or for members of their family.

Although there were sweeping proposed changes to retirement and deferred compensation plans in early drafts of the Act including significantly limiting the deferral of taxation for deferred compensation plans by the repeal of Tax Code Section 409A, the Act only made minor changes to retirement and deferred compensation plans. Under prior law, employees who left employment with an unpaid outstanding 401(k) plan loan had 60 days to contribute to an IRA or to another qualified employer plan an amount equal to the loan to avoid having their loan become a taxable withdrawal. The Act extended this period to the due date of the employee's tax return. The Act also provides favorable tax treatment for early distributions from retirement plans made during 2016 and 2017 as a result of losses suffered by employees directly impacted by major disasters. To permit employees to take advantage of the favorable

distribution taxation, the Act requires an employer to adopt a plan amendment incorporating the change.

The Act imposes new excise taxes on tax exempt organizations that pay excess compensation, even if the amount paid is determined to be reasonable under other Tax Code rules. New Code Section 4960 adds a 21 percent excise tax on compensation in excess of \$1 million paid to the five highest paid current and former employees (covered employees). The 21 percent excise tax is also payable if severance payments to covered employees exceed three times the employee's average compensation. Licensed medical professionals (including a doctor, nurse or veterinarian) receiving compensation for performing services in their professional capacity will not trigger the excise tax.

New Qualified Equity Grants

The Act added Code Section 83(i) that allows for additional tax deferral on stock received by employees from stock options and restricted stock units (“RSUs”) granted under a conforming Section 83(i) plan. An employer must grant either options or RSUs with the same rights and privileges to 80% of “non-excluded” employees each year in order for the plan to comply with 83(i). However, the Act provides (but does not define the parameters) that a private employer may

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Highlights of Benefits and Compensation Changes

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grant de minimis amounts to some employees. An election to defer income inclusion must be made no later than 30 days after the first time the employee's right to the stock is substantially vested or is transferable, whichever occurs earlier. If an employee makes a Section 83(i) election, unlike the taxation of non-83(i) non-qualified options and RSUs which requires taxation on option exercise or RSU vesting, the employee is eligible for deferral of taxation for up to 5 years. Although the 83(i) plan provides tax benefits to employees, the 80% requirement and a limitation on employee put or employer repurchase rights at stock issuance is likely to make 83(i) plans unattractive for many business owners who normally prefer to limit stock ownership to a limited group of key employees.

Tax Credits for Paid Leave

The Act establishes a new tax credit for the 2018 and 2019 tax years that is available to employers that establish a written qualifying paid leave program. Employers must offer all full-time employees who have worked for the employer at least a year two or more weeks of annual family and medical leave, paid at a rate of at least 50 percent of normal wages. The tax credit starts at 12.5 percent of wages for leave pay at 50 percent of wages and is increased by 0.25 percentage point, to as much as 25 percent, for each percentage point that wages paid exceed 50 percent of regular earnings. The credit is available for as many as 12 weeks of leave. Leave paid or required by a state or local government is not taken into account in determining the amount of paid leave provided nor is sick leave, vacation and personal days.

Reductions in Business Deductions

The Act reduces or eliminates the deductibility of numerous business expenses some of which directly benefit employees such as transportation benefits, including employee parking, employee meals and

entertainment expenses. Although most employers will not seek to pass along the cost of these expenses to employees or impute income so as to preserve deductibility, some may do so. The Act also clarifies the ability of employers to award deductible, non-taxable employee achievement awards. An employer may not deduct any achievement award that is not tangible personal property. Specifically excluded is cash, cash equivalents, gift cards, gift coupons or gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items pre-selected or pre-approved by the employer), or vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.

As with all tax legislation, how the changes made by the Act apply to different fact patterns will evolve as the Internal Revenue Service issues formal and informal guidance. Until guidance is issued, employers are encouraged to contact their tax advisors for advice on the complexities of the Act.

John E. Rich, Jr. is chairs the Tax Department at McLane Middleton, Professional Association. He specializes in employee benefits, pension, ERISA and tax-related matters. He can be reached at john.rich@mclane.com or (603) 628-1438.

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SPRING/SUMMER CPE CALENDAR

DATE	COURSE TITLE	VENDOR	CREDITS
4/30/18	The Value-Added Controller	Business Learning Institute	8
5/15/18	New Hampshire Firm Networking Discussion	NHSCPA	4
5/17/18	Welcome to the Fast Future: Technological Disruption and the Art of Anticipation	Business Learning Institute	8
5/18/18	Anti-Harassment Seminar	McLane Middleton	4
5/21/18	Business Ethics: Cases from the Real World	Executive Education, Inc.	4
5/21/18	Critical Thinking Skills for Financial Professionals	Executive Education, Inc.	4
5/22/18	Corporate Finance Check-up: Renovate Your Analytical Toolbox	Executive Education, Inc.	8
5/23/18	Current Developments and Best Practices for Today's CFOs and Controllers	Surgent	8
5/24/18	CFO/Controller's Roadmap to Organization Success With Integrated Planning, Forecasting, and Budgeting	Surgent	8
5/29/18	The Essential Course for Preparing Not-for-Profit Financial Statements Under ASU No. 2016-14	Surgent	8
5/30/18	FASB's "Big 3" – Revenue Recognition, Leases, and Financial Instruments	Surgent	8
5/31/18	Elder Law	Elizabeth M. Lorschach	4
6/5/18	NHSCPA Not-for-Profit Conference	NHSCPA	8
6/11/18	Governmental Accounting and Auditing Update	Paul H. Koehler, CPA	8
6/12/18	Single Audits Under OMB's Uniform Guidance	Paul H. Koehler, CPA	8
6/13/18	FASB and AICPA update	Loscalzo	8
6/14/18	Revenue from Contracts with Customers	Loscalzo	8
6/15/18	FAQ Employee Benefit Plan	Loscalzo	8
6/19/18	Ethics- An Important Update	Richard DelGaudio, CPA	4
6/20/18	Office Tips and Tricks (Word, Excel, PowerPoint)	The Software Trainer	4
6/20/18	Excel Boot Camp for Accountants	The Software Trainer	4
6/21/18	Predicting the Future: 21st Century Budgets and Projections	Executive Education, Inc.	8
6/22/18	Risk Analysis and Management: What Every Financial Manager Must Know	Executive Education, Inc.	8
6/25/18	Annual Accounting and Auditing Update	Surgent	8
6/26/18	Audits of 401(k) Plans: New Developments and Critical Issues for an Effective and Efficient Audit	Surgent	8
6/27/18	Race Toward Implementation: Tackling the Tough Issues in Adopting the New Revenue Recognition Standard	Surgent	8
6/29/18	Understanding Section 199A: The 20% Deduction for Pass-Through Entity Owners and Investors in Real Estate	Surgent	4
6/29/18	The Tax Cuts and Jobs Act: A Guide to the Most Sweeping Tax Reform in Over 30 Years	Surgent	4

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Update

By Zach Nowlan, YP Chairperson, Melanson Heath



The NHSCPA Young Professional Committee is picking up right where we left off 2017 – on a roll! The Committee would first like to thank Jason Beiswenger for years of service as the Chairman of the Committee. He has truly blazed the trail for our young and aspiring industry professionals. Jason, you have been an amazing leader and a true role model to everyone on the Committee – the Society is grateful for your continuous drive, dedication, and determination to continue to push us into the future, we cannot thank you enough.

Turning our sights to the new year, we started out 2018 with a bang, holding a Strategic Planning Meeting in order to identify how we will ENGAGE, INSPIRE, and LEAD the Society's young professionals into the future. The committee addressed many ways to continue to strengthen our Society, while also continuing to impact our State as a whole. The Committee is well on our way to having a tremendous and impactful year. One of our focus points was how we can further provide benefits to our local communities. We have begun taking steps to grow the Society's footprint by connecting with other non-profits to see how we can utilize our resources to make a value-added impact; be on the lookout in the near future for how you can

help shape our great state! Another area of focus was our Mentorship Program. As many of you may know, in 2017 the Young Professional's Committee began our efforts to ENGAGE, INSPIRE, and LEAD some of the State's more motivated college students by launching the YP Mentor Program! We have seen remarkable growth in all of our Mentee's. They have shown that they are driven, hardworking and determined to succeed in the accounting field, and we look forward to furthering our relationships with them as well as expanding our efforts to lead other potential CPAs into the future.

Please be on the lookout for the Committee's events that will be occurring in the near future – we have some amazing and unique events on the horizon! For those who are thinking of joining the Committee or, simply attending an event or meeting – we can't wait to have you join us! Reach out to some of our firm leaders and join the fun!

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If you are a Young Professional, and are interested in joining the YP Committee, or attending a meeting, please contact Juliana Summers (jsummers@NHSCPA.org) for more information.

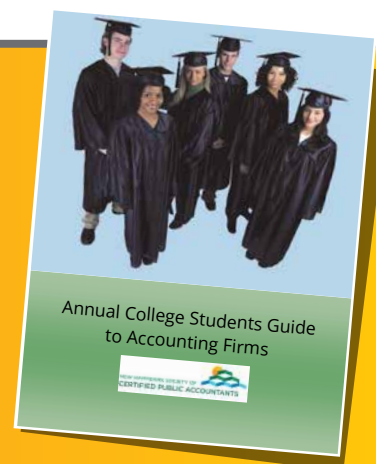
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Highlights from the Past Presidents' Luncheon

On January 18th, the NHSCPA held our first Past Presidents' Luncheon at Fratello's in Manchester. The event was attended by 14 of our past Presidents, and we would like to thank them all for their time. The support of our former leaders is very important to us, and we appreciate your continued involvement with the Society. The event was also attended by our current Executive Committee. Kendra Bell, current President, addressed the attendees, giving them some insight into the Society's happenings over the past year. Robin Abbott also spoke, letting those in attendance know that we will continue to strive for excellence and put in the effort to grow our membership and its benefits.

Jennifer Elder, current board member, led the nominations committee vote. The results from the nominations committee will be announced that the 2018 Annual Meeting and CPA Inauguration being held at the Manchester Country Club on Tuesday, May 8th.



From Left to Right: Robin Abbott, Kerrin Rounds, Evan Stowell, Kendra Bell, Nina Chang, Edward David



How Blockchain is Becoming an Essential Tool for the Exchange of Value

By Geoff Hopkins, Director, Technology and Management Consulting, RSM US LLP

Last issue we provided an introduction to the peer-to-peer autonomous ledger system known as blockchain in Geoff Hopkin's piece, "Blockchain Brings Exponential Disruption, Growth Potential to Accounting." In that article, available [here](#), Geoff discussed how blockchain could completely change the face of the accounting profession.

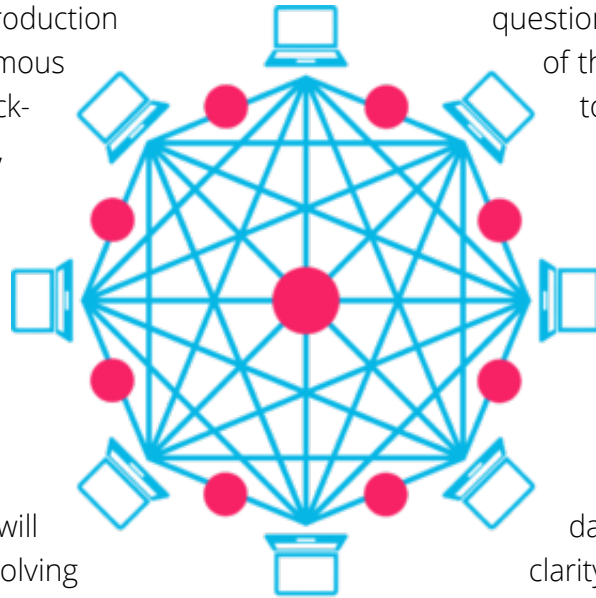
In this second piece, Geoff will delve deeper into the rapidly evolving world of cryptocurrencies and how businesses and governments are harnessing the power of blockchain to track the exchange of value.

In less than a decade, bitcoin (and the blockchain transaction ledger it works on) has transformed from an underground, anonymous, pseudo-currency vehicle into a legitimate force to be reckoned with. A prudent investor, business advisor, or end user should consider blockchain to be a near-term, essential tool for the exchange of value.

Blockchain in the News

You may have heard about bitcoin and blockchain over the past few months as countries and financial institutions continue to wrestle with its review, regulatory enforcement, use, and taxation. Many of them are also making significant investments in blockchain technologies.

A recent poll by LendEDU revealed that roughly 78.5 percent of Americans have heard of bitcoin. Interestingly, 59 percent of the total respondents



questioned its legality, with 11 percent of those respondents considering it to be outright illegal to own.

Despite this uncertainty, however, 40 percent of respondents were immediately open to using bitcoin to transact an exchange of services and goods and almost 14 percent currently owned bitcoin or other alt-coins. Extrapolating this data, we can surmise that if we saw clarity on its legality, cryptocurrency

could see a potential doubling of ownership. We can also assume that further increases would occur if the acquisition method of cryptocurrencies were made easier or more well-known.

Many powerful figures in banking and finance have taken negative positions on bitcoin due to its unregulated nature. Indeed, many legal and economic analyses draw attention to its risky features as a speculative instrument as well as the technical issues possible due to an increase in transaction volumes and the blockchain size itself.

Recently, we have seen some intense volatility as governments modify their regulations to deal with the new technology. China recently banned residents from trading in cryptocurrencies on exchanges and also prohibited raising capital in exchange for coins or tokens in initial coin offerings (ICOs), a form of crowd funding.

We see similar volatility across cryptocurrencies when we hear comments from notables such as JPMorgan

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How Blockchain is Becoming an Essential Tool...

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Chase CEO Jamie Dimon, who recently stated that bitcoin was a “fraud.” This criticism saw bitcoin value plummet – only to recover more strongly than ever before.

The following week, on the heels of a recovery movement, Dimon tempered his stated position by saying that the foundation of bitcoin – the blockchain – is valid and that he “doesn’t want to speak of it anymore” in regard to bitcoin itself. JPMorgan Chase and many other large financial service firms are actually investing significant amounts of money in blockchain technologies, most likely because they want to remain part of the “middleman” equation in transactional banking.

Successful Use Cases

The major consensus from industry titans is that blockchain is here to stay and, as it evolves and new platforms are created to leverage the concept, there will be impressive technological advances.

Consequently, there is a race to create compelling platforms and services around the technology. Cook County in Illinois, for example, has completed blockchain testing in a number of areas including legal filings, deeds, property title transfers, and even voting, and has written some informative reports on its findings. These outcomes validate that blockchain is proving transformative to a number of ledger-based records.

Tax Considerations

Tax implications are also a real concern for most cryptocurrency holders – and, consequently, their tax preparers. If you perform tax services, you will want to ensure that you’re up to speed on the 2014 IRS virtual currency reporting guidance (Notice 2014-21) and start probing your clients who hold

cryptocurrencies to ensure they are also aware of the reporting implications.

Cryptocurrencies are currently treated as property, and the general rules for property transactions apply. There are some nuances, however. If you receive cryptocurrency for a service or product, it is taxed like receiving ordinary income (at that time), but if you purchased cryptocurrency, you are required to report capital gains on Schedule D of Form 1040. As most cryptocurrency holders will likely not receive a Form 1099, they will need to calculate and report the figures.

Another major issue is that the rising crypto exchange from one party to another (such as receiving bitcoin, trading to another cryptocurrency such as Ethereum, and holding) may not be treated as a like-kind exchange and consequently allowed on property transfers. If you decide to use this method, you may find yourself recalculating prior tax years if the IRS audits you.

If you purchased and sold cryptocurrency during the same tax year, you can simply take the amount you received on the sale (less the cost to buy them and any fees) to determine gains. If you hold them for more than a tax year, you will need to ensure you have access to their cost basis (what you bought them for) to perform these calculations. Clearly, this may start to become difficult.

Know-Your-Customer and Anti-Money Laundering

As we discussed in part one of this series, distributed ledgers as a whole will bring about significant improvements in both efficiency and risk mitigation. One area that is important to understand in this endeavor within newer cryptocurrencies like Ethereum

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is the smart contract and know-your-customer (KYC) and anti-money laundering (AML) platforms and services.

Many large organizations and smaller fintech companies have been vying to produce a KYC/AML platform (or “as-a-service” offering, similar to leveraging cloud services), which will greatly simplify and enhance the onboarding of new clients and companies for banking, insurance, or other regulation-heavy needs, and also help with tracking the movement of value. Many options launched in this field are starting to gather attention and momentum. As a user of the service, you will be able to track and potentially revoke who has access to your information by both wallet control or via smart contracts.

Smart Contracts

Smart contracts (self-executing code that sits on a blockchain) may become common vehicles for the transaction of value and be tied into various programmable components or terms of an agreement between parties.

The Australian Securities Exchange is investing in a new blockchain-based post-trade execution solution to replace its legacy Clearing House Electronic Subregister System (CHES) platform, where the smart contract can automate approvals, calculations, and other exchanges of value once components of an agreement have been programmatically met. Sale of property (including the instant transfer of payment to the seller and ownership of the deed to the buyer) also ranks highly on the spectrum of commercial usability.

Does this mean that accountants, auditors, and financial professionals need to understand programming code to implement a smart contract

and review issues that arise? Probably not. However, the future will likely contain some form of specialized accounting or auditing skillset that includes the ability to review “DApps,” which are open-source, decentralized applications that work on blockchain technology. Solidity, a contract-oriented, high-level programming language, is just one example.

Let’s also remember that application coding is typically performed by a human and prone to error. While it may work as programmed, it may not work as intended or may have inherent weaknesses and exploitable issues. This has already occurred a few times, resulting in massive value theft.

Cross-training is certainly unclear at this juncture, but we will likely see a new form of accounting and auditing that is directly related to design, review, execution testing, and after-the-fact audit of these smart contracts. In this way, computer programming will play a more significant role, but it will be up to humans to determine whether certain steps have been processed correctly or whether they have gone awry.

Whatever eventually happens, blockchain technology has arrived and we will see it affect all of our lives and careers in the near future.



Geoff Hopkins is the infrastructure director for RSM’s Northeast Technology Management Consulting practice. His experience over 22 years includes strategic management of technology and operations with a distinguished career supporting high-end infrastructure engineering, systems implementation, and resource management for large multinational infrastructures and business applications. He has developed solution frameworks, blueprints, and scorecards to support standardization efforts for enterprise class architecture and reliability for SMB organizations. He can be reached at geoff.hopkins@rsmus.com.

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Using Excel to Harness the Power of Data

By Brian Fitz-Gerald, CPA, Akseshen LLC

You've noticed your clients collecting massive amounts of internally and externally generated data. This wealth of data will yield significant and profitable opportunities, right? Well, maybe. The value of that data is only unlocked when it is used to make better-informed business decisions; making this happen is not easy. Data must be processed and analyzed before it can extract insights and be used in decision making. This requires technical expertise as well as significant and specific knowledge of a business. Clients typically need help in this area, and forward-thinking accountants and CPA firms can offer the solution.

THE OPPORTUNITY

Accountants are well positioned to be the problem solver in this situation, to unlock the business intelligence residing within client data. CPAs are already well versed in converting raw data into useful and actionable information. However, accountants often spend the majority of their time extracting, cleaning and formatting data and less time than they'd prefer on analytics. In fact, a recent study found that those involved in analytics spend 80 percent of



their time preparing data for analysis. Further, survey respondents indicated this is the least enjoyable part of their job.

For accountants, the analytical part is easy. But how to efficiently and effectively convert all of that data into useful information; here there's room for improvement. After all, the reason data excites is not the data itself but rather the insights that can be distilled from raw data to help clients function and create value more effectively. Fortunately, Excel can help solve data problems and increase time spent generating insights.

KNOW YOUR DATA AND WORK SMARTER

There is a tendency to get a file and begin working right away, which wastes time. Analysts can work for hours only to realize near the end that a crucial piece of information is missing or that different sets of data were confused, which translates into time and effort wasted. Instead, analysts should take 15 minutes to get familiar with a set of data. Simple steps like scrolling through the dataset, reading each header, and reviewing the high and low values, will provide a quick sense of the data and will likely uncover how to work most efficiently.

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To work smarter and more productively, always begin with the outcome in mind. Quickly researching a solution can save hours or even days. Whatever the problem, someone has likely already solved it and posted it online whether in a forum or a short article. Remember, it's not about knowing every formula or trick, but rather being able to research a solution and then apply it.

KNOW YOUR TOOLS

Most business analysts are familiar with five or six formulas that they consistently utilize in every Excel situation. Learning a few more formulas can pay large dividends. For example, did you know you could sum a set of values based on multiple conditions with the SUMIFS formula? This formula saves time filtering columns based on each condition and then adding together the values. Commit to learning one new formula a week. It will change your Excel life for the better.

KEEP IT SIMPLE

When you spin your wheels trying to understand complex formulas and workbook structure, productivity is lost. For anything you are trying to accomplish in Excel, someone has likely done it before. You can ask colleagues, or do a quick search online; it's amazing what you can find. Identify the simplest solution and the one users of your files can easily utilize. A good rule of thumb is that every formula or workbook should be explainable, portable and easy to maintain.

These simple tips can save time and enhance your effectiveness in working with large amounts of data. You already have Excel at your fingertips, and knowing these little tricks can have a huge payoff.

Brian Fitz-Gerald, CPA, is the founder and CEO of Akseshen LLC, a company focused on offering data transformation and analytics services to CPA firms. He can be reached at brian@akseshen.com.

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New Hampshire Department of Revenue Administration Announces First Female Commissioner

Lindsey Stepp of Holderness confirmed by Executive Council in December



Lindsey Stepp of Holderness has been named the new Commissioner of the New Hampshire Department of Revenue Administration ([NHDRA](#)). Stepp, who previously served as Assistant Commissioner for nearly two years, is the first female to lead the agency since NHDRA was established in 1973. In her role as Commissioner, Stepp will lead the state's tax agency which is responsible for collecting in excess \$1 billion in annual revenue; ensuring equity in the \$3.5 billion of property taxes collected by New Hampshire's 234 municipalities; and directing a staff of more than 130 professionals charged with fairly and efficiently collecting taxes from the state's citizens, businesses, utilities, and hospitals.

"Our mission at NHDRA is to fairly and efficiently administer New Hampshire's tax laws, and I am honored and eager to carry out this mission as Commissioner," said Lindsey Stepp, Commissioner of the New Hampshire Department of Revenue Administration. "I look forward to enhancing and upgrading DRA's technological infrastructure, while also strategically bolstering our communications practices, with a goal of providing the very best service to the taxpayers of New Hampshire."

Stepp's focus as Commissioner will be on three key aspects:

- **Technology** – Since it began accepting New Hampshire Interest & Dividends (I&D) Tax returns through the IRS's Modernized e-File System (MeF System) in 2015, NHDRA has been making strides in preparing for a complete backend technology system launch. NHDRA is terming the Revenue Information Management System, or RIMS, to modernize all aspects of the tax collection and payment process. Stepp spearheaded the project in her former role as Assistant Commissioner and will continue to closely guide the RIMS project through launch. Once launched, RIMS will house and consolidate all taxpayer data and be accessible to taxpayers, practitioners and DRA staff allowing for an all-inclusive view of necessary information and processes.
- **Communication** – NHDRA's goal is to merit the highest degree of public confidence in its integrity. Stepp has already taken an initial assessment of how to further develop communication both internally within DRA, using current practices and planning for future initiatives, and externally to taxpayers and the professional tax community through frequent presence at conferences and association meetings.
- **Customer Service** – Stepp will ensure that NHDRA is consistently focused on best serving New Hampshire taxpayers and municipalities through efficient, accurate and detailed support. By continuing to collect data on feedback from NHDRA's various methods of customer service, it will be able to continue to enhance user experience and processes followed both internally and externally.

Stepp received her Master of Business Administration with a certificate in Investment and Finance in 2010 from Plymouth State University following a Bachelor of Science in Economics from Trinity College. She assumed the role of Senior International Tax and Transfer Pricing Consultant while at Ernst & Young for five years before working as a Financial Analyst for NHDRA for four years. She briefly worked at Plymouth State University as the Director of Business Services for Information Technology before returning to NHDRA as the Assistant Commissioner. In her role as Assistant Commissioner, Stepp was tasked with overseeing staff and department spending, engaging public interest groups, driving department initiatives and providing guidance to senior leadership.

New Hampshire Governor Chris Sununu nominated Stepp for the position on December 6, 2017 and she was confirmed by the Executive Council on December 20, 2017. Stepp served as Acting Commissioner for a brief period following John Beardmore's resignation. Stepp's term as Commissioner runs until September 1, 2020.

With Stepp officially starting her term as Commissioner in December, NHDRA is casting a wide net in its search for a new Assistant Commissioner and will accept applications from internal and external candidates. The job posting is available on the [career opportunities](#) page of NHDRA's website.

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Baker Newman Noyes, one of the nation's top 100 accounting and consulting firms, is pleased to announce the promotion of **Jim Usseglio** to principal in the firm's New Hampshire tax practice. Usseglio joined BNN in 2015 through the merger with William Steele & Associates, and has been instrumental in the successful integration of the two teams.

Howe, Riley & Howe welcomes **Chris Gendron** who will serve clients out of the HRH's Bedford office.

Kline & Company, CPA, P.C. is very pleased to announce the appointment of **Sheree M. DeFeo, MBA** as the **Chief Operating Officer** of the firm. Sheree's new responsibilities will include full oversight of the Federal Government Contractor support team as well as the accounting and tax team members.

Leone, McDonnell & Roberts, Professional Association is pleased to announce the continued growth of the firm with the promotion of **Shauna Brown** to Partner. Shauna has been with Leone, McDonnell & Roberts since 2006. As Vice President and Partner, Shauna brings a depth of knowledge and experience to the firm, specifically in the areas of audit and review services and tax planning and preparation. **Leone, McDonnell & Roberts, Professional Association** is also pleased to announce that supervisor **Lynn Kasch** has earned her Advanced Single Audit Certificate.

Nathan Wechsler & Company, PA is pleased to announce that **Melissa Biron, CPA** and **Kelli D'Amore, CPA** will present a workshop on "Understanding Nonprofit Financials" for the New Hampshire Center for Nonprofits. Another from **Nathan Wechsler & Company, PA**, **Wayne B. Geher, CPA, CFE**, firm principal has recently been elected board president of the New Hampshire Chapter of the Association of Certified Fraud Examiners, the largest anti-fraud organization in the world, boasting more than 80,000 members. **Oreste "Rusty" Mosca, CPA**, was recently re-elected to the board of the Associated General Contractors of New Hampshire. **Mosca** has been a member of the AGC of New Hampshire for more than 16 years and began serving on the board in 2016. **Mosca** was also recently re-elected Treasurer of Associated Builders and Contractors of New Hampshire/Vermont. **Lacie I. Smith, CPA**, also of **Nathan Wechsler & Company, PA**, recently served as a panelist for the Downtown Commercial Investment Board of REALTORS (CIBOR) Tour & Speaker Panel.

Nathan Wechsler & Company, PA is also happy to announce the addition of **Ashley L. Guion, CPA** to their professional team. Ashley joins the firm as a senior and will provide accounting, compliance, financial statement preparation, and income tax return preparation for a variety of clients. **Kaitlin R. Archibald** has been promoted to senior. A member of the firm since 2016, Archibald previously served as an associate.

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How to Develop the Mindset of an Innovative Thinker

By Marsha Huber, CPA, CGMA

To get employees to be more creative, Fidelity Investments introduced **design thinking**, a method that strives to resolve problems through innovation.

When Srikant Datar wrote *Rethinking the MBA*, the Harvard Business School accounting professor concluded that business schools did an excellent job of teaching operational skills — decision-making, marketing, distribution, procedures. But the students lacked training in innovation.

Innovation is about "experimenting, connecting, connecting dots, exploring, prototyping, trying, and this is a different set of skills," Datar told his students in a Harvard seminar. Recognising this, he said, he created a design-thinking course to help students become more creative thinkers.

Design thinking is a method that developed in architecture, urban design, and engineering in the 1970s and '80s. It uses a standardised process that emphasises empathy, observation, ideation, and prototyping as core processes leading to out-of-the-box thinking.

To be creative requires uncovering insights about customer needs by putting oneself in the customers' shoes and experiencing what they feel. This phase, called empathy, is where a design thinker conducts ethnographic research and listens to what a customer is saying, watches what they are doing, ponders what they are thinking, and imagines what they are feeling.

This process helps overcome fixed-mindedness, which hinders innovation. "The more expert you are on a subject, the more fixed you become," Datar said in an interview with the Association to Advance Collegiate Schools of Business.

Datar describes different types of fixedness. For example, functional fixedness is thinking there is only one function for a car, and that is to transport you or your family. Uber and Lyft break functional fixedness.

Structural fixedness is believing something must be done in a particular order, such as how to clean a plane between flights. Southwest Airlines breaks this mold by sometimes asking customers to place the seatbelts a certain way and cleaning the seats as they are unloading.

Relationship fixedness is believing interactions between companies and customers are fixed. For example, interactions between insurance companies and customers occur only when there is trouble. Interacting with customers with a rewards program for wellness breaks this traditional relationship.

One company that uses design thinking to break relationship fixedness is Fidelity Investments. The privately owned financial services company, with revenues of \$15.9 billion and 45,000 employees, wants all its employees to have a design-thinking mindset. Fidelity uses design-thinking teams to tackle problems and to devise unique solutions that meet customers' needs.

Andrea Leitner, design strategist at Fidelity Labs, a division of Fidelity Investments, explains her background and how Fidelity uses this multidisciplinary approach to solve business problems:

How would you describe the design-thinking process?

Leitner: I prefer to think of design thinking as a mindset more than a process. It is really about having a deep understanding of your customer and the people you serve. We speak a lot about empathy for the customer in our practice and the importance of bringing that

CONTINUED ON PAGE 30 >

How to Develop the Mindset...

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understanding to the decisions that we make. If we speak in terms of the process we employ at Fidelity, design thinking is critical in understanding the problem we are trying to solve. That is true for both internal business partners and for understanding the problems of our clients.

In Fidelity's search for a new design director, the job description says, "you will make sure the human voice is never lost in decision-making." What is so important about the human voice?

Leitner: It is so important to first understand the problem you are trying to address from the human/customer perspective but then also keep that front of mind throughout the development of a product. Throughout the process of designing a new product or service, I think it can be easy to be consumed by other factors. It is the role of the design thinker of our teams to bring the voice of the customer into all the decisions we need to make throughout the development. It is critical to the success of a product.

How do you do that?

Leitner: We first determine who we should be talking to regarding the problem space. Oftentimes in design thinking we use extreme users to understand the thinking and recognise behaviours of people. As an example, we could speak to early adopters or potential adopters of a technology. As a team, led by a design thinker at that point, we will go out to the field to listen and observe people. We want to understand what is happening for them. As we say, "We meet them where they are." Throughout the design process, we go back into the field to test our prototypes and ideas to understand if they are addressing the needs of the customer and resonating with the user. Design thinking as a process is iterative — always going back to the customer, but also always keeping the customer front of mind.

Can you give us an example?

Leitner: We did a round of research with what we refer to as the young family — a family with young children that is likely experiencing a high level of financial complexity. The hypothesis was that they do not have a lot of time to inform themselves and make financial decisions. With children under 5 years old, they are potentially changing their 401(k) [retirement plan] contributions, maybe purchasing a large home, or deciding how best to contribute to their child's education. In that research, we speak to both parents, if there were two, in the home. We met, listened, and observed what is truly happening in the lives of these families.

What are potential pitfalls?

Leitner: One of the mindsets of design thinking is to fall in love with the problem, not the solution. One of the pitfalls is that people get really excited about what they [think] the solution might be. Often it can be an allure of a new technology capability that has a team

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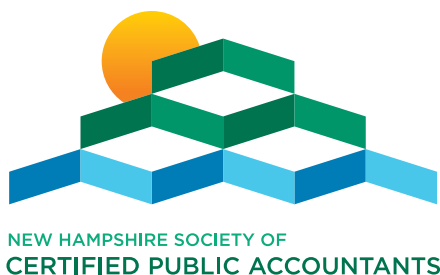
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NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

EVENTS

MAY 8, 2018

Annual Meeting

Manchester Country Club
Bedford, NH

JUNE 6, 2018

Golf Clinic

Nashua Country Club
Nashua, NH

AUGUST 28, 2018

Emerging Leaders' Summit

Southern New Hampshire University
Manchester, NH

SEPTEMBER 20, 2018

Women's Golf Tournament

Stonebridge Country Club
Goffstown, NH

SEPTEMBER 21, 2018

NHSCPA Career Fair

Falls Event Center
Manchester, NH

NOVEMBER 9, 2018

Surgent McCoy's Tax Camp

The Event Center
Nashua, NH

NOVEMBER 28, 2018

NHSCPA/NH Bar Tax Forum

Grappone Center
Concord, NH

How to Develop the Mindset...

< CONTINUED FROM PAGE 30

solution-focused, instead of understanding the real problem. That is why the design-thinking process constantly brings it back to the customer.

Can you tell me how design thinking is being integrated at Fidelity?

Leitner: We have one team of design thinkers within Fidelity Labs, but we work to integrate it into Fidelity in different ways. A part of the team works to bring the customer into the process of new product and service development, and a part of the team propagates the design-thinking mindset and customer-first mentality throughout the firm. In our new product space, there are major projects that address the student loan crisis, as well as initiatives in the financial wellness space. The team that promotes design thinking throughout the firm often works to bring in outside perspectives, and a huge success they have had recently is the launch of a Design Thinking Club. The club allows associates from across the firm to participate in hands-on learning and speaking events.

Is design thinking appropriate for all companies?

Leitner: I believe it is, yes. It is obviously imperative for a business-to-consumer company. I think it is interesting as well in a business-to-business context, as in the mindsets of understanding the problem and having empathy for your users is always important. It is about people.

Marsha Huber (mmhuber@ysu.edu) is an associate professor of accounting at Youngstown State University in Youngstown, Ohio.

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