

Hartwell, Ana

M-1

From: Lovelace, Mark
Sent: Monday, December 07, 2015 10:35 AM
To: Hartwell, Ana
Cc: Lazar, Steve; Ellinwood, Joseph
Subject: FW: Comments for Board of Supervisors

Hi, Ana. Can you please distribute this email to the board? Thanks.

-----Original Message-----

From: Shiloh Wisham [shiloh@graphicheart.com]
Sent: Monday, December 07, 2015 08:52 AM Pacific Standard Time
To: Lovelace, Mark
Subject: Comments for Board of Supervisors

Hi Mark,

I'm not going to be able to make it Tuesday. Hopefully someone will be there to ask the question, but thought I'd email as well.

I've heard several people asking the question about edible and product based companies. Many of them are not processing their own cannabis. I believe most are purchasing from dispensaries. Some are being told by their attorneys that they need to get certain paperwork in place by January 1st as well. Is this deadline just for producers of cannabis or is this for cannabis related companies as well. If this is only for farmers are there any measures these companies can take. i.e. are they able to get a business license and register with the BOE to show compliance? I'm not really clear on the details, but I know this is something people are wondering about.

Thank you for your efforts.

Best,


graphic heart

Shiloh Wisham

Creative Director

707 502 8871

<http://graphicheart.com>

<https://www.facebook.com/graphicheart>

Legal & Financial Best Practices for Cannabis Farmers

I. Attorney Services

State of California

- Incorporate as a mutual benefit, non-profit corporation
- Fictitious Name filing not required

- Create a board of directors
- Consider mix of inside and outside directors

- Management Company
- Obtain EIN

- Apply for Seller's Permit with CA State Board of Equalization

- Permit Process, where necessary

Local

- Registration as a business, if necessary

- Register in City for gross receipts tax, if applicable

- Register in County for business personal property

II. Accounting, Tax and Financial Services

Tax Compliance - Prior to Opening

- Register with EDD or use Payroll Service to set up payroll (see below)
- Open up at least one checking account

Tax Compliance - Prior Years

- Possibly Preparing back tax returns, probably as individual

Accounting

- Identify all people involved in Bookkeeping/Accounting Systems
- Prepare/review accounting policies & procedures/flow-chart to understand cash flow and reporting
- Choose bookkeeping system/software - for Farmers, we will use Xero
- Set up chart of accounts
- Obtain advice on accounting for inventory under IRC Code Section 471
- Choose fiscal year end
- Obtain training, if needed, to perform accounting
- Understand internal controls, especially inventory and cash
- Reconciling all balance sheet accounts: bank, credit card, loans, A/R, A/P
- Reviewing and/or preparing financial statements

Payroll and Compensation

- Prepare organizational chart
- Create proper job descriptions (important for deductible/non-deductible issues due to IRS Section 280E)
- Understand who can be an employee and who can be an independent contractor
- Salary study in order to set salaries and bonuses
- Get workers' compensation insurance
- Get payroll service, set up system to pay payroll taxes
- Set up employee review and evaluation procedures

Cash Management Issues

- Suspicious Activity Reports

Insurance Issues

- Review all insurance needs: fire, theft, liability, errors & omissions for board members
- Other insurance: Health, Life, Disability

Tax Compliance

- Annual Federal and State income tax returns, Federal Form 1120 and California Form 100, including consideration of Internal Revenue Code 280E
- Annual Forms 1099
- Form 571L to County
- Preparation of Sales Tax Returns, if necessary (probably quarterly)

Planning

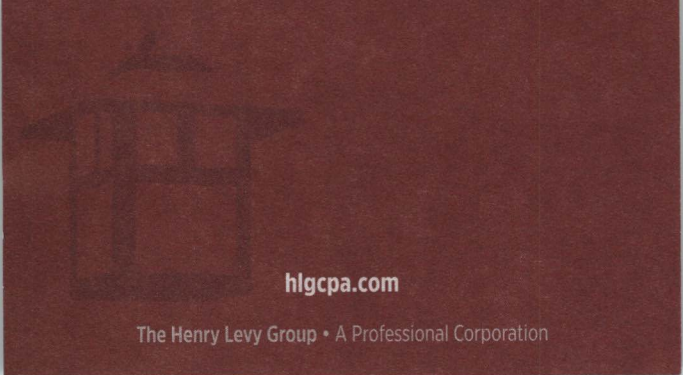
- Income Tax Planning
- Education of Clients regarding benefits of taxation for Farmers
- Reasonable Compensation Planning/Keeping the business non-profit (if necessary)
- Employee Benefits: Retirement, Insurance
- Performance-based salaries
- Business Planning
- Benchmarking against other similar outlets
- Key Performance Indicators to Measure success



Megan Clarke
Staff Accountant

427 F Street, Suite 232
Eureka, CA 95501
T 707.296.2998
F 916.357.7234
megan@hlgcpa.com
hlgcpa.com





hlgcpa.com

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