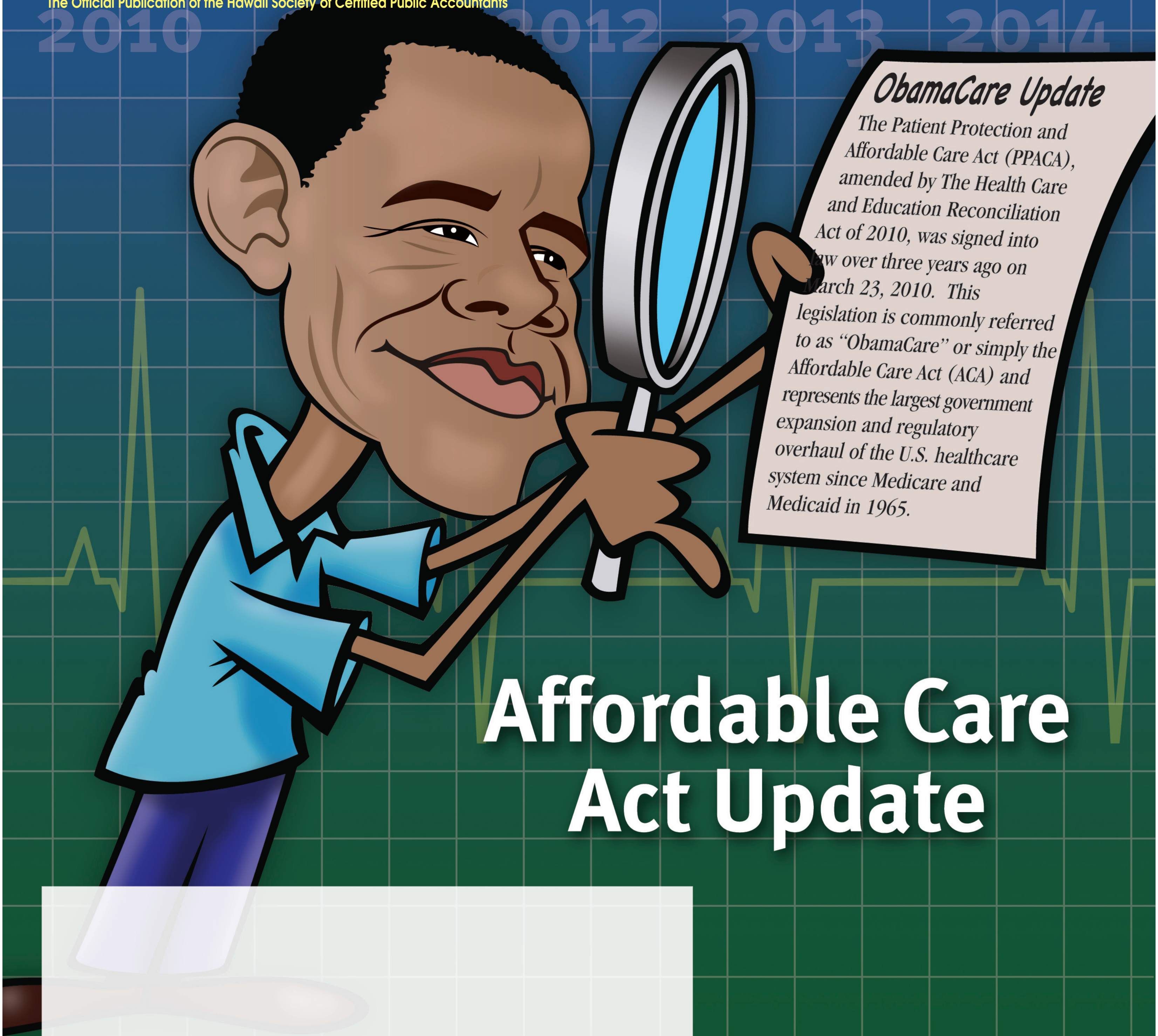
OCTOBER 2013

KALA

The Official Publication of the Hawaii Society of Certified Public Accountants



Affordable Care Act Update

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PLAN A	18	0.00%	$0	60	8.65%	$412	78	5.31%
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*APR is accurate as of 8/1/13. APR is based on a 0.25% discounted interest rate when payments are automatically made from a CPB checking account. If automatic loan payment is selected and later canceled, the interest rate will be increased by 0.25% and the monthly payment would increase. The loan amount cannot exceed the contract amount for the photovoltaic system (materials and labor, sales tax, extended manufacturer's warranty) with a Central Pacific Bank participating photovoltaic contractor or company. Maximum loan amount: $50,000. Offer limited to Hawaii residents and Hawaii residential property (1-4 units). This loan program is subject to change or cancellation at any time without notice. Credit application required and subject to credit approval. Certain restrictions apply.

In This Issue

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October 2013

Hawaii Society of CPAs

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KALA

KALA will be published digitally through the HSCPA website. Printed copies will be available only until December 2013.

KALA (the Hawaiian word for money) is published monthly and is the official publication of the Hawai'i Society of Certified Public Accountants. Please direct all inquiries regarding editorial content, subscriptions and circulation to HSCPA, 900 Fort Street Mall, Suite 850, Honolulu, Hawai'i 96813.

President's Message

By Michael Tanaka

Aloha, Members! October is here which brings to mind the final deadline for filing personal income tax returns at mid month and enjoying the Halloween treats and our firm's costume contest at month end. Last year, I believe our office winners were a spooky zombie, a male dressed in an inflated female ballerina outfit doing graceful pirouettes, and a female tax staff impersonating our no-nonsense tax principal with matching mustache, aloha shirt, pants, shoes, and scowl. Some years ago, our firm's now retired co-founding principal, Glenn Kishida, bravely shaved his head and appeared as Ghandi in a flowing white robe. Unfortunately, despite all his efforts, he did not win the costume contest. Glenn and all who participated, though, provided a good laugh to the end of a busy month.

October also signals the opening of the Hawaii Health Connector (the Connector). As CPAs, we may be asked about the Connector and how this affects current health care coverage. Consider visiting the Connector website at www.hawaiihealthconnector.com, and/or contacting their office, health insurance providers, insurance brokers/agents, and/or professional employer organizations for further information. The PBS Hawaii website also has two Insights panel discussions about the Connector dated August 8th and August 22nd that may be helpful. The following are a few points relating to small businesses that may be of interest.

The Connector is Hawaii's Health Care Exchange which is a key component of President Obama's health care reform under the Patient Protection and Affordable Care Act of 2010 (ACA). The Connector will allow individuals and small businesses to compare health plans and prices and purchase plans through a one-stop web portal. Open enrollment for health insurance coverage begins October 1, 2013, with coverage beginning January 1, 2014. [Note: The HSCPA PFP Committee will be sponsoring a brown bag session on October 10, 12 noon at the HSCPA office. Seating is limited so reserve a seat now – Members Only]

The ACA requires most employers (e.g., those with revenue greater than $500,000) to notify its existing employees in writing of the Connector by October 1, 2013. Also, effective on this date, new employees must be provided notice at the time of hiring. For 2014, the time of hiring is considered to be within 14 days of an employee's start date. The U.S. Department of Labor's website www.dol.gov/ebsa/healthreform/ provides a Model Notice that may be used.

Due to Hawaii's Prepaid Health Care Act, many will notice very little change to one's health insurance coverage. The Connector will mainly affect and be used by the uninsured, part-time employees, and some small businesses (50 or fewer full-time employees). Beginning on January 1, 2016, employers with 100 or fewer full-time employees will be able to purchase insurance through the Connector. The Connector is not available for larger businesses at this time.

Small businesses are not required to use the Connector; however, it is an option that may make it easier to shop and compare plans and prices. In addition, both for-profit and non-profit employers (i.e., those with fewer than 25 full-time equivalent employees making an average of about $50,000 a year or less) may benefit from the federal small business health care tax credit. Beginning in tax year 2014, the tax credit percentage increases to 50% and 35% for for-profit and non-profit entities, respectively, but coverage must be purchased through the Connector.

Although the Connector begins open enrollment on October 1, 2013, small businesses would continue with their existing plan and begin open enrollment at their normal renewal period. Also, it was mentioned during the August 22nd PBS Insights panel discussion that healthcare premium renewal costs will no longer be based on participants' usage/access of the healthcare system but rather on participants' age. Therefore, employers with an older workforce may be facing higher premium costs.

The above-mentioned resources also provide much more information and discussion about how the ACA and the Connector will affect individuals including the uninsured, the indigent, seniors, and others.

On another note, the second half of October has a full schedule of interesting seminars so please be sure to review and sign-up for those that may benefit you. Also remember to elect to go green and download the seminar materials on your electronic device if possible.

Hope you all have a happy and exciting Halloween!

Profession Experts Share Best Practices for Planning In the Wake of ATRA

After the American Taxpayer Relief Act (ATRA) was signed into law on January 2nd, financial planning became much more complex than ever before. The new law includes five tax layers that must be considered for virtually all financial decisions: regular tax, alternative minimum tax, the new 3.8% Medicare surtax on net investment income, the re-introduction of phase-out in itemized deductions and the 39.6% tax bracket for those over a certain income threshold, which also taxes long-term capital gains and qualified dividends at a 20% rate for taxpayers in this bracket.

Combine all this with changes in the estate-planning arena, including permanence of the inflation-indexed $5 million (up to $5.25M in 2013) exemption for gift, GST and estate tax purposes, and portability, and it becomes obvious how critical it will be to integrate tax planning with your client's investment, retirement and estate planning strategy in order to achieve long-term favorable outcomes.

To assist CPAs in preparing for the changes enacted under ATRA, the AICPA recently held a panel discussion webcast titled "Proactive Planning in 2013: What CPA Financial Planners Need to Know to Advise Individual Clients," in which experts in the profession were asked to share their best practices.

According to Reg Baker, HSCPA PFP committee chair, "CPA financial planners now have an unprecedented opportunity to demonstrate their value to clients by providing guidance, planning and tax expertise at this time of increasing complexity."

Don't Wait to Educate Your Clients on Tax Changes

Panel moderator Ted Sarenski, CPA/PFS, CFP®, AEP®, urged listeners to share the new tax rate information with their clients as soon as possible through email or newsletters, and follow up with face-to-face meetings to discuss the impact on their personal situation.

"It's easy to scare your high net worth clients with the new combined tax rates, but what we need to impress on them, as well as clients at much lower income levels,

Continued on page 6

Continued from page 5

is the breadth of changes that need to be considered—things like the 3.8% and 0.9% Medicare surtaxes, the phase-out of itemized deductions and so on."

Now Is the Time to Rethink Life Insurance

Beth Gamel, CPA/PFS, AEP®, said she believes that, while there are plenty of reasons to keep buying life insurance, you need to sit down with your high net worth clients and reevaluate the role of term, whole life and no lapse insurance in the post-ATRA world.

"You need to ask: If your clients bought life insurance for estate liquidity and they now meet the $10.5 million (in 2013) exemption between spouses, does life insurance still make sense? Likewise, for clients who will never reach the $10+ million mark, where does life insurance fit in their financial plan? For existing policies, advisers should be exploring 1035 exchanges as well as other strategies."

Be Smart About Tax Deferral Strategies

Michael Kitces, MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL, noted that as the tax rates become more progressive and other factors, like the new capital gains rate and the 3.8% Medicare surtax, are layered in, it creates a situation in which CPAs have to be very smart about tax deferral strategies for high net worth clients.

"For your lower and middle income clients," Kitces pointed out, "doing a really good job of tax deferral actually creates tax catastrophes down the road because you end up with these giant piles of deferred income that you can't unwind without driving your clients into a higher tax rate."

He added that always deferring gains or harvesting losses may not be the optimal strategy anymore. Instead, you need to approach it on a year-by-year basis to determine if this is the year you want to harvest the losses or if this is the year you want to harvest the gains. No matter what you do, you must be strategic about it.

"Year-by-year planning is now the key, and CPA personal financial planners are by far the best professionals to be able to do this because they have access to all the tax information and have the expertise to be able to do the modeling to determine which scenario works best for each client."

Gamel seconded this, adding, "I think this is a moment when CPAs are really going to shine as financial planners. We have an opportunity to be the best advisers out there because we have the sophisticated tax knowledge that other planners do not."

Invest in Sophisticated Planning Software

Echoing what Sarenski said, Scott

Sprinkle, CPA/PFS, CGMA, CFP®, emphasized the importance of communicating these tax changes to your clients in addition to using the proper planning software to estimate the immediate income tax ramifications of these changes. It is important to illustrate the year-over-year impact on your client's wealth.

"Practitioners who, in the past, used 110% of the prior year to do their estimated income tax planning are missing the boat. You have to put a sophisticated income tax planning program in place, and the sooner the better."

He named Lacerte, BNA and ProSystem as solid choices, adding, "Make sure that the software has a good bridge that will import your client's tax data into the program."

ATRA Planning Advice Available from the AICPA

The AICPA PFP Section provides information, resources, advocacy, and guidance for CPAs who specialize in providing estate, tax, retirement, risk management and/or investment planning advice. The exclusive CPA/Personal Financial Specialist (PFS™) credential distinguishes CPAs as subject matter experts who have demonstrated their financial planning knowledge through experience, education and testing.

CPAs are invited to listen to the full webcast of this panel discussion and download the presentation materials to learn more about post-ATRA planning practices. Also, visit aicpa.org/pfp/free for other free resources that may be useful.

ALERT!

We want members to be aware of any solicitation from a group called the "Washington Institute for Graduate Studies". They are falsely promoting a "special offer to AICPA members" for tuition discounts and transfer credits for CPE courses that they're calling an "AICPA Affinity Offer".

Please be aware that the AICPA does not have any connection with or any affinity relationship with the Washington Institute of Graduate Studies. The AICPA's legal counsel has reached out to the organization to stop using the AICPA's name in its communications. The AICPA does not endorse, support, promote or is affiliated in any way with the Washington Institute for Graduate Studies.

Affordable Care Act Update

By Paul Kaiser

The Patient Protection and Affordable Care Act (PPACA), amended by The Health Care and Education Reconciliation Act of 2010, was signed into law over three years ago on March 23, 2010. This legislation is commonly referred to as "ObamaCare" or simply the Affordable Care Act (ACA) and represents the largest government expansion and regulatory overhaul of the U.S. healthcare system since Medicare and Medicaid in 1965.

ACA has withstood many challenges since its enactment, including the Supreme Court's ruling of its constitutionality last summer and forty repeal efforts by the House of Representatives. This is the result of its partisan passing by Congress in 2010.

Although referenced as healthcare reform, the law's focus is truly health insurance reform. Some of the major changes of ACA already impacting the health insurance and some related industries are:

2010

- No lifetime limits
- Dependent coverage expanded to age 26
- Pre-existing condition limitations eliminated for those under the age of 19
- 100% in-network coverage for preventive services
- 10% excise tax on indoor tanning salons

2011

- Insurance companies subject to medical loss ratio provisions requiring at least 80% of all premiums collected on small groups to be spent on health costs and claims; 85% for large groups
- The public is to be informed of average renewal increases greater than 10%
- Over-the-counter medications now require a prescription in order to be reimbursed through a Flexible Spending Account arrangement

2012

- The Comparative Effectiveness Research Fee begins at $1 per member per year for plan years ending after September 30
- W-2 reporting of health insurance premiums if employer issued more than 250 W-2 forms in the prior year
- Additional preventive care benefits for women
- Issuance of Summary of Benefits and Coverage, a four-page (front & back) overview which attempts to describe a benefit plan with consistent language and terms

2013

- The Comparative Effectiveness Research Fee increases to $2 per member per year for plan years ending after September 30 and increases by medical trend annually thereafter
- New Medicare tax of 0.9% for earned income above $200,000 ($250,000 for joint filers)
- Net investment tax of 3.8% if modified adjusted gross income exceeds $200,000 ($250,000 for joint filers)
- Maximum Flexible Spending Account withholding is set at $2,500 for medical expenses
- A 2.3% excise tax is applied to medical devices

The major components of the Affordable Care Act begin in earnest in 2014. The provisions becoming effective in 2014 include:

- Annual maximums within health policies are eliminated
- Ten Essential Health Benefits must be covered in all non-grandfathered small group policies. These include ambulatory patient services, emergency services, hospitalization, maternity and newborn care, mental health and substance abuse treatments, prescription drugs, rehabilitative and habilitative services/devices, laboratory services, preventive and wellness services, and pediatric services including oral and vision care
- The Health Connector, Hawaii's State Insurance Exchange, begins offering coverage effective January 1, 2014 with enrollment beginning October 1, 2013. The major component of the state Exchanges are federal subsidies which will be offered to those earning up to 400% of the federal poverty level to lower the actual price of individual policies purchased through the Exchange. Registration with the Hawaii Health Connector is voluntary. We suggest you continue to work with your

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TOP 100

Each year Accounting Today publishes a list of the Top 100 Most Influential People in Accounting list as selected by their peers – those who play the biggest roles in the ongoing work in the accounting profession. Congratulations to Donny Shimamoto, CPA-CITP, CGMA for making this prestigious list of trailblazers!

health plan representative or broker to explore all your health plan options and determine what is best for you, your employees and clients.

- Non-grandfathered policies must cover approved clinical trials.
- Small, non-grandfathered policies must now have premium rates based upon a newly defined community rating system. New or renewal premium rates beginning in 2014 can only be set by age (maximum differential 3:1), benefit plan, location (Hawaii only has one), and use of tobacco products (individuals who use tobacco products may be subject to a surcharge of up to 50%)
- Enforcement of the individual mandate requiring all individuals to have health insurance or be subject to a penalty of $95 (first year) or 1% of their income, whichever is higher
- $2.5 billion excise tax on pharmaceutical companies
- $8 billion excise tax on health insurance carriers
- Reinsurance program fees of $63 per member per year
- Schedule A medical expense deduction threshold rises from 7.5% to 10%
- Application of a new Risk Adjustment program which could transfer monies between insurers

Additional components of the Affordable Care Act slated to become effective in 2015 and beyond include:

- Beginning in 2015, after a one-year delay, a $2,000 employer "pay or play" penalty will be imposed on employers with more than 50 employees who do not provide their employees with qualified health coverage, or a $3,000 penalty if coverage is deemed unaffordable and an employee receives a subsidy through a state Exchange
- Increases to the excise taxes paid by health insurance carriers
- In 2016 the definition of a small group increases from 50 to 100 employees
- Phase-out of federal reinsurance program fees by 2017
- New employer reporting requirements to the IRS
- A 40% "Cadillac" tax on benefit plans beginning in 2018 if annual premiums exceed $10,200 for single coverage or $27,500 for family coverage

During ACA's development, Hawaii's Prepaid Health Care Law was not fully taken into consideration. Hawaii is the only state in the nation with an ERISA exemption as a result of its Prepaid law which requires employers to provide health coverage to their employees. Therefore, there are numerous situations where Hawaii's Prepaid law and the federal ACA law are not consistent. In such situations, the more generous of the two will generally prevail. For example, ACA requires employers with more than 50 employees to provide health insurance to employees who work more than 30 hours per week or pay a penalty. This coverage must have a minimum actuarial value of 60% (in essence 60% of services are covered) to qualify, and coverage must be affordable, defined as not exceeding 9.5% of the employee's household income.

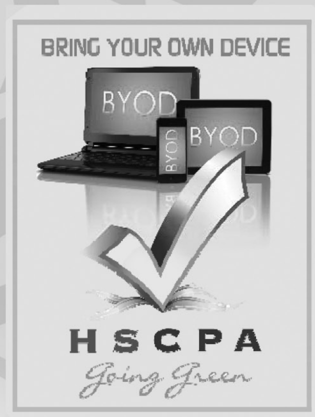
Hawaii's Prepaid law dictates that employers must provide coverage to employees working more than 20 hours per week, meet prevalent plan requirements (essentially provide 90% coverage of services provided) with a cost share not to exceed 1.5% of an employee's earnings. This is just one example of differences in the two laws and why it is important to remember that what is communicated on the Mainland may not directly apply to the Hawaii business environment.

Provisions of ACA are being clarified, modified or impacted as the law is being implemented, creating confusion within the federal and state governments, insurers and the general public. It is important to continue monitoring the law for subtle changes that may receive very little publicity. For example, did you know that Sequestration reduced the Small Business Health Care Tax Credit for non-profit companies by 8.7% in 2013?

The Affordable Care Act is here to stay, but in what form is unknown and the answer may take years to come.

Paul Kaiser, COO of HMAA's TPA, HWMG, has more than 27 years of experience in the insurance industry in benefit plan design and management, finance and budgeting, underwriting, sales and marketing, product development, strategic planning, self-funding and third-party administration.

THE NEW HSCPA



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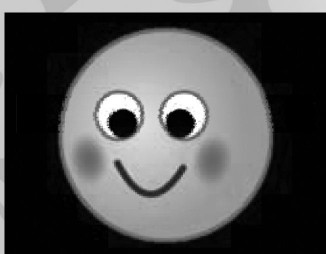

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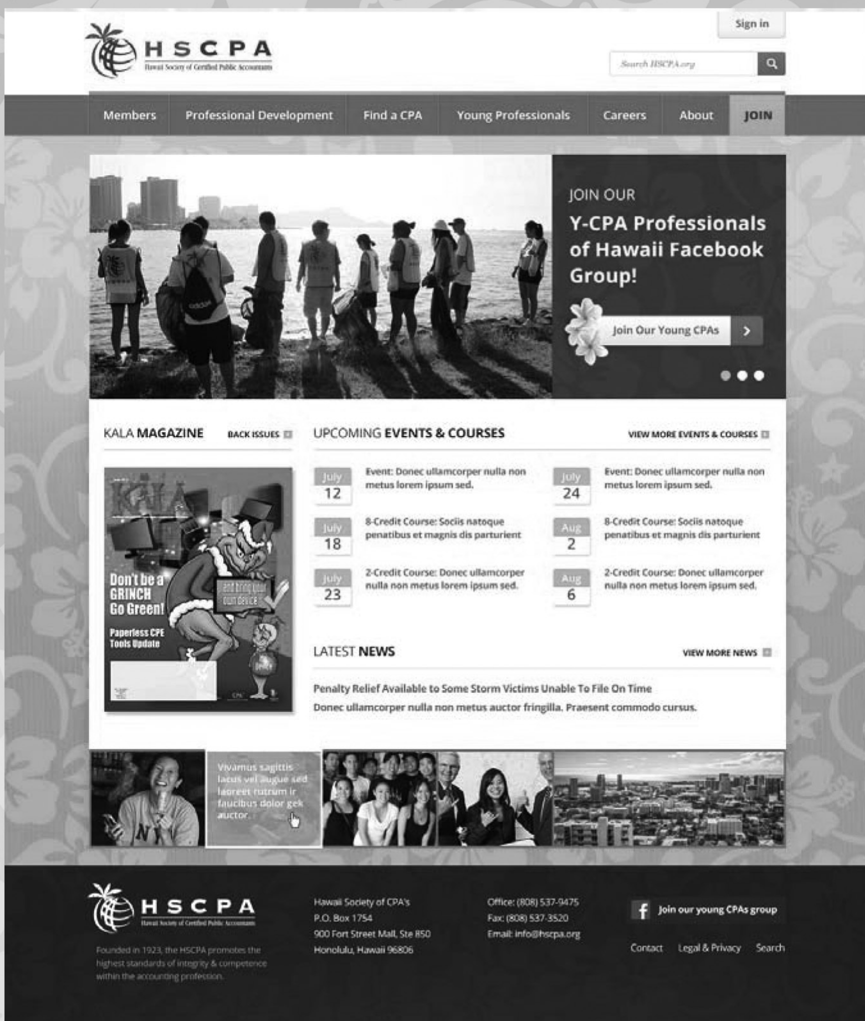


The Hawaii Society of CPAs is excited to announce the launch of its newly designed website located at the same address: **www.hscpa.org**

You will notice that the new site features a fresh look, keeping the warmth of Hawaii, with easy navigation. The new site's homepage welcomes visitors with a clean uncluttered design. A prominent featured content highlighting **KĀLĀ** and the latest happenings of the HSCPA and the profession are the focus of the site.

When registering for seminars, please note that you will be required to select a delivery method for program materials - either Electronic or Printed. There is a charge for Printed materials (you may print on your own through the website).

You will find that the new site is completely fluid, fully responsive and fits all types of browser resolutions. It also has a touch-friendly mobile navigation menu.

Visit the site and try it out. If you experience any problems using it or if you have any suggestions, please contact us at info@hscpa.org.

*A Mahalo shout out to the incredibly professional and creative engineers at iMarc and CDS. The 5,000+ miles between us, after hours and weekends were never an issue as they worked countless hours to deliver a great product in a short timeframe. Thank you to the great teams at **iMarc**: Nils Menten, Dave Tufts, Robert Mohns, Marcel Moreau, Jared Laham, and Dan Collins; **CDS**: Larry Austin and Phil Sayers; CGA: Ron Gouveia and Zalen Arakaki; and Steve Underwood of **Underwood Graphics** for their guidance, patience, diligence, confidence, encouragement and responsiveness to our countless inquiries and requests!*

PEER REVIEW 2013

By Rodney Harano, HSCPA Peer Review Committee Chair

2013 Peer Review Program Conference

The annual AICPA Peer Review Program Conference was held in the beautiful city of Providence, RI, home of fresh seafood, authentic Italian cuisine, and Ernie Almonte, past Chair of the AICPA. This year, approximately 350 peer reviewers, technical reviewers and state society peer review personnel spent two days learning about what is new in the peer review world.

I have been attending this AICPA conference since 1995 and what is so unique about it is that the majority of the attendees are audit partners in their respective firms who share a passion for accounting, auditing and peer review.

Obviously, the focus of the conference is on performing peer reviews. Intertwined within the sessions on peer review are updates on auditing and accounting standards. The following were of particular interest to me and hope they will be of interest to you:

Ethics Interpretation 101-3:

- Clarification of what activities are part of attest and nonattest services
- Preparing clients' financial statements is now a NONATTEST service. What does this mean for your firm? If you provide this service, remember to include this service in your engagement letter along with the other nonattest services you provide (e.g. preparing tax returns, processing payroll, and the like).

Proposed OMB Uniform Guidance:

- Proposal to increase audit threshold from $500,000 to $750,000. This would mean that thousands of auditees will no longer need an audit.
- Tweaking with major program determination process and other areas.
- No proposed effective date yet.

Accounting and Review Services Committee is currently working on the review standards clarity project.

- The clarified standards are supposed to be easier to read, understand and apply.
- Expected to be effective for periods beginning on or after December 15, 2014.

Approximately 50% of firms receive a "pass with deficiency(ies)" or "fail" report on its initial peer review. This is important to note because when Hawaii's mandatory peer review law becomes effective January 1, 2015, Hawaii firms going through their initial peer review may receive a "pass with deficiency(ies)" or "fail" peer review report if they haven't been keeping with the changing standards.

The U.S. Department of Labor (DOL) is/will be taking a closer look at "dabblers". What's a "dabbler"? That's a firm that performs only a couple of ERISA audits each year. Studies have found that dabblers tend to have more audit deficiencies and/or failures than those firms that do several each year. There are potential implications for the dabbler's peer reviewer as well. The DOL will investigate who performed the dabbler's peer review to determine whether these deficiencies and/or failures were identified by the peer reviewer as well. What does this mean? No more Mr. Nice Peer Reviewer.

HAWAII PEER REVIEW UPDATE

Electronic Matter for Further Consideration (MFC) forms

Effective July 1, 2013, MFC forms must be electronically generated. Gone are the days of paper MFC forms. This process requires reviewers AND reviewed firms to register on the AICPA website. All MFCs must now be electronically transferred between the peer reviewer and the reviewed firm. Please contact the HSCPA or me if you have any questions navigating the website.

Peer Reviewer must be a CPA licensed in Hawaii

CPA firms select their peer reviewer and many use Hawaii firms. Thank you very much to those firms that do! However, several firms use mainland reviewers to perform their reviews. Beware – those mainland CPAs must be a CPA licensed in Hawaii. This applies regardless if he/she steps foot in Hawaii (i.e. system review) or performs the review 3,000 miles away (i.e. engagement review). Should you decide to use a mainland CPA as your peer reviewer, make sure he/she is licensed to practice in Hawaii.

Interesting stats so far for 2013 reviews

Historically, the number of Hawaii firms who received a "clean" or "pass" rating on its peer review was statistically high. However, during the current year, many firms received peer review reports with a rating of "pass with deficiency(ies)" or "fail". These ratings are analogous to "modified" or "adverse" in the audit arena, respectively. WHY? The most common cause has been the enactment of SSARS #19. Many firms failed to modify their compilation and/or review reports and related engagement letters, to comply with the new standards. By the way, SSARS now makes obtaining a written understanding (i.e. engagement letter) a requirement. Furthermore, with the enactment of the clarity auditing standards, there may be some firms still using "old" audit reports. I hope not.
If you have any questions regarding the peer review process, please contact me at (808) 531-1040 or rharano@cwassociatescpas.com.

Penny Pincher

By Gene Marks

Do You Replace Your Server Or Go To The Cloud?

Is your server or servers getting old? Have you pushed it to the end of its lifespan? Have you reached that stage where it's time to do something about it? Join the crowd. You're now at that decision point that so many other business people are finding themselves this year. And the decision is this: do you replace that old server with a new server…or do you go to: the cloud.

Everyone's talking about the cloud nowadays so you've got to consider it, right? This could be a great new thing for your company! You've been told that the cloud enables companies like yours to be more flexible and save on their IT costs. It allows free and easy access to data for employees from wherever they are, using whatever devices they want to use. Maybe you've seen the recent survey by accounting software maker MYOB that found that small businesses that adopt cloud technologies enjoy higher revenues. Or perhaps you've stumbled on this analysis that said that small businesses are losing money as a result of ineffective IT management that could be much improved by the use of cloud based services. Or the poll of more than 1,200 small businesses by technology reseller CDW which discovered that "…cloud users cite cost savings, increased efficiency and greater innovation as key benefits" and that "…across all industries, storage and conferencing and collaboration are the top cloud services and applications."

So it's time to chuck that old piece of junk and take your company to the cloud, right? Well…just hold on.

There's no question that if you're a startup or a very small company or a company that is virtual or whose employees are distributed around the world, a cloud based environment is the way to go. Or maybe you've got high internal IT costs or require more computing power. But maybe that's not you. Maybe your company sells pharmaceutical supplies, provides landscaping services, fixes roofs, ships industrial cleaning agents, manufactures packaging materials or distributes gaskets. You are not featured in Fast Company and you have not been invited to presenting at the next Disrupt conference. But you know you represent the very core of small business in America. I know this too. You are just like one of my company's 600 clients. And what are these companies doing this year when it comes time to replace their servers?

These companies, these clients of mine, these very smart owners and managers of small and medium sized businesses who have existing applications running on old servers are not going to the cloud. Instead, they've been buying new servers.

Wait…buying new servers? What about the cloud?

At no less than six of my clients in the past 90 days it was time to replace servers. They had all waited as long as possible, conserving cash in a slow economy, hoping to get the most out of their existing machines. Sound familiar? But the servers were showing their age, applications were running slower and now as the companies found themselves growing their infrastructure their old machines were reaching their limit. Things were getting to a breaking point, and all six of my clients decided it was time for a change. So they all moved to cloud, right?

Nope. None of them did. None of them chose the cloud. Why? Because all six of these small business owners and managers came to the same conclusion: it was just too expensive. Sorry media. Sorry tech world. But this is the truth. This is what's happening in the world of established companies.

Consider the options. All of my clients' evaluated cloud based hosting services from Amazon, Microsoft and Rackspace. They also interviewed a handful of cloud based IT management firms who promised to move their existing applications (Office, accounting, CRM, databases) to their servers and manage them offsite. All of these popular options are viable and make sense, as evidenced by their growth in recent years. But when all the smoke cleared, all of these services came in at about the same price: approximately $100 per month per user. This is what it costs for an existing company to move their existing infrastructure to a cloud based infrastructure in 2013. We've got the proposals and we've done the analysis.

You're going through the same thought process, so now put yourself in their shoes. Suppose you have maybe 20 people in your company who need computer access. Suppose you are satisfied with your existing applications and don't want to go through the agony and enormous expense of migrating to a new cloud based application. Suppose you don't employ a full time IT guy, but have a service contract with a reliable local IT firm. Now do the numbers: $100 per month x 20 users is $2,000 per month or $24,000 PER YEAR for a cloud-based service. How many servers can you buy for that amount? Imagine putting that proposal out to an experienced, battle-hardened, profit generating small business owner who, like all the smart business owners I know, look hard at the return on investment decision before parting with their cash. For all six of these clients the decision was a no-brainer: they all bought new servers and had their IT guy install them. But can't the cloud bring down their IT costs? All six of these guys use their IT guy for maybe half a day a month to support their servers (sure he could be doing more, but small business owners always try to get away with the minimum). His rate is $150 per hour. That's still way below using a cloud service.

No one could make the numbers work. No one could justify the return on investment. The cloud, at least for established businesses who don't want to change their existing applications, is still just too expensive.

Please know that these companies are, in fact, using some cloud based applications. They all have virtual private networks setup and their people access their systems over the cloud using remote desktop technologies. Like the respondents in the above surveys, they subscribe to online backup services, share files on DropBox and Microsoft's file storage, make their calls over Skype, take advantage of Gmail and use collaboration tools like Google Docs or Box. Many of their employees have iPhones and Droids and like to use mobile apps which rely on cloud data to make them more productive. These applications didn't exist a few years ago and their growth and benefits cannot be denied.

Paul-Henri Ferrand, President of Dell North America, doesn't see this trend continuing. "Many smaller but growing businesses are looking and/or moving to the cloud." He told me. "There will be some (small businesses) that will continue to buy hardware but I see the trend is clearly toward the cloud. As more business applications become more available for the cloud, the more likely the trend will continue."

He's right. Over the next few years the costs will come down. Your beloved internal application will become out of date and your only option will be to migrate to a cloud based application (hopefully provided by the same vendor to ease the transition). Your technology partners will help you and the process will be easier, and less expensive than today. But for now, you may find it makes more sense to just buy a new server. It's OK. You're not alone.

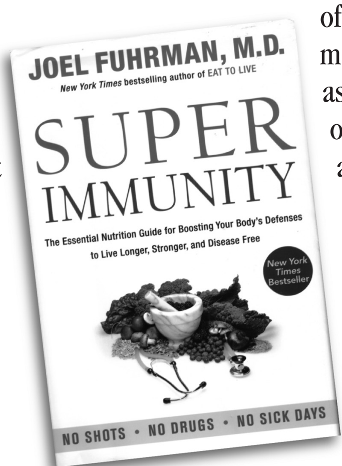
Gene Marks owns the Marks Group PC (www.marksgroup.net), a Bala Cynwyd, PA consulting firm that helps clients with customer relationship management. You can follow him on Twitter (http://twitter.com/genemarks). Besides Forbes, Gene Marks writes weekly for The New York Times and Inc.com.

Norman's Book Review

"Super Immunity"

by Dr. Joel Fuhrman, M.D.

Would you like to know how to build up your immune system so 80% of cancers do not appear? Want to age more slowly and maintain your youthful vigor as you age? How about being almost totally resistant to colds, influenza, and other infections? Dr. Fuhrman's book provides you the secret to Super Immunity, where your body's immune system is working to its fullest potential, allowing you to live a healthier and happier life.



This book is amazing! I learned so much about which foods are good and bad for us, and the pros and cons of taking drugs and vitamins. It also contained great menus and recipes for better health. The following are the major takeaways and life saving information I got from the book.

Super Nutrition Is The Secret To Super Immunity

When we eat healthy food, we become healthy; when we don't, we develop disease. Vegetable consumption is the most important factor in preventing chronic disease and premature death. You can't have a lifetime of good health without them. Greens, mushrooms, onions, pomegranates/berries, and seeds are the magic bullets to better health.

Neither processed foods nor animal products contain a significant amount of antioxidant nutrients or any phytochemicals.

Greens: The King of Vegetables

Studies have shown the consumption of raw green vegetables has the most consistent and powerful association with the reduction of all types of cancer. The author's top green vegetables are kale, watercress, collards, Swiss chard, bok choy, spinach, arugula, romaine lettuce and Brussels sprouts.

"Cruciferous" vegetables such as kale, cabbage, collards and broccoli have a unique chemical composition: they have sulfur-containing compounds that when blended or chopped, enhances its immune boosting effects and anticancer activity. They are twice as powerful as other plant foods.

Super Nutrition Helps Against Viral Diseases

Super nutrition is an effective intervention for viral diseases such as HIV, mononucleosis, herpes, and influenza because viral mutations will be suppressed, limiting disease-causing potential and virulence.

Watch Your Blood Pressure…Too Low Is Not Good!

Many people are prescribed medications to lower blood pressure as they age. However, in the elderly, moderately high blood pressure is not a risk factor for increased mortality. Low blood pressure, on the other hand, is. Blood pressure values below 140/70 are associated with excess mortality in the elderly, and this is especially noticeable when drugs push down the diastolic blood pressure too low.

When international researchers studied 22,000 patients in 14 countries, those with a diastolic blood pressure below 60 had three times the occurrence of heart attacks compared to those with a diastolic above 80!

The Magic of Mushrooms

The author calls mushrooms the Queen of Super Immunity. White, cremini, portobello, oyster, maitake, and reishi mushrooms have all been shown to have anticancer effects: they prevent DNA damage, slow cancer cell or tumor growth, cause programmed cancer cell death, and/or prevent tumors from acquiring a blood supply. These effects have been shown in breast, prostate, and colon cancers and/or cancer cells.

Consuming mushrooms regularly is associated with a significantly decreased risk of breast cancer in both pre- and post-menopausal women, up to 60 – 70%!

Note as a safety precaution, mushrooms should always be consumed cooked, since some studies have reported toxic effects of raw mushrooms in animal studies.

Onions and Garlic – Healthy Treasures

The allium family of vegetables, which includes onions, garlic, leeks, shallots, chives and scallions, not only add flavor to our diet but also are anticancer, anti-inflammatory, and antioxidant compounds.

Pomegranates and Berries

Pomegranates and all berries such as blueberries, blackberries, raspberries, acai berries, goji berries, elderberries and strawberries are super foods. They have antioxidant, anti-carcinogenic, and anti-inflammatory properties.

Nuts And Seeds

Nuts and seeds are high in fat and protein like animal products, but their effects on the body are completely different. Instead of promoting disease like animal products do, nuts and seeds actually prevent and reverse it.

Acceptable Carbohydrates

Beans, peas, corn, wild rice, barley steel-cut oats, oatmeal, tomatoes, squashes, berries, and fresh fruits are examples of the most favorable carbohydrate sources.

Unacceptable Carbohydrates

Any excessively processed carbohydrates are rendered unacceptable. Additionally, we need to avoid the following:

- Sweeteners, sugar, honey, maple syrup
- White flour
- White rice
- Whole-grain pastry flour
- Packaged cold cereals
- Commercial fruit juices and even fruit-juice-sweetened beverages

Misconceptions About Olive Oil

No oil should be considered a health food. All oil, including nut and olive oil, is 100% fat and contains 120 calories per tablespoon. It is a processed food that is high in calories, low in nutrients, and contains no fiber.

Breast Cancer and Antibiotics

Studies have shown women who have taken antibiotics have an increased risk in developing breast cancer. For example, women who have taken up to 25 antibiotic prescriptions over a 17 year period are 1½ times more likely to be diagnosed with breast cancer than women who have never taken antibiotics. The risk is two times for women who have taken more than 25 prescriptions.

More Medical Care Is Not The Answer

Although we live in an era of rapid advancements in science, exposure to more medical care, more drugs, more vaccines, and more doctors doesn't beget Super Immunity. In fact, medical care is part of the problem, not the solution.

Medicines cannot drug away the cellular defects that develop in response to improper nutrition throughout life.

Summary

The author ends his book with the following inspirational message:

No matter where your health is today, you can improve it. When we make the right choices, we can live better and be healthier. Do not be complacent with doing what other people do. Do not be complacent with taking medications for the rest of your life. You can recover. Your body has an amazing healing potential waiting to be unleashed by the gift of superior nutrition.

HOOP News

By Walt Matsuno

3-PEAT!!! 2-PEAT!!

The 2013 HSCPA Basketball League returned to their home town gym at Manoa District Park. It was two months of competitive basketball beginning on May 22, 2013, and ending on July 31, 2013.

The Division A Championship game was between the "Two-Peating" champs from W. T. Matsuno, CPA, Inc. (WTMco), and the communal, revenge-seeking team of CPAA. This championship game was an exciting one since CPAA's only regular season loss was a close one to WTMco (44-43), while WTMco had their only loss to CW Associates (53-46). It started out with WTMco leading at half time, but CPAA closed the gap only to lose it again in the remaining minutes as they had no choice but to foul, and put WTMco's team on the line. WTMco secured the title as "Three-Peating" Division A Champs with a 61-51 win.

The Division B game was between defending champs from Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs LLC (KKDLY) and CW Associates, CPAs (CWA). KKDLY beat CWA with a convincing 63-42 win and defended their title as "Two-Peating" Division B Champs.

Accuity LLP ends their season on a high note with the Consolation Division title win of 37-27 over KPMG LLP.

The final standings were as follows:

1. W. T. Matsuno, CPA, Inc.
2. CPAA
3. Red Ink
4. KMH LLP
5. Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs, LLC
6. CW Associates, CPAs
7. Accuity LLP
8. KPMG LLP
9. Deloitte & Touche LLP

Those interested in joining the 2014 HSPCA Basketball League can contact Walt Matsuno at 951-8899 or via e-mail at walter@matsunocpa.com. The league fees range between $400-$575, depending on the number of teams entering and gym availability. Hope to see you there!

1st Place - A Division
W.T. Matsuno, CPA, Inc [Names Left to Right]

Top Row: Ron Tran, Archie Eusebio, Jake Harris, Kimo Tuyay, Kekoa Taliaferro

Front Row: Tony Lim, David Tang, Walt Matsuno, Lance Takaki

1st Place - B Division
Kobayashi, Kanetoku, Doi, Lum & Yasuda CPAs [Names Left to Right]

Top Row: Milo Smith, Guy Nishihira, Justin Ogata

Middle Row: Jake Barsana, Gordon Ciano, Jacob Lowder

Bottom Row: Stan Lum, Brad Lum, Colin Lee, Kevin Lau

2nd Place - A Division
CPAA [Names Left to Right]

Top Row: Sein McKissen, Mark Lee, Cyle Kuwanoe, Dean Kusunoki.

Front Row: Karl VanZandt, Kido Kwon, DongHyun Kim

Y-CPA Buzz!

Y-CPA Young CPA Professionals

Empowering the New Generation

By Darryl Nitta

2013 AICPA E.D.G.E. Conference

My expectations were very high walking into the 2013 AICPA E.D.G.E. Conference. After all, both the 2011 Conference in New Orleans and the 2012 Conference in Orlando were phenomenal. As I reflect back on the week at the conference, I can honestly say that the 2013 E.D.G.E. Conference in Austin far exceeded my expectations.

I was very pleased to see that Hawaii representation at the conference went up 50% from last year! Amazing, right?!? Well, don't get too excited, it went from 2 (Donny Shimamoto and myself) to 3 (Thanks, Mark, for coming). Here is what they had to say about the 2013 E.D.G.E. Conference:

> *"The EDGE conference is a great opportunity to develop "success" skills, network with other CPAs, improve on one's own management style, and learn how to work together to bridge the gap between firm leadership and the next generation of CPAs."* – Mark Inafuku – CW Associates, CPAs

> *"This was the best year yet— almost every session felt like it had a lot of interaction, and the energy and buzz at the conference was amazing!"* – Donny Shimamoto – IntrapriseTechKnowlogies LLC

For me, there were many breakout sessions that stick out in my mind. For example, Rich Caturano, Chair of the AICPA Board, was supposed to give a Professional Issues Update, but instead opted for a much lighter topic – Reflections on Life, Leadership, and the CPA Profession. Melissa Labant gave a very informative 2013 Tax Issues Update where she discussed the controversial issues surrounding Defense of Marriage Act or "DoMA". David Seiler condensed a full day of HR Bootcamp Basic Training into an hour of shocking revelations. I had no idea of some of the HR rules that need to be followed.

Still, my favorite "takeaway" from the conference was a session where we divided into smaller groups of 7-8 and discussed the top issues facing our profession as younger CPAs. We then took those ideas and shared them with the entire group. Do you agree with our unscientific findings? In no particular order, the agreed-upon top five issues facing young CPAs today are:

- Succession Planning
- Eating Time (speaking of eating … BBQ Brisket and Tex-Mex in Austin are unbelievable!)
- Work / Life Integration
- Leveraging / Filtering Social Media
- Finding "good" staff with 3-5 years of experience

The best part of the conference continues to be the networking with other CPAs like myself. The evening before the conference, we were able to reconnect with many Leadership Academy alumni on a three-hour Casino Riverboat excursion. Hearing them talk about their personal and professional success stories is very inspiring when you know you can do the same.

Evolve, Distinguish, Grow and Emerge (E.D.G.E.) – four key elements to transform a good CPA into an exceptional CPA. The conference is focused on cultivating the leadership skills and professional network you need to adapt, succeed, and lead in a rapidly changing global marketplace. Do you want to be exceptional? Do you want your staff to be exceptional? If you do, I highly encourage you to mark your calendars for the 2014 E.D.G.E. Conference. More details will be released in early 2014 so start planning now!!!

In Memory Of

Terry K. Kinoshita

1953 - 2013

Our sincere regret at the loss of a colleague, friend and a member of the HSCPA since 1981. We wish to express our deepest sympathy to his family and friends.