

DECEMBER 2018

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The Official Publication of the Hawaii Society of Certified Public Accountants

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

President's Message

By Darryl Nitta



Hope everyone had a fun filled Thanksgiving Holiday! Did you uphold that commitment to yourself to thoroughly enjoy turkey and stuffing with uninterrupted quality time with your family and friends? I hope so because you about to get crazy busy balancing work, parties, and entertaining those unwanted in-laws! As we get closer to Christmas, the small window of time to do last minute individual tax planning gets smaller and smaller. See if these quick tips can help reduce your tax bill so you can pay your credit card bill.

Traditionally, the name of the game for year-end tax planning is to defer income and accelerate deductions. That still holds true today even with the new 2018 Tax Reform. Other classic ideas that still work include harvesting investment losses to offset gains, donating appreciated property directly to charity, and funding your retirement account. Let's take traditional tax planning one step further as

it specifically relates to 2018 Tax Reform. Here are some additional technical topics you may want to consider discussing with your clients before you get buried by the holiday season:

- **IRC Section 199A Qualified Business Income 20% Deduction** – This is probably the most confusing change but you **MUST** understand it in order to properly service and advise your clients. This is first and foremost so focus your energy on understanding the rules surrounding this change in the tax laws.
- **Lower Income Tax Rates** – Federal tax rates have been lowered but don't forget that the top Hawaii tax rates actually increased from 9% to 11%.
- **\$10,000 Cap on State Tax (Income and Real Property) Deduction** – Tough pill to swallow for most Hawaii residents but maybe not so bad if you are a retired pension earner.
- **Standard Deduction Doubles** – This may mean you won't be itemizing your tax deductions anymore. Many planning ideas will come from this change. A few examples you may want to explore are bunching charitable contributions every other year, utilizing a donor advised fund, bunching real property tax payments every other year, and opting to donate your RMD directly to charity.
- **No Miscellaneous Itemized Deductions** – This includes tax preparation fees, union dues, investment fees, and unreimbursed employee expenses.
- **No Personal Exemptions** – Part of the give and take ... this one is definitely on the "take" side.
- **Child Tax Credit increases to \$2,000** – But this does not mean go out and have more kids!

Wishing everyone a very Merry Christmas & a Happy New Year!!!

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Reminder: Take advantage of Amazon Smile when you order Christmas gifts this year. Designate a Hawaii charity of your choice via Amazon Smile shopping and Amazon will automatically give a portion of the proceeds to your charity. Just remember to redirect your Amazon online shopping to the Amazon Smile website. An easy win-win for everyone!

Looking ahead: Not quite sure yet ... I get a two-month break as KALA Magazine has some vacation to burn.



How to Win Your Real Property Tax Appeal

By Ronald Heller, Attorney & CPA



This year, a substantial number of homeowners in Honolulu will probably file real property tax appeals when they get their new

assessment notices. Unfortunately, many of them are going to lose their cases. Here are some tips that may help you avoid the most common problems.

Remember The Burden Of Proof

In a criminal case, you're innocent unless and until the prosecutor proves that you're guilty. In a tax appeal, it's exactly the opposite – the burden of proof is on you as the taxpayer. You owe the tax unless and until you prove that the assessment is wrong. The assessor does NOT have to prove that the assessment is correct. If you don't have proper and sufficient evidence, you lose.

Saying "It's Too Much" Is Not Evidence

No matter how high your assessment is – or how much it went up from last year – just complaining about it won't win the case. You need to prove that the assessed value is greater than the actual fair market value of the property. That means you need proof of fair market value. The best evidence is documentation of actual sales of similar homes in your neighborhood. They have to be recent sales – a sale that closed two or three years ago doesn't show the current value. They also have to be sales between unrelated parties – a sale from parent to child, for example,

isn't necessarily a sale for market value. Finally, while you can offer listings and asking prices as evidence, they are not as persuasive as actual sales.

Check Out The Neighborhood

If your assessment is consistent with the assessments of your neighbors, then you may have to prove that the whole neighborhood is generally over-assessed. Conversely, if your assessment is way out of line for the neighborhood (assuming there's nothing unique about your property), that creates an argument that the assessor made an error. You can look up assessments on-line by street address, at www.honolulupropertytax.com.

Get The Details

At the website listed above, you can get the breakdown of land value and building value. You can also find information including the number of bedrooms and bathrooms, the year the house was built, the square footage, and a sketch showing the measurements of your house. If the assessor has any of the facts wrong, that doesn't necessarily prove that the assessed value is wrong, but it can help you build your case.

Get It In Writing

Whatever you're going to rely on, back it up with documents. If you're relying on a sale down the street, get some documentation of the sale price. (Ask a realtor to print out the MLS sales report, or check the sales history for the property on the City & County website at www.honolulupropertytax.com.)

Be Prepared

When you go into the hearing, have an outline for yourself. Have all of your evidence assembled, and bring extra copies. (For the Board of Review, bring your own copy, one for the assessor, and five copies to hand out to the five board members.) Be ready to present all of your evidence – don't assume that you'll get a chance to come back later with more.

"Tomorrow Is Another Day"

When it's all over, no matter how it comes out, remember that next year's assessment is a whole new ball game. Whether you won or lost, the whole process starts all over again next year.

The above is general information and not legal advice. For legal advice on your specific situation, consult an attorney. Ron Heller is an attorney with the Torkildson Katz firm in Honolulu.

HAWAII PRACTICES FOR SALE

Gross revenues shown: Island of Kauai CPA-\$785K, acctng (46%), tax (39%), payroll (12%); Honolulu Tax & Acctng Practice - \$345K, 73% tax, 27% bookkeeping. For more information, please call 1-800-397-0249 or to see listing details and register for free email updates visit www.APS.net.

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Human Capital Management Trends – A Four-Part Series

By Stephen Thomas and Jessica Reisig of ADP



PART TWO: LABOR MARKETS ARE TIGHTENING

Hawaii has experienced it for a while... “the brain drain”, “the war for talent”, and other catchy phrases to describe the challenge employers face as they try to attract and retain top talent in a limited labor pool.

Welcome to Part Two of the Four Part Series on Human Capital Management Trends. If you missed Part One, check back on HSCPA's website for the [KALA Magazine](#) November Edition where we explored why ‘Business Is Changing Rapidly’. This series is designed to take you through four major themes that are trending in human capital management, with the goal to get your wheels turning on how you embrace this within your own organization, as well as, equip your clients with the information to do the same.

At ADP, we've seen our fair share of change over the last 70 years of existence. We've also recognized, given our long history and set of data points, that we can embrace research to help under-

stand trends and serve our clients.

Thus, we developed the ADP Research Institute. Our unmatched expertise on today's workforce and talent management affords us a refined data set to cut through the endless flow of information surrounding the world of work. Our reach extends to some of the brightest minds in the world to ensure we always provide timely, relevant and actionable data that business owners, industry experts, and policymakers can turn to. Today, we'll dive into the data and challenges of a tightening labor market.

Bottom Line Up Front

Job openings are at an all-time high, exceeding job hires for the first time. Yet, unemployment is at an all-time low, creating a shrinking labor pool. The workforce participation rate has been declining over the last seven years. And ultimately there are fewer available recruits with recent or required work experience. This combination poses a very real question to employers:

How will they attract and retain talent in an environment where employees have all the leverage?

Since 2009, the US has added 8 million new jobs above pre-recession levels, totaling roughly 145.3 million jobs.

Over the last 10 years in Hawaii, job count has grown by 27,800. The 2017 total of 652,700 jobs continued to set a new high for the fourth year in a row.

Unemployment

The national unemployment rate as of June 2018 was 4%, down from 9.5% in 2016.

Hawaii, currently maintains the lowest unemployment rate in the country at 2.1% in June 2018. That's down from 7.3% in 2016.

Workforce Participation

Adding up the above statistics already creates enough tension in the labor market, but to amplify the challenge, 3.5% fewer Americans (ages 16 and older) are looking for work. This is where we take a deeper dive.

Why Are Workers Leaving the Workforce?

Two likely explanations emerge while trying to answer this question.

The first is a structural change, which is a change that cannot be controlled and perhaps only happens once. An example is the feminist movement in the 60's, which caused a huge spike in workforce participation rate, but ultimately will never happen again.

The second is a cyclical change, which is a condition that through legislation can be controlled. An example is when the recession hit, legislation was used to energize the labor market.



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Research suggests that the reason workers are leaving the workforce is structural and here is why:

- Baby Boomers, who make up the largest portion of the workforce, are retiring at the rate of 10,000 per day. When they leave, they are not coming back. No government legislation can stop them
- Those ranging from 16-24 years old aren't entering the workforce and instead are opting to stay in school longer in lieu of hourly jobs.
- There is also a decline in participation among 25-54 year olds, which is a bit more troubling, but can potentially be attributed to this group earning income through pseudo-employment (read about the gig economy in Part One).

What causes even more challenge is that as these Baby Boomers exit, they take with them years of experience and

knowledge, leaving vacancies in senior-level, executive positions. While the Gen X population certainly has the skills to fill these roles, quite frankly there are not enough people to fill all the spots. This makes the recruitment battle vicious amongst employers to attract this experienced talent.

And if they can't attract or retain the talent?

The employer's option is to pre-maturely develop and recruit Millennials into these leadership positions.

The trouble with that?

The demands of Millennials are vastly different than what employers have experienced before. Many Millennials don't want leadership positions, some are opting to participate in the gig economy, and several will switch jobs within 1-2 years if

their needs aren't met.

As employers are challenged with an all-time high number of job openings, record low unemployment, a decline in workforce participation, and no legislative mechanism to help solve, they find themselves in a unique position to understand the workforce demands of their employees.

This series is put together in part by Jessica Reisig, ADP Hawaii Sales Executive, Stephen Thomas, ADP Hawaii District Manager, ADP Research Institute and other notated studies. If your firm is interested in learning more, Jessica and Stephen are available for on-sight discussions, events for your firm, or co-hosted events for your clients. Please contact them directly at Jessica.Reisig@adp.com or Stephen.Thomas@adp.com.



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Simplify Your Life BEFORE Peak Season

By Hugh Duffy



You don't want to wait until you're in the thick of tax season to think about how you can simplify. You want to be prepared ahead of time and take the time to simplify your life to improve your productivity and provide some peace of mind.

If you want to reduce the stress in your life, you need to simplify your office environment AND home life. Yes, simplify both worlds for peak performance.

How to Simplify Your Office Life

- **Process all of your clients the same way each time** - A really good business uses a "cookie cutter approach" for processing clients and executes flawlessly. While this might sound impersonal, you cannot customize things for each and every client. Yes, some will get small portions that are customized for their particular situation, but most get a standard, one size fits all production process. As Henry Ford used to say, they can have any color they want as long as it's black.
- **Plan your day the night before** - Your day should be planned the night before. This eliminates wasted time in the morning used to prepare your day.
- **Declutter your space** - Get rid of stuff that's sitting around your office. File it, approve it, or shred it.
- **Learn to pass on clients that do not meet your minimum expectations** - Just say no to clients that do not fit your practice. They multiply like bunnies after you let them in.
- **Don't sacrifice your hiring standards** - A bad hire can make your entire office miserable. Pay at, or above, the market and treat proven employees well. And pick up a copy of the book written by Robert Sutton titled, "The No Asshole Rule." He's a Stanford professor that illustrates the importance.

- **Delegate more** - Delegate more of the work on your plate onto your staff. More than likely, they can handle more than you think.
- **Stop wasting time on small tasks to save money** - Start spending money to save time. Time is your most precious resource, especially during busy season.
- **There's no such thing as perfection** - While we all strive to do our very best, we need to make a conscious choice about doing what's "good enough." That's right, move towards doing things that are fundamentally right rather than perfect.

How to Simplify Your Home Life

- **Let go of an activity or commitment** - Step back and look at all of your commitments in your life. Let one go that is consuming too much time and not critical to your life.
- **Turn off the TV** - We all waste too much time in front of the tube. Establish a budget of how many hours per week is acceptable and stay beneath the hourly amount. This will free up time to do much more important stuff in your life. You will feel relieved and get more done.
- **Learn to say NO** - Learn to say no, especially during busy season.
- **Get rid of stuff** - Stop collecting stuff along the way. If you haven't worn it in a year, toss it or donate it. If it's broken and hasn't been repaired by now, pitch it or get it fixed this weekend.

2018 CPA-SEA Leadership Conference and AICPA Fall Council Meeting



HSCPA President-elect Ed Nakano, AICPA Chair-elect Tracey Golden, HSCPA Executive Director Kathy Castillo, AICPA President & CEO Barry Melancon



- **Cancel a couple subscriptions** - If some magazines are not getting read, do not renew them. If your regular phone line at home is not necessary because you have a cell phone with decent reception, cancel it.
 - **Do something spontaneous** - Do something that's out of character for yourself. It doesn't have to be an item on the "bucket" list but should be a treat for someone close to you. Put some extra thought into it so it's memorable.
 - **Schedule a vacation** - Make the commitment now to schedule that vacation. Delegate if need be but commit now.
 - **Live beneath your means** - If you want to achieve economic independence, learn to live beneath your means. Reduce your credit card debt and avoid buying a new car. Remember that most of America's self-made millionaires are frugal.
 - **Go to bed early** - The vast majority of adults do not get enough sleep each night. Make a plan to hit the hay at the same time each night and get up early each day. You'll be surprised how much better you'll feel by getting a quick start to each day.
- Stop working so hard to make a living and start to savor life's precious moments. It's not as hard as you think.

Hugh Duffy is the Co-Founder and Chief Marketing Officer of Build Your Firm, a website development and marketing company for accounting firms. With more than 30 years of marketing experience, he has been coaching accountants on how to improve their marketing and make more money from their accounting practice since 2003. Hugh takes great pride in the impact his coaching has on the practices and lives of his clients.

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Growing the CPA Pipeline and Supporting

Thank you to all who participated in the 2018 Meet the Pros Accounting Mixer on November 8th at the Honolulu Country Club. Professionals from business & industry and public accounting were on hand to share their experiences with students from Chaminade, UH Manoa and UH West Oahu.

Congratulations to our CPA Exam Scholarship winners: Bryant Acoba (UH-WO), Caleb Davidson (UH-M), Antonio Garzon (UH-M) and Sung Jae Lee (UH-WO); and the winner of the Yaeger CPA Exam Review was Neil Blas from UH-M. We look forward to welcoming these future CPAs!



ing Accounting Talent

We were also treated to a presentation by Rusty Komori . . . author, coach, tennis pro, inspirational speaker – former Punahou varsity boys' tennis coach who lead his teams to 22 consecutive state championships. Rusty shared his Beyond the Lines insights in creating a superior culture of excellence, leadership and finding greatness – all of which are applicable in work, home and personal being.

Another BIG mahalo to our sponsors, prize donors and professionals who always make this event possible for Hawaii's Best & Brightest! Thank you also to the Y-CPA Squad and staff at Honolulu Country Club!



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TAX FOUNDATION OF HAWAII

Hawaii's Watchdog on Taxes & Government

By Tom Yamachika

Walden versus OHA's LLCs



About half a year ago, [we wrote about](#) some limited liability companies formed by our Office of Hawaiian Affairs (OHA). These companies received cash and property, including 1,600+ acres of land in Waimea Valley, from OHA. The question we raised at the time is whether the LLCs can credibly claim that they don't have to follow laws that apply to the rest of government, such as the open records laws.

Since then, a gentleman named Andrew Walden, who runs [Hawaii Free Press](#), decided he would strike a blow for public transparency and asked the LLC to fork over some records, like their check registers. The LLCs, predictably, told him to take a long walk off a short pier. So, he sued.

The LLCs said that they are all independent companies, and that they all had obtained 501(c)(3) tax-exempt status from the IRS. Yes, the LLCs are managed by the top people at OHA's executive team, but they do so as volunteers, they said. They pointed to a Hawaii Supreme Court case involving 'Olelo, the public broadcasting corporation that was formed by the Department of Commerce and Consumer Affairs, and argue very strongly that if 'Olelo is not considered a government unit for purposes of the open records laws, then the LLCs should

be considered independent of government as well.

When you look at the governing documents for the LLCs, however, independence from OHA is not what you see. The managers of each LLC are not individuals whom the LLCs can change as they see fit; they are the holders of specified management positions within OHA. The position, not the individual, is key. Thus, the managers of the LLC will always be OHA management, and will always be state employees. If there are any changes to be made in the governing documents, then the sole member of the LLC, which is either OHA or another LLC whose sole member is OHA, needs to sign off on the change. And then, let's not forget the ultimate power: for each LLC, only the sole member possesses the authority to terminate the LLC's existence. If an entity is terminated, its net assets (namely, what's left after the entity's debts are paid) are not distributed to random charities, but go up the chain to the member that had given the termination order.

Indeed, the aroma of government control is so thick that even the IRS ruled that one of the LLCs, specifically Hi'ilei Aloha LLC, was an arm or instrumentality of a government. IRS said, in effect, "Most tax-exempt organizations making a certain amount of gross receipts need to file annual tax returns, like the IRS Form

990, but government organizations like you don't have to file returns." If the IRS ruled that one of the LLCs is a government instrumentality, we argued in our friend of the court filing, all three of the LLCs should be regarded as such because they are similarly controlled.

A couple of days after the Foundation filed, the [Civil Beat Law Center](#) for the Public Interest, which has done an extensive amount of work relating to Hawaii's open records laws, jumped into the fray as well. The Center pointed out that there are huge differences between 'Olelo and the LLCs. 'Olelo, for example, is run by a 15-member independent board of directors while the LLCs are run by 3 managers all of whom are OHA managers and who are necessarily state employees. Now the matter is with the First Circuit Court in Honolulu. We will be reporting on case developments in this space.

Tom Yamachika is President of the Tax Foundation of Hawaii - the 'watchdog' that keeps an eye on Hawaii's taxes. Tom is also the owner of Aloha State Tax, a small law firm with emphasis on State taxes. Prior to going solo and the TFH, Tom was a principal with Accuity LLP where he managed the tax consulting practice, including quality and risk management and practice development.

ALA MOANA BEACH CLEANUP

Give Back Day at Ala Moana Beach Park

Over 50 professionals and students volunteered several hours on Saturday, October 27th for the Y-CPAs' annual beach clean-up. It was a beautiful morning – glad we live in Hawaii – and what ended up to be a pretty clean beach park. The teams returned with barely-filled trash bags and the winner of our Gimme Gimme trash game was Team Jaws who tallied the highest score, including their most unique item found – two cellphones. Thank you to our dedicated Y-CPAs for continuing this annual service project and to the accounting students at HPU, UH Manoa and UH West Oahu!





Norman's Book Review

"Best of The **BEST** Hawaii Recipes"

by Jean Watanabe Hee

Since I've never reviewed a cookbook before, I thought December's KALA would be a great time to do one, just in time for the holidays! It could make a great stocking stuffer and/or source for a winner recipe for the family or office holiday potluck. Being a CPA, I decided on a process to select the right cookbook for all of you. I went to Sam's Club and picked out five local cookbooks that caught my eye. I then consulted with HSCPA Executive Director and Top Chef Kathy Castillo to get her book recommendation. She



made a main dish from the cookbook for the November Executive Committee meeting to taste test, and a dessert for the November Board Meeting. If both meetings gave the dishes a "thumbs up," I was going to review the book. As a bonus, another Top Chef, my wife, made a soup for my office to taste test! As you can tell from the pictures below, everyone liked the dishes!!!

About the Author



Jean Watanabe Hee was born in Hilo, raised in Amaulu Camp 1, and graduated from Hilo High, class of 1957. "She is a retired elementary school teacher who taught at different schools in Hawaii for 34 years. Her last 13 years of teaching was at Aikahi Elementary School in Kailua, where she taught kindergarten. She and her husband Don reside in Kaneohe, and have two daughters and two granddaughters."

About the Book

The author has written seven other books, "Hawaii's Best Mochi Recipes, Hawaii's Best Local Desserts, Hawaii's Best Local Dishes, Hawaii's Best Pupu & Potluck, Tastes & Flavors of Mochi, Hawaii's Best Salads, Sides & Soups, and Little Hawaiian Cookbook."

This cookbook is special because it includes the author's favorite dishes from the five "Hawaii's Best" cookbooks listed

above, with a few new recipes added in. You know the book has been a hit because after its first publication in 2007, it was on its ninth printing in 2016!

What I Liked About the Book

It contains recipes for 19 pupus, 13 salads, 12 sides, 16 soups, 54 main dishes, and 51 desserts. I got hungry whenever I looked through the book, as the recipes seemed like the "All Stars" of local dishes. The recipes were relatively easy to follow and replicate, the book had some color pictures of dishes, and there was commentary from the author on many recipes regarding preparation tips, source of recipes and background information on the people who gave her recipes. The recipes were also simple enough that you could adjust the recipes to your preference and make the dishes that much better! The book "oozed" local style of doing things, which made the book that much more enjoyable to read.

Leaving A Legacy

After reading through the book, re-searching the author, seeing how people would share favorite recipes and how





My Administrative Staff at the credit union were the taste testers of my wife's Portuguese Bean Soup. They all loved it and proclaimed it "broke da mouth!"

people brought joy to others by cooking these dishes, it's clear the author has left a lasting legacy not only to her family, but to countless others. To the students she inspired in her 34 years of teaching and the thousands who bought her cookbooks and made her recipes for their own families and gatherings, she has made a difference in so many people's lives. She has made Hawaii a better place to live, work and eat! Thank you, Jean!!!

Holiday Message

As we spend time with family and friends during this holiday season and give thanks for our many blessings, Jean Watanabe Hee has shown through her teaching career and cookbooks that there are many ways to make a positive difference in the world today. How will all of us make a difference in 2019 and beyond, and what will be our legacy when we look back on our career and life? Have a safe and joyous holiday season!!! CPAs Rock!!!



Recipe:

Miso Pork Roast (Yield: 4 – 6 servings)

The main dish Kathy Castillo made for the Executive Committee was Miso Pork Roast. It was sooooo good! Be forewarned, however, you will probably eat more rice with this dish than normal because the sauce is very tasty with rice. The author got the recipe from Jennie Lee, who often made this dish for her Puamana Hula Studio girls. The recipe is shown below...Yum!!!

4 to 5 pounds pork butt
2 Tablespoons oil

Sauce:

½ cup sugar
½ cup miso
½ cup soy sauce
¼ cup sake
2 cloves garlic, crushed
1-inch fresh ginger, grated

Combine sauce ingredients; set aside. Heat oil in pot and brown pork all over. Pour sauce over pork. Cover and simmer 3 to 4 hours. Turn over once to prevent sticking. Baste with sauce occasionally.



Chocolate Delight (Yield: 24 - 30 servings)

The dessert Kathy made for the Board was Chocolate Delight. Everyone polished off their serving quickly and as you can tell from the picture, everyone was happy! The recipe yields 24 – 30 servings, perfect for a holiday potluck.

Crust:

1-1/2 cups flour
¾ cup butter or margarine (1-1/2 blocks)
½ cup walnuts or macadamia nuts, chopped

Blend flour and butter with pastry blender. Mix in nuts. Press lightly into 9 x 13 pan. Bake at 425°F for 10 minutes. Cool.

First Layer:

1 package cream cheese (8-oz.)
1 cup powdered sugar
½ container Cool Whip®
(half of 12-oz. container)

Beat cream cheese and sugar; mix in Cool Whip® and pour onto cooled crust.

Second Layer:

3 boxes instant chocolate pudding (3-oz. each)
4-1/2 cups cold milk

Combine chocolate pudding and milk, and beat with wire whisk or electric mixer on lowest speed until thick. Pour over first layer.

Topping:

½ container Cool Whip®

Top with other half of Cool Whip®. Refrigerate for several hours to set before serving.

Variation for the second layer, substitute 3 cups milk, 2 boxes of coffee instant-pudding mix, and 1 teaspoon vanilla.



withtheschickadees.blogspot.com

recipe:

Portuguese Bean Soup (Yield: 8 – 10 servings)

My wife knows one of my favorite soups is Portuguese Bean Soup, so I was really happy when she decided to try the recipe. As the author noted in her book, "this is my all-time favorite Portuguese Bean Soup. It is so delicious! You can prepare this a day or two ahead and just heat it up for a quick meal."

1 to 2 pounds ham shank
(or ham hock)
3 cans chicken broth (14.5-oz. each)
2 cans kidney beans (15-oz. each)
2 cans tomato sauce (8-oz. each)
1 clove garlic, crushed
1 teaspoon pepper or less
1 medium onion, chopped

4 potatoes, cubed into
1-1/2-inch pieces
4 carrots, cut into 1-1/2-inch pieces
1 Portuguese sausage (10-oz.),
cut into ½-inch slices
1 bay leaf
1 small head cabbage

In a very large pot, cover ham shank with chicken broth. Add enough water to cover and boil until tender (about 2 hours). Skim off fat while cooking. Add rest of ingredients* and cook until tender. Continue to skim off fat.

*Add potatoes 15 minutes after carrots.

CPA FIRM MICROCOMPUTER TECHNOLOGY

By Joy Takaesu of The CPA Collective



It was fun seeing some HSCPA members at the 2018 Hawaii Technology Conference! Among other topics, K2

Enterprises spoke about a number of new protocols to be aware of. Here are a few developments to keep an eye on in 2019 and beyond:

WPA3

The Wi-Fi Alliance has updated its Wi-Fi Protected Access standard to WPA3 to address security issues in the existing

WPA2 protocol. WPA2 is currently being used in routers to protect Wi-Fi traffic and to prevent unauthorized devices from connecting to the network. WPA3 is more secure in the way it handles device authentication, and the way it protects your data from potential eavesdroppers. Unlike WPA2, WPA3 is resistant to offline brute force password-guessing techniques. And unlike WPA2, even if the Wi-Fi password is somehow compromised, WPA3 prevents attackers from decrypting older traffic data.

working on updating their hardware, so if you are considering replacing a router but don't need one right away, it may make sense to wait until you can find one that supports both WPA3 and Wi-Fi 6 (802.11ax). In the meantime, for those still using older routers, the recommendation is to use a very long, strong password.

5G

The new 5G cellular mobile standard features faster speeds, but requires more infrastructure. Once implemented, 5G will allow for greater speed (up to 20 gigabits per second), lower latency, and higher capacity. 5G uses high-frequency wavelengths that cover shorter distances compared to the existing 4G system, so carriers will need install more antennas to cover the same area. 5G signals also have trouble penetrating walls, so carriers may need to add equipment indoors in order to get coverage.




Wi-Fi 6 / 802.11ax

The Wi-Fi Alliance is also introducing a new generation of Wi-Fi, along with a new naming scheme. The newest generation "Wi-Fi 6" will be used to identify devices that support Wi-Fi - 802.11ax technology. Older Wi-Fi versions are retroactively being renamed, e.g. 802.11ac will also be known as Wi-Fi 5. Wi-Fi 6 features lower battery usage, faster speeds, increased capacity, and optimization for crowded environments.

These newer standards are geared toward supporting the ever-increasing number of devices and interconnected "Internet of Things." It may take years for these standards to see widespread adoption, but as always, with new technologies will come new security issues that still remain to be seen.

If you have any questions or comments, please call me at (808) 837-2517, or send e-mail to jtakaesu@thecpacollective.com.

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The Importance of Networking from a Self-Proclaimed Introvert

By Erin Cheever of Boomer Consulting, Inc.



As a self-proclaimed introvert, networking has never been my strong suit. But in our profession – or any profession - networking is critical for professional growth and success. Without networking, we miss out on crucial opportunities for advice, connection, mentorship and sponsorship.

As the common core of Boomer Consulting communities, networking has proven its importance and ability to accelerate a firm or individual to the next level. As we approach our Boomer Technology Circle Fall Meetings, I thought I would share, from my experience, the reasons networking is such an important tactic in the accounting profession today.

Building Relationships

Relationships are important! Whether personal or professional, we all need the connections that networking creates for us. It propels us to success. With the right people in your networking circle, you can create a trustworthy, dynamic group that wants to help each other succeed.

Networking is Internal and External

When it comes to sharing ideas and experiences, I benefit the most from realizing my networking can come from internal as well as external situations. At Boomer

Consulting, we network on a daily basis. Some might call it collaboration. It is the theory that ideas flow. People work together to help each other with problems and solutions. Relationships are built. Discoveries are made.

Networking is Not About Selling

What is networking not? Selling. A large part of my realization about the benefits of networking was getting past the fact that it is not selling and it is not all about business. My background is not in the accounting profession, so I was often intimidated about talking to accounting professionals about those topics or ideas. But by looking at the conversation as a way to create a relationship and get to know an individual on a personal basis it became easier and more natural. I took selling out of the conversation, and it took the pressure away.

Stepping Outside Your Comfort Zone

Working at Boomer Consulting has given me more opportunities to network and I have learned that I can turn networking into a confidence building tool. Instead of networking being something that I fear, I now look forward to getting out of my comfort zone to meet new people. The more occasions I am placed in, the stronger I feel and the more benefit I get out of it. By thinking of networking as a

positive tool, it has helped me realize my potential for growth.

Follow Up

One of the most important aspects of networking for me is the follow up that occurs once you leave the meeting or conference. One can network to their heart's content in person, but after the meeting is over and everyone goes home, now what?

As part of my MasterMinds Pros Group for Project Managers, I have made it a habit after each meeting to send a follow-up email to thank everyone for a great meeting. This starts the conversation up again and allows people to comment back, get your updated contact information and opens the door for them to reach out if they want to chat. We also meet as a group quarterly to talk about things we have been doing or any new tools/software we have started using. The follow up afterward allows us to continue our conversations online. Beyond the face to face networking, our discussions never stop.

As the Director of Project Management for [Boomer Consulting, Inc.](#), Erin plans, organizes, secures and manages resources for the firm's many service and program areas, including providing assistance and constant communication with clients and sponsors and serving as an even liaison.



State of XBRL

By Adrian Hong



To find out how XBRL continues to change the landscape of financial reporting, I interviewed Louis Matherne, Chief of Taxonomy

Development at the Financial Accounting Standards Board (FASB). Louis Matherne is responsible for leading the FASB's Taxonomy team in the development and maintenance of the GAAP Financial Reporting Taxonomy (Taxonomy).

Who is currently using the XBRL data submitted by filers?

XBRL data use is widespread although many analysts and investors may not realize they are using XBRL tagged data. Traditional data aggregators are including XBRL tagged data from SEC registrants and other regulators (e.g., Japan) in their data sets but the data source is not always apparent.

The more interesting use comes from the new data aggregators. Calcbench, Idaciti, and Intrinio are three examples of this new breed of company publishing decision-useful information built on XBRL tagged data.

[Calcbench](#) supports comparative analysis using the XBRL tagged data and Excel plugin capabilities. They are also applying XBRL tagging to some earnings press releases from 8-Ks to meet market demand.

[Idaciti](#) provides an easy way to get at XBRL tagged data but with an innovative way to storyboard your analysis.

[The Intrinio platform](#) provides the SEC XBRL tagged data as US Company Fundamentals as well as many other data feeds.

The SEC continues to use the XBRL tagged data in their internal programs to provide staff with a broad range of analytical models that are topic and sector driven and can be applied to all filer financial statement disclosures.

The FASB also continues to use the XBRL tagged data to inform Board level deliberations through research on how companies are making certain disclosures to identify potential issues or to validate expectations. The FASB has completed over 170 research projects using the XBRL data in the last several years.

Is XBRL data quality improving?

As system's mature and preparer's understanding increases, data quality is improving both in terms of [fewer technical errors](#) and [lower extension rates](#). At the same time, there is a significant misperception that XBRL data quality is poor. When compared to existing data aggregators we observe:

Normalized data provided by data aggregators is reported to have omissions of more than 50% in the financial statements compared to the XBRL tagged data provided by the SEC

It has been observed that these accounting database differs from information provided in corporate financial filings

All financial data has some quality issues. Ask anyone that spends their day collecting and preparing data for analysis. Regardless of the data source, much of their time is spent scrubbing the data to address data quality issues. XBRL does not have the market cornered here. Of course, our

goal is for XBRL tagged data to be better than other sources and to be better on an as reported basis, so we continue to work with the SEC, and the XBRL US Data Quality Committee to help preparers.

What steps is the FASB taking to ensure the quality of XBRL data?

The FASB has taken several steps to help with data quality by improving how the Taxonomy is used including: Improving the Accounting Standards Codification (ASC) references to the Taxonomy so that preparers can more readily find the appropriate elements based on the reporting requirements. Publishing [Taxonomy Implementation Guides](#) (TIG) and Style Guides (28 to date) that explain how the taxonomy is expected to be used including Taxonomy Disclosure Templates that reflect this guidance in the Taxonomy.

Taxonomy Implementation Notes are included in the Taxonomy on elements to assist with their intended use Various other structural enhancements designed to make it easier for preparers to find the most appropriate element and improvements to minimize inconsistencies or the need for extensions.

One of the FASB's strategically important, but possible less noticed, improvement is moving to a concurrent exposure process for proposed Taxonomy improvements and proposed Accounting Standards Updates (ASU). This allows Taxonomy development to more effectively align with the accounting standard setting process as they are now on common timelines. The Taxonomy

staff reviews the proposed changes and gets questions answered by the Board and staff concurrent with their deliberations instead of after the fact. Moreover, the Taxonomy staff is much better positioned from a timing perspective to provide input into the reporting requirements. For the preparer, they can now evaluate and provide feedback on the tagging and modeling requirements when they are evaluating the reporting requirements for the new ASU.

Where is XBRL headed in the future?

The next big thing for XBRL is right around the corner with the adoption of Inline XBRL by the SEC. The SEC adopted Inline XBRL for tagged data, effective September 17, 2018. Operating companies are required, on a phased in basis, to submit their financial statements in the Inline XBRL format. Phase-in begins for Large Accelerated Filers with fiscal periods ending on or after June 15, 2019 and completing with smaller filers in 2021.

Inline XBRL is a reporting format that includes the XBRL tagged financial statements with the HTML presentation in a single filing. It looks very much like a web-based HTML report but with highlighting of the tagged facts and the ability to search on the filing in a more structured manner. The SEC has provided an excellent overview of Inline XBRL with a video that walks you through its [basic functions](#).

The adoption of Inline XBRL is expected to improve the data's usefulness, timeliness, and quality, benefiting investors, other market participants, and other data users, while decreasing, over time, the cost of preparing the data for submission to the SEC.

Globally, XBRL use continues its expansion. It has been in use in many countries for several years; across Asia, the Netherlands, the UK, and many other parts of Europe. An important recent development is the European Single Electronic Format (ESEF) as established by the European Securities and Market Authority (ESMA) requiring issuers on EU regulated markets to prepare their annual financial reports using Inline XBRL, starting on January 1, 2020.



Upcoming Events

December 5

[Compilations, Reviews and New Preparations: Engagement Performance and Annual Update](#)

December 6

[Yellow Book Qualification and Latest Developments in Government and Nonprofit Accounting](#)

December 10 KAUAI

[Selected Topics in Individual Tax](#)

December 11

[Year 2018 Tax Update](#)

December 12-13 2-DAY EVENT

[Individual Tax Workshop – Advanced](#)



Congratulations and Aloha, Warren Wee!

On October 16, Dr. Warren Wee, CPA, CGMA, was honored at the annual Hawaii Pacific University's Trustees Dinner along with Tulsi Gabbard, an HPU graduate. This was the first time in HPU's history that a faculty member was honored at this dinner. Dr. Wee retired from HPU in June of 2018 after more than 30 years of dedicated service. It was no surprise that professors, students, faculty and colleagues came forward to pay tribute to Dr. Wee for his giving spirit and wonderful friendship!



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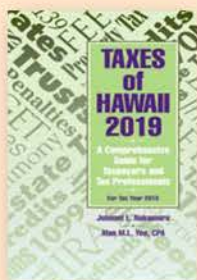
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2019 RIA Federal Tax Handbook – \$65.00 / \$85.00

Designed to provide quick and easy access to critical tax questions, the RIA Federal Tax Handbook offers comprehensive, insightful guidance on federal tax law, including the latest regulations, rulings, and revenue procedures as well as precise explanations about changes that could impact your business or your clients.



2019 Taxes of Hawaii – NOT YET AVAILABLE

Hawaii's only comprehensive tax-season tool! Updated annual publication with all the new state tax laws and court decisions. An invaluable reference used by Island and mainland CPAs, tax preparers and bookkeepers, as well as attorneys, small businesses, individual taxpayers and students. Includes income tax rate tables, specimen tax forms and vital information on income. General Excise, use, estate, property, unemployment, transient accommodations and other taxes.

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