

BUILDING BLOCKS

CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION
HONOLULU CHAPTER



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IMPORTANT DATES

OCTOBER 30, 2013
CFMA LUNCH
DANIEL A. GRABAUSKAS
CONSTRUCTION UPDATE: RAIL
TRANSIT SYSTEM
(HONOLULU COUNTRY CLUB)

NOVEMBER 15, 2013
BASICS OF CONSTRUCTION
ACCOUNTING CLASS
(GCA OF HAWAII)

PRESIDENT'S MESSAGE

NEILL CHAR

Aloha CFMA Members!

For this edition, I'd like to focus on sharing some news briefs.

MEMBERSHIP

First, congratulations to CFMA Board members, Wes and Craig who both celebrated the birth of their second sons. Wes and his wife, Keiko celebrated the birth of Phoenix on October 1st. Yes with older son Falcon, they have a pair of boys named after birds of prey. Maybe Wes should change his name to Hawk. Craig and his wife, Tisha also recently celebrated the birth of their second son, Khyan. Their first son's name is Ryhse, so Craig does not need to change his name.

I'd also like to welcome our newest members: Lawrence Ono from Ono & Chen CPAs, LLC, Scott Choi, CFO from Honsador Holding LLC and Dean Sugimoto, CFO from Armstrong Builders LLC. My 2013 challenge to the Board was to recruit at least one new member to CFMA. Thank you Wes for referring Larry.



CFMA NATIONAL

On broader note, CFMA National continues to evolve. This is good! Under President Stuart Binstock, I've seen a number of positive changes being made. Recently Stuart restructured the organizational reporting lines and job responsibilities of his key leadership team. Ultimately it looks like there will be a better delineation of responsibilities and more transparency. I've asked member Lisa Vandergriff who keeps ties with the National board to share more details in the coming months. In addition I've seen a slew of continuing education opportunities being sent out to our membership. Please take advantage of this. Lastly National has also improved its website and this is also trickling down to the local chapters. Our local site is undergoing new "construction" too. Check out the new pictures from job sites at <http://cafe.cfma.org/HonoluluHI/Home/>. If you'd like your company's projects shared, please email a few pictures and a description of work to board member, Brad Char at bchar@redhammer.it. Our next task is to revise our "Goals" and "To Do List".

LEGISLATIVE NEWS

Have you heard about Act 249 on Lactation? Yes, this is no joke. The Act was just signed into law on July 1st and requires employers to provide a private place (other than a bathroom) and the time for mothers in the first year of their child's birth, to express breast milk. The law also requires employers to post a notice about nursing mother's rights. Employers who fail to comply with this law may be sued in an appropriate court and be subject to a civil fine of \$500 a day for violations. In addition, employers may be liable for damages to the employee or employees who bring the private right of action in court. To read more, go to <http://www.capitol.hawaii.gov/session2013/bills/GM1352.PDF>.

Is anyone or everyone confused about the Affordable Care Act? The Act became effective on October 1st and requires most Americans to have health insurance in 2014 or face tax penalties. Of course that means everyone has to file tax returns and pay taxes in order to be penalized. Hmm, think about that; I foresee some challenges policing this. Furthermore based on the professionals that I've spoken to, they anticipate that businesses with an "older" work force will be impacted with higher rates since those more likely to need healthcare are higher. The rough estimate based on what's legally permissible is that for "older" employees it may cost about 3 times the amount of your lowest cost employee. Be prepared because this could impact your 2014 budgets. Check out <http://www.hawaiihealthconnector.com> or call 1-877-628-5076 for more information. Executive Director, Carol Andrews expects the website to be fully operational by October 15.

Lastly I would like to encourage all of you to get more involved with CFMA. We have an interesting lunch seminar coming up on Wednesday, October 30th at 11:30 AM at Honolulu Country Club. Executive Director, Dan Grabauskas and Chairwoman, Carrie Okinaga will provide us with the latest updates on the Honolulu Authority for Rapid Transportation. I hope to see you there!



HOKUA SUSHI SOCIAL

Fellow CFMA members joined together on August 9, 2013 at the Hokua Condominiums – Ocean Terrace for some relief from the hot and muggy weather this summer. Members enjoyed a demonstration of the Art of Fish Cutting and Sushi Making by our friends at Fresh Island Fish Company while enjoying heavy pupus from Tango Café and wine selections from CFMA's own wine connoisseurs! The fresh-off-the-cutting-board fish was then served as Sashimi and Sushi. Following the demonstration, members indulged in Sake tasting and while listening to a Sake 101 presentation by Malcolm Leung from The Sake Shop.

The evening was topped off with Hilton Fireworks from one of the best viewing spots in town! CFMA would like to thank Kevin Higa from Super Sushi for the sushi and fish cutting demonstration, Denise Fernandez for supplying the Ahi, and Ronald Chang from First Hawaiian Bank and the Staff and Management at the Hokua Condominiums for providing a terrific venue for this event. Thanks also to the CFMA member volunteers who helped with this event and a special shout out to CFMA member Wade Kodama for coming early to help setup for the evening!



HAWAII ARMY NATIONAL GUARD READINESS CENTER JOBSITE VISIT



On Wednesday, July 31, 2013, several of us made the trek out to the west side to do a jobsite visit to the Hawaii Army National Guard's 29th Infantry Brigades Combat Team's Readiness Center project site. We all came away impressed on how the various precast concrete components that we saw being manufactured during our GPRM Prestress tour were pieced together at the site to form the structure.

Stephen Mueller, Project Manager of the general contractor, Dawson Technical, LLC, was very accommodating to our group and led us on the tour around the site. Stephen told us that Dawson Technical is a Native Hawaiian 8(a) small business entity and that this federally funded project is a set aside project for 8(a) firms. As the size of this project was quite large (approx. \$31M), Dawson "partnered" with Hawaiian Dredging Construction Company (the lead subcontractor) on this project.

It was quite impressive to see the "raw" structure in place. Precast concrete columns, beams, wall panels (many with architectural finishes), various floor planks and tees, were just a few of the various types of precast concrete pieces that made up the structure. As we purposely scheduled this tour early in the construction process, we were clearly able to see how the various pieces were connected with one another. The sheer size of the wall panels was astounding – some topped the scale at over 52,000 pounds each! Stephen mentioned that he was pleasantly surprised to see how rapidly the building was taking shape due to the use of precast concrete components. He mentioned that they should be done with this project in February of 2014 (about four months ahead of the scheduled completion date!).

After the tour, we proceeded to do an after tour debriefing at Outback Steakhouse in Kapolei. We all agreed that we learned a great deal about the use of precast concrete components in building construction. We further agreed that Dawson Technical, along with their lead subcontractor, Hawaiian Dredging Construction Company, was doing excellent work in keeping their site clean. Stephen was proud of the fact that they have experienced zero accidents and no occurrences to date, which in part is attributable to a very clean work site. CFMA was like to express our gratitude to Stephen Mueller for graciously taking us on a tour of their jobsite.



COMPUTER GENERATED RENDERING OF THE COMPLETED
HAWAII ARMY NATIONAL GUARD'S 29TH INFANTRY
BRIGADES COMBAT TEAM'S READINESS CENTER



CHEERS!

CFMA GOLF TOURNAMENT

FORE! Ewa Beach Golf Club is once again breathing a sigh of relief for surviving some of Hawaii's most honorable golfers and "golfers". CFMA Hawaii Chapter held its annual golf tournament on September 6, 2013 and everyone had a great time out. Players enjoyed the boutique nature of the CFMA tournament because the small size allowed members and guests to catch up with old friends and forge new relationships without taking up an entire day. The weather cooperated from a golf standpoint because winds were low, but players arrived back in the clubhouse pretty flushed and in need of cold beverages. Food was plentiful with special thanks to King and Neel for donating the bento boxes and to Ewa Beach Golf Club for their wonderful hospitality and cooking for our 19th hole pau hana. Thanks to the generosity of all the CFMA members and guests who donated goodies, prizes were awarded to ALL players young and old, experienced and not so experienced because everyone wins with CFMA Hawaii! Many thanks to Lisa Konno (Atlas Insurance) and Shannon Gascon (Haseko) for (wo)manning the Check-In Table and to all the other members who contributed their time to making this a successful tournament. See you next year and keep practicing those beautiful swings!





WELCOME NEW MEMBERS!

SCOTT A. CHOI

Honsador Holding LLC

DEAN SUGIMOTO

Armstrong Builders LLC

LARRY ONO

Ono & Chen CPAs, LLC

TAX ALERT

PREPARED BY PKF PACIFIC HAWAII



FINAL REGULATIONS CLARIFYING MEALS AND ENTERTAINMENT DEDUCTION LIMIT IN REIMBURSEMENT ARRANGEMENTS

The Internal Revenue Service ("IRS") has issued final regulations with respect to the exception to the meal and entertainment ("M&E") expense deduction paid or incurred under a reimbursement arrangement.

The final regulations affect taxpayers who pay or receive advances, allowances, or reimbursements under such arrangements. The final regulations are effective for expenses paid or incurred in tax years beginning after August 1, 2013.

BACKGROUND

Under Internal Revenue Code ("IRC") Section 274(n)(1), M&E expense deduction is generally subject to a 50% limit.

The final regulations clarify how the deduction limitations apply to an arrangement between a payor and an employee, with a payor being an employer, an agent of the employer, or a third party. The regulations are not limited to employers but encompass any party that reimburses an employee's expenses under an arrangement.

FINAL REGULATIONS

How is a reimbursement arrangement defined?

The final regulations define a "reimbursement or other expense allowance arrangement" involving employees as an arrangement under which an employee receives an advance, allowance, or reimbursement from a payor for expenses incurred by the employee. The payor can be an employer, its agent, or a third party.

A reimbursement or other expense allowance arrangement involving individuals that are not employees would be an arrangement under which an independent contractor receives an advance, allowance, or reimbursement from a client or customer for expenses incurred in the performance of services if: (1) a written agreement expressly stated that the client or customer will reimburse the independent contractor for expenses subject to the deduction limitations under Regulations Section 1.274-2(a) through (e) and IRC Section 274(n)(1); or (2) a written agreement between the parties identified the party that is subject to those limitations.

WHO IS SUBJECT TO THE 50% DEDUCTION LIMITS?

In general, the taxpayer who receives an accounting and ultimately bears the expense is subject to the 50% limitations.

If an employee is reimbursed by the employer and the employer does not treat the reimbursement as taxable wages to the employee, the employee will not deduct any expense. The employer who bears the expense will deduct the M&E expense and is subject to the deduction limits.

On the other hand, if the employer treats the reimbursement as compensation and wages, the employee may be able to deduct the expense as an employee business expense. The employee bears the expense and is subject to the deduction limits.

For an arrangement involving a nonemployee, such as an independent contractor and client or customer, the parties may expressly identify who is subject to the limitations. If no identification is made, the limitations apply to the client if the independent contractor substantiates the expenses, and to the contractor if he or she does not substantiate the expenses.

Multiple-party reimbursement arrangements are separately analyzed as a series of two-party reimbursement arrangements. Consider an arrangement in which (1) an employee pays or incurs an expense subject to the limitation; (2) the employee is reimbursed for that expense by another party (the initial payor); and (3) a third party reimburses the initial payor's payment to the employee. Such an arrangement is analyzed as two two-party reimbursement arrangements: one arrangement between the employee and the initial payor, and another arrangement between the initial payor and the third party. Various examples in the final regulations illustrate that the limitations generally apply to the party that receives an accounting under an expense reimbursement arrangement meeting the requirements of IRC Section 274 and that ultimately bears the expense.

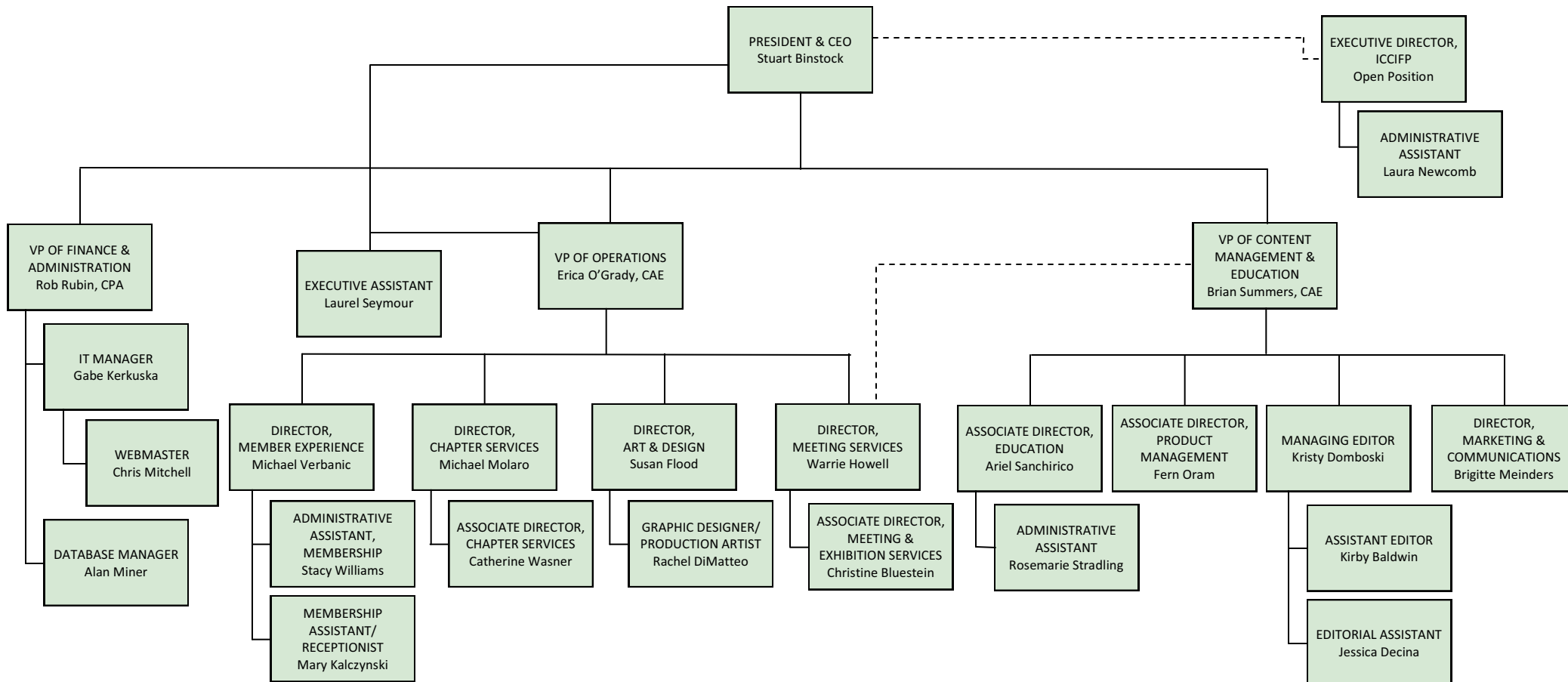
For example, if there is a reimbursement arrangement between an employee and his employer, and a separate reimbursement arrangement between the employer and a client, the client will be subject to the limitation if the employee provides the substantiation to the employer who then provides the substantiation to the client. On the other hand, if there is no reimbursement arrangement between the employer and the client within the meaning of IRC Section 274, then the employer is subject to the limitation even if the employer accounts to the client for the expense.



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CFMA'S ORGANIZATION CHART 2013-2014





CFMA's Honolulu Hawaii Chapter

Presents

The BASICS of CONSTRUCTION ACCOUNTING Workshop

For people with an understanding of accounting who want to learn more about:

- ➔ Construction Accounting Processes
 - ➔ Construction Cost Management Systems
 - ➔ Cost Report & Financial Statement Analysis
 - ➔ What's Expected of Construction Financial Managers
- Attendees earn 8 CPE credits in the field of Accounting.*

FRIDAY, NOVEMBER 15, 2013

WORKSHOP LOCATION

General Contractors Association Meeting Room
1065 Ahua Street
Honolulu, Hawaii 96819

Registration: 7:30 am – 8:00 am

Workshop Program: 8:00 am – 5:00 pm

Lunch Included: 12:00 pm – 1:00 pm

Presenters:

Carleton Williams, CPA – CW Associates, CPAs
Robert Hatanaka, CPA – CW Associates, CPAs

Upon completing this one-day workshop, you will be able to:

- Explain the core points of revenue recognition
- Discuss the importance of a job cost system
- Calculate earned revenue
- Identify what a construction company expects from its financial manager.

“The Basics” begins with an overview of the construction industry, then moves from the contract life cycle to job costing issues to financial reporting concerns to issues and processes unique to the construction industry.

Along the way, you'll learn more about your role & responsibilities as your company's construction financial manager and receive the latest industry and benchmarking information to help you in your daily work.

“The Basics” is more than just a textbook lecture.

The workshop uses a sample contractor, a variety of problems & several exercises that allow you to evaluate real-life situations.

As a participant, you are encouraged to share your own perspectives and to trade “war stories” during the case studies and general discussion segments of the program. You'll come away with a deeper and broader understanding of construction accounting and financial management.

This is a Group-Live Course at the BASIC Level. No prerequisites or advanced preparation is required.

SPACE IS LIMITED – REGISTER TODAY!



The Basics of Construction Accounting Workshop

Friday, November 15, 2013
General Contractors Association
1065 Ahua Street, Meeting Room
Honolulu, Hawaii 96819



Registration Form

Name/Title: _____
Company Name: _____
Address: _____

Phone Number: _____ Fax Number: _____
E-Mail: _____

Name/Title: _____
Company Name: _____
Address: _____

Phone Number: _____ Fax Number: _____
E-Mail: _____

(If registering more than two attendees, please use additional paper)

REGISTRATION FEE

CFMA Members: \$225.00

Non-Members: \$275.00

_____ x \$225 = _____ x \$275 = _____

PAYMENT INFORMATION



Checks made payable to: **CFMA – Honolulu Chapter**

TOTAL ENCLOSED: _____

Return Registration with Check (made payable to: CFMA – Honolulu Chapter) to:

Carleton Williams
CW Associates, CPAs
700 Bishop Street, Suite 1040
Honolulu, Hawaii 96813

Phone: 808-531-1040 / e-mail: cwilliams@cwassociatescpas.com

Registration Deadline– October 25, 2013



The Construction Financial Management Association (CFMA) is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.learningmarket.org.

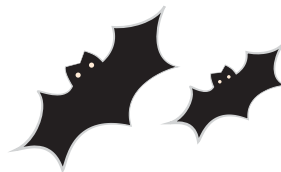
Refunds and Cancellations:

Requests for refunds must be received in writing by Carleton Williams at cwilliams@cwassociatescpas.com of the Honolulu Chapter no later than **Friday, October 25, 2013**. No refunds will be granted after **October 25 2013**. For more information regarding refund and program cancellation policies, or if you have other concerns please contact CFMA's National Office at 609-452-8000 extension 233 and ask for Roe Stradling.

Visit the Education Center at www.cfma.org for complete information about all of our educational courses.



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THE CONSTRUCTION FINANCIAL MANAGEMENT ASSOCIATION, HONOLULU CHAPTER

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