

# FORUM

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Houston CPA Society

**Tips for Lease Accounting Implementation**

**Mastering Your Time During Tax Time: Tips for  
Productivity and Personal Wellness**

**Getting Ready for Retirement**

**Best Practices Around Discovery in the  
Digital Age**

**Section 199A Qualified Business Income  
Passthrough Deduction**



# Message

## from the desk of \_\_\_\_\_



**Jennifer Poff, CAE**  
*Executive Director*

Did you make a New Year's Resolution? My New Year's Resolution was to focus on health and balance. A key piece that came out of our membership survey is that our members are facing work overload. This doesn't just impact the CPA profession. It is impacting all of us in some way.

While we face great success in most of what we do, it is a struggle for most of us to get up every morning, come home, cook dinner, spend time with our families and go to bed. It doesn't mean we don't enjoy and love what we do, we are genuinely expending more and more energy each day and need to figure out how to manage it better. I heard an interesting presentation from one of the morning news anchors on Good Morning America about using meditation to calm anxiety and relieve stress. As part of my resolution, I've added 5 minutes of meditation in the morning before I leave for work which seems to calm everything down before I head out the door.

I also make a mental note of good things that happen each day and to accept that I can't do everything in a single day. I wish you a year not only of health and balance but also a year of great success in all areas of your life. Here is what we have been working on for 2018:

- Tax Expo** – we had a sell out crowd. This is a huge success. Tax Reform changes continue to be an important part of our Tax offerings and we will be doing one more session on February 16th up in the Northwest Corner at Springhill Suites with Steve Tillinger. Sign up today as we expect this class to also sell out.

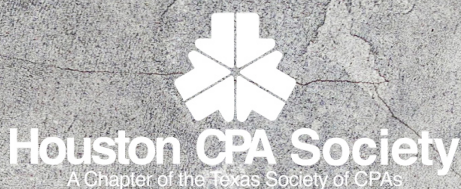
- Our Strategic Planning and Annual Business meetings** on January 24th were a success. We passed changes to our bylaws, elected our new leadership and heard about some of the initiatives both TSCPA and Houston have been working on.

- Our technology plan** is coming along. We plan to reveal a new database and website solution soon that will provide you with more personalized and streamlined member service.

- Our Scholarship Extravaganza**, honoring Bruce Harper, is coming along. This event supporting both our Scholarship program and CPAs Helping Schools allows us to provide funding to local area universities and schools to advance a student's education. For those who may not be able to attend the full event, we are doing a special After Hours party this year where you can come and still celebrate after the program with your fellow CPAs. Tickets for the entire event are \$175 and for After Hours only \$50. Make this your Valentine's celebration.

- Save the date for our upcoming conferences** – Financial Reporting Symposium (May 17); Spring Accounting Expo (May 21-22) and CPE by the Sea (June 13-15). We have some exciting new ideas at each of these events.

It is an exciting new time, a fresh start and we are looking forward with excitement for what 2018 has in store for the Houston CPA Society.



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# CLASSIFIEDS

## **SUBLEASE SPACE AVAILABLE:**

3 offices plus storage area available for a small CPA practice in the Greenway Plaza area. Also available if interested, a share of admin staff, conference rooms and copier.

Contact Jack Horn, 713-520-1986 ext.1

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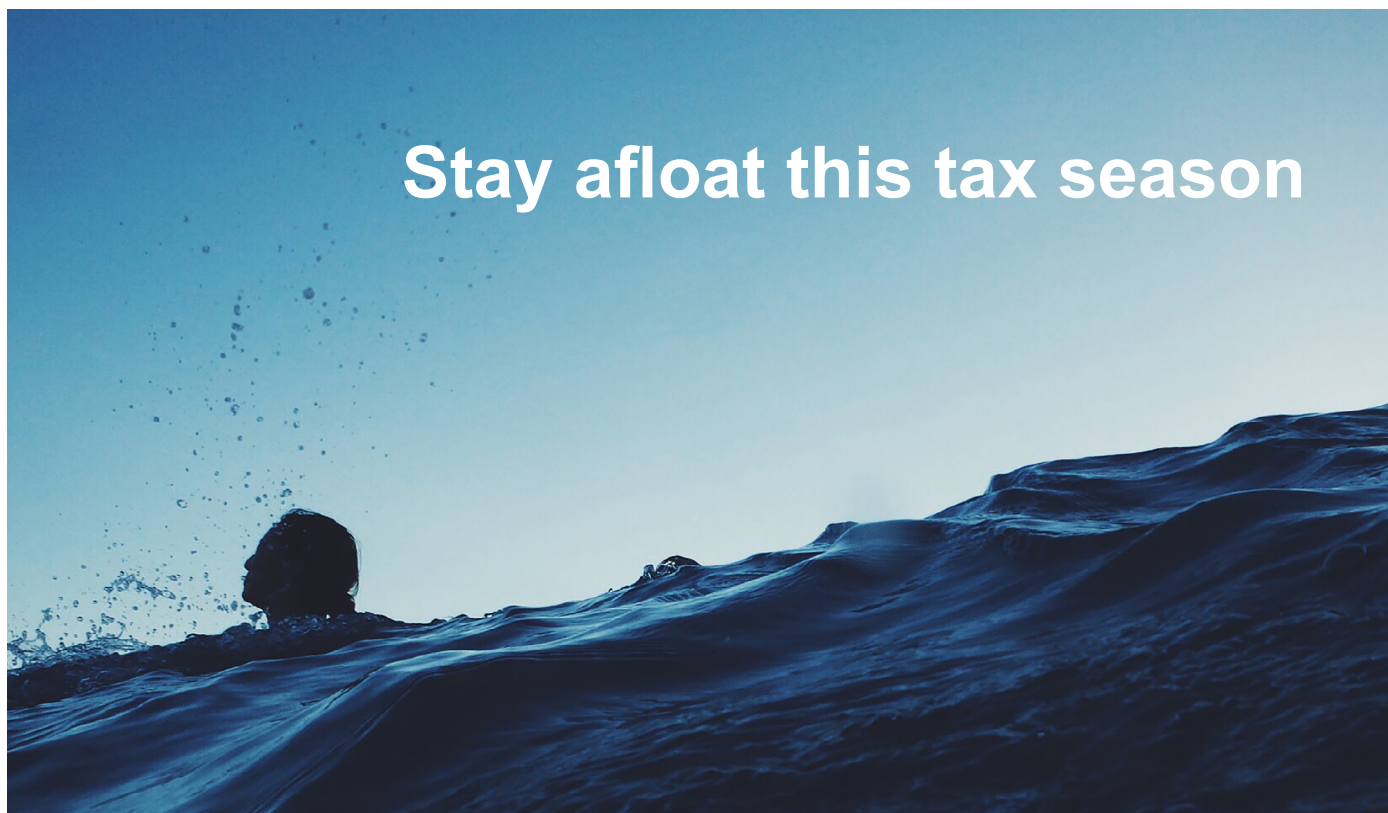
Jeanie Gibbs  
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713.980.4749



# Mastering Your Time During Tax Time:

*Tips for productivity and personal wellness*

Christine Spray



Stay afloat this tax season

It's tax time, and your workload is peaking. Whether you're already at your maximum weekly hours, or still ramping up, some preparation right now can help you keep your workload and well-being in check.

The reality is that every type of business has periods of high demand. The great news for CPAs is that the timing of tax season is as predictable as Houston's summer heat. The exact filing deadline may fluctuate a few days every year, but anyone in the tax business expects to be busier from New Year's Day until Easter.

Before you reach a breaking point, make the time and effort to implement these simple steps into your daily, weekly and monthly routines.

## Set Goals

The key to effective time management, both professional and personal, is goal setting. Working towards a goal will help focus energy and reduce the stress that comes with not having a purpose. Give yourself the best possible chance of success by setting SMART goals:

**Specific:** Goals should be clear and state what you want to accomplish and why it's important.

**Measurable:** Measurable, quantifiable goals let you know when you're successful.

**Attainable:** All goals, particularly short-term goals, must be achievable with respect to all pertinent constraints.

**Relevant:** Goals must be relevant to the situation and align with other goals.



**Timely:** Goals require specific deadlines. Keeping an overarching positive approach to all goals not only keeps propelling you toward completion but can help release your internal “happy drug”, dopamine. Dopamine produces that feeling of pleasure when goals are achieved. Break down your big goals (complete a return) into smaller goals (complete Schedule A of the return) so you have more frequent dopamine release.

Set goals for the two quarters preceding tax time. Based on those outcomes, set goals for each month prior to Tax Day. Further break down monthly goals into weekly goals; remember, give yourself the best chance of success!

### **Commit to Your Calendar**

Any time, but particularly busy times, your calendar is your best tool for managing your priorities and reaching your goals. The secret is to put EVERYTHING in your calendar.

Before your first work day of the week, review your calendar to make sure all tasks related to your goals have an appropriate amount of time scheduled. Client and team meetings should be included of course, but look closely at every deadline for the week and make sure time is allotted for everything. Do you need to do research on a unique client circumstance? Schedule it. Is there a client who is typically slow to send required documents? Schedule time to make a list of outstanding materials and send a reminder. Many people find it helpful to also schedule a time block for making and returning phone calls, rather than constantly being interrupted throughout the day. Be sure the timeframe for each task is realistic.

There is an abundance of calendar apps and software, for both individuals and teams. A tool that allows setting reminders is helpful for more time-consuming tasks. For calendars shared with others, one nice function is the ability to set a “do not disturb” notice. Sure, things will come up. But set your schedule, protect your boundaries, and you, your colleagues and your clients will all be happy.

Do not forget to schedule personal time too!

### **Take “Me Time”**

Even during the busiest days and weeks, a healthy, balanced life is critical for meeting goals during the busy season. While it may seem counterintuitive, work-life balance can actually increase productivity.

The risks of extended periods of intense work are well documented. Overworking takes a physical toll on your body and health. It can also lead to alcoholism, sleep disorder, depression, and damaged personal relationships.

“Me time” doesn’t have to be a spa day or something else extravagant. Actually, “me time” is much simpler. It’s anything you do just for yourself. There is no set expense or time frame to follow when taking “me time.” It can be as simple as taking a walk or browsing the Internet for 15 minutes. The only imperative concerning “me time” is that you actually take it. This is where the calendar comes in! Put your “me time” on your calendar, and honor it as you would any other task or meeting. You will likely have to adjust your personal preferences during busy time, say working out for 20-30 minutes rather than your usual 60 minutes. During busy times, it’s also important to put all personal and family obligations on the calendar, too. Your pet’s annual vet visit, movie night with your family, grocery shopping – life must continue during peak work times.

The people in your personal life are likely supporting you during this time. Be sure to thank them and recognize that time with them is equally as important as time at work. Your calendar is your reliable resource to make sure you keep all the balls in the air.

### **Stay Focus**

Even with SMART goals in place and reliance on your calendar, everyone struggles with focus at some point. And of course, there are always unforeseen “fires” that pop up.



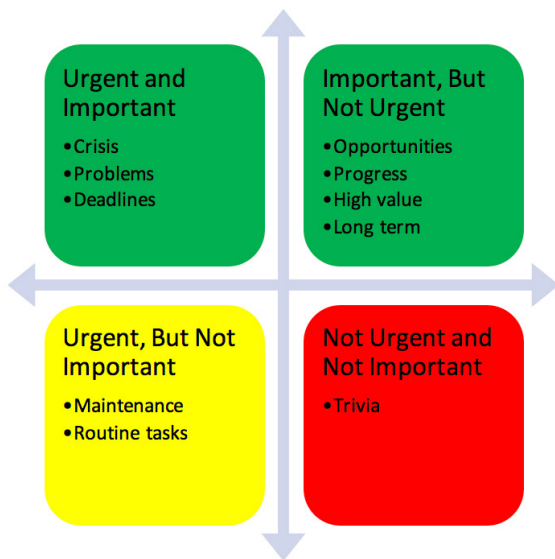
Many people confuse the urgent with the important. Urgent tasks do need to be done quickly, but that does not make them important. We are often stuck completing urgent tasks at the expense of the important ones. Important tasks are the ones that help us meet goals. Often, urgent tasks, such as fixing the copy machine, are distractions from what is important. Learning the difference between urgent and important helps maintain focus.

meeting goals. However, the CPAs life is a bit of sprint during tax time. And like any good athlete, training and preparation are critical. Make the time to set your goals, schedule the time to meet them, keep your eyes on the finish line, and you'll be a winner this tax season.



Christine Spray is a CEO and business advisor with a passion for helping people and companies grow. She is a Certified EOS Implementer, consultant, trainer, and coach, as well as a nationally-recognized business development keynote speaker and best-selling author three times. She is the founder and CEO of Strategic Catalyst.

The Urgent/Important Matrix



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Recognize too, when you are not making progress on your tasks. It may be a sign to take a short “me time” break.

Maintaining flexibility is an important skill that takes practice. There are many influences on your schedule beyond your control. Being flexible simply means you are not resisting the inevitable changes of life. Flexibility is not passivity. It is being able to embrace change. This will reduce stress and improve focus and balance. For example, clients that do not remit their information on time will impact your schedule, so adjust your calendar for that day and move the late client to another day. Too often, the phrase “it’s a marathon, not a sprint” is used to describe the journey toward





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# Getting Ready for Retirement

Al Zientek, CPA, CFP®



Retirement is defined as withdrawing from one's occupation or working life. This concept of a person retiring from working must by necessity include retiring to something else. That is the elusive vision on which most individuals have a hard time focusing. The key retirement components to consider when trying to reach this part of the future are the age at which a person should start to get ready for retirement, the amount of money or investments needed for retirement, and last what will the retiring person be retiring to.

At what age should one start to get ready for retirement is a difficult question. The numbers point to the advisability of starting to get ready early in life. The earlier one starts, the better because that will provide more flexibility, options, and an ease of changing a retirement plan. In order to achieve this early start, a "saving money behavior" is all important.

A person learns from the educational system, from their parents, and from their peer group. The World War II generation is known for its Puritan work ethic and for its saving behavior. Why? Because that generation learned by going through the Great Depression and experiencing what it is like to do without.

If you learned at an early age a saving behavior from your education, parents, or peers, there is a greater probability that you will have two-thirds of your retirement plan in place, if not all of it, by the time you reach 55. Conversely, if prior to age 55, you spend all your earnings on your spending budget, both needs and wants, you can still get ready for retirement after age 55. However, it will be critical to have a plan that quantifies the amount you need to set aside to be able to retire at 65 years or older. The longer you wait, the harder it becomes. Once you establish high spending budgets, it is very difficult to lower them and to save toward retiring to a different lifestyle.

A plan to save for retirement is necessary in order to reach that goal.

Once you have your retirement goal and the plan to achieve it, the next question is how much money or investments will you need. There are many CPAs, financial advisors, computer programs, seminars, and books (Recommended reading: *Richest Man In Babylon* by George S. Clason) to aid in that mathematical calculation. Once you understand the numbers and the plan, then you must be compliant in executing it. Close monitoring of your retirement-planning behavior is important in the beginning since it takes a minimum of six months to develop a behavior.

What a person decides to "retire to" is a vision of your future: what you will be doing, how you will achieve it, and is it realistic. If you start early and continuously think about it, write it down, and even do it in your spare time, there is a higher probability that you will achieve it. Some folks work hard, save lots, and never really focus on a retirement vision. When that happens, their heirs are the ones given an opportunity and are the ones who will benefit from all the saving. That in itself is not a bad retirement plan.

In conclusion, "how to get ready for retirement" cannot be dictated in a universal plan. The three components: starting age for a plan, amount needed, and a future vision are, all individually based.



Al Zientek, the owner of Al Zientek, CPA, CFP®, A Professional Corporation, has been in business over thirty years, servicing primarily the west side. A native Houstonian, Al graduated from St. Thomas High School and the University of Houston. He is a Certified Public Accountant and Certified Financial Planner with a practice that focuses on estate planning and taxes.



# Best Practices Around Discovery in the Digital Age

Rubik Yeriazarian, CPA, CFE, CFF



All accountants are likely to encounter the discovery process at some point in their careers. If you are a corporate accountant, your company may be involved in some sort of employment dispute with an employee or a contract dispute with a vendor. Public accounting professionals may receive a “legal hold” notification to preserve certain information if their firm or client is potentially facing litigation. Forensic accountants regularly assist attorneys with discovery requests relating to financial records and will ultimately be reviewing and analyzing the records that corporate and public accountants produce in discovery.

In legal terms, “discovery” is the process where parties request relevant documents or information from one another in order to prove their case. The court can determine whether or not the requested information appears “reasonably calculated” to lead to the discovery of admissible evidence.

The process of obtaining documents or information has evolved over the years. For most companies, it used to mean a trip down to the storage facility to dig up boxes of paper records. Nowadays, most data is generated and maintained in an

electronic format (commonly referred to as “Electronically Stored Information”, or “ESI”); any paper documents can be scanned and archived electronically, and the “storage facility” is just a click away in the cloud.

## **New Types of Discovery in Today’s Digital World**

You probably know whether your company has started using Skype for Business as an instant-messaging software, or GoToMeeting for online conferencing, but do you know your company’s retention policy regarding the data that these programs generate?

It is more common for companies to already have email retention policies in place, but electronic communication data now goes far beyond just email. If you use Skype for Business, instead of sending an email you now have the option to just send a quick message to a coworker. Sure, you have an option to save messages or transcripts, but what happens to the messages that you yourself don’t save: Are they automatically

saved anywhere on your computer?  
Are they somewhere on the network or servers?  
Are they in the cloud? Are they in the blockchain?

Don't worry, your chat messages are most likely not in the blockchain. If you can't answer these questions, then you should have a talk with your IT department. Once you have those answers, you can begin to develop a company policy regarding the retention of that data.

Skype for Business or other instant-messaging softwares are not the only data-generators. GoToMeeting has an option to save a copy of your online meeting. It also has a chat function within GoToMeeting that can generate a transcript. Think about what other new or old technologies your company uses that can generate data.

Still not convinced your company needs to update its ESI retention policy?

Assume that you are an Audit Partner and your now former client is suing you for accounting malpractice for the work you performed on the prior year's audit. In addition to all of the workpapers relating to the audit, their attorney is requesting your firm to produce the following documents into discovery: **1)** any and all internal email communications between audit team members, **2)** any and all instant-messaging communications between audit team members during the audit, **3)** any and all transcripts or records of GoToMeeting or online conferences between audit team members during the audit.

It is up to the judge to ultimately decide if these requests are "reasonably calculated" to lead to the discovery of admissible evidence. Worst-case scenario: you do not know whether or not your firm even maintains any of this information, so a judge orders a digital forensics expert to pull the requested data off of your servers. Then, a room full of attorneys will scour through thousands of pages of messages between your team members to determine which messages a jury would most enjoy seeing blown-up on a projector screen at trial (probably the one where your staff is complaining about having better things to do than working on this "poop emoji" client).

However, if your ESI retention policy regarding Skype for Business and GoToMeeting is that you do not maintain any of this information, then you can point to your policy to support the reason why you do not have any discovery responsive to their request.

Is my Personal ESI Discoverable?

It depends. If your personal ESI is "reasonably calculated" to lead to the discovery of admissible evidence, then it may be discoverable. Your personal ESI could include information stored on or generated by your cell phone, including your call history, contacts, pictures, notes, text messages, group messaging app transcripts (like WhatsApp, GroupMe). It could also include your personal desktop computer or laptop.

There is no definite "yes or no" answer to this question. It oftentimes comes down to the size of the litigation at hand, as well as the depth of the plaintiff's or defendant's pockets who are funding the litigation. Someone will have to review all of that information, but also someone will have to pay for that review.

### What can I Do Today?

1. Determine which of your company's software or programs generate Electronically Stored Information.
2. Review and update existing company policies around ESI to make them more relevant to the company's current technological activities.
3. Educate your employees about how the electronic data that they generate could be discoverable.



Rubik Yeriazarian, CPA/CFF, CFE is a Senior Manager with Briggs & Veselka. Rubik has nearly 10 years of experience providing forensic accounting and litigation support services and also provides data analytics services to mid-market clients.



# Section 199A Qualified Business Income Passthrough Deduction

*E. Rhett Buck, Attorney-CPA*



For tax years after 2017 and before 2026, individuals will be allowed to deduct 20% of “qualified business income” from a partnership, S corporation, or sole proprietorship, as well as 20% of qualified real estate investment trust dividends, qualified cooperative dividends, and qualified publicly traded partnership income. Special rules would apply to qualified specified agricultural or horticultural cooperatives.

The new deduction is available to business owners, after January 1, 2018, including the owner of a:

- Sole proprietorship reported directly on Schedule C
- Rental activity reported directly on Schedule E
- S corporation
- Partnership

The owner in the above categories is entitled to take a deduction equal to 20% of the “qualified business income” earned from the business.

Qualified business income is best thought of as the ordinary, non-investment income of the business. Stated in another way, this is the revenue the business was designed to generate, less the applicable expenses. So we ignore things like interest or dividend income or capital gains from the sale of property. The qualified income must be effectively connected with the conduct of a trade or business within the United States.

Short-term capital gains, dividends, interest and annuity payments, for example, are excluded. However, included are: certain income from gas and oil operators could also qualify for the new lower rate.

The deduction, however, is limited to the LESSER OF:

- 20% of qualified business income
- 50% of the total W-2 wages paid by the business

There is also an alternative limitation based on the owner’s allocable share of 2.5% of the unadjusted basis of certain business assets.

This “50% of W-2 wage limitation,” however, does not apply, if the total TAXABLE INCOME of the business owner is less than \$315,000 for the year if married and \$157,500 if single. There is a short range of income in excess of these thresholds where the W-2 limitation is phased in, but by the time taxable income reaches \$415,000 if married, \$207,500 if single, the “50% of W-2 wage limitation” applies in full.

A limitation on the deduction is phased in based on W-2 wages above a threshold amount of taxable income. The deduction is disallowed for specified service trades or businesses with income above a threshold. “Qualified business income” does not include an S corporation shareholder’s reasonable compensation, guaranteed payments, or — to the extent provided in regulations — payments to a partner who is acting in a capacity other than his or her capacity as a partner. “Specified service trades or businesses” include any trade or business in the fields

of accounting, health, law, consulting, athletics, financial services, brokerage services, or any business where the principal asset of the business is the reputation or skill of one or more of its employees.

For each qualified trade or business, the taxpayer is allowed to deduct 20% of the qualified business income for that trade or business. Generally, the deduction is limited to 50% of the W-2 wages paid with respect to the business. Alternatively, capital-intensive businesses may get a higher benefit under a rule that takes into consideration 25% of wages paid plus a portion of the business's basis in its tangible assets. However, if the taxpayer's income is below the threshold amount, the deductible amount for each qualified trade or business is equal to 20% of the qualified business income for each respective trade or business.

However, for specified professional service activities (doctors, lawyers, etc.), the applicable percentage that would be eligible would be zero, but only above the limitation amount. These activities are those defined in Sec. 1202(e)(3)(A) (any trade or business involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees), including investing, trading, or dealing in securities, partnership interests, or commodities.

#### **Example/discussion:**

If the business needs the owner's W-2 to get the deduction, I understand your logic for making the S corp election. This is my understanding as well, but if 1040 Taxable Income is over \$415k and you have a disregarded LLC (Schedule C business) there would be no owner wages included in W-2 calculation since a sole proprietorship cannot pay the owner wages, but if you have an S corp then we do have additional owner W-2 wages for the W-2 calculation, and therefore it seems you are increasing the deduction, in such case. Yep. If you need owner's W-2 to get the pass-thru deduction, then the S election is likely a good idea.

**Example:** I went back to a client I had in mind and looked at his 2016 numbers:

Way over \$415k taxable income on 1040.  
Deduction limited to "lesser" of 20 percent QBI or 50 percent W-2 wages.

Return from 2016:

20 percent QBI = \$270k  
50 percent W-2 wages = \$340k

As a result including owner wages by making S corp election would not help in his situation since he is limited to the \$270k (20% of QBI).

#### **Planning issue**

So, my analysis is: I think I understand the pass-through tax deduction, kind of:

**Q1:** Is Taxpayer's taxable income (I assume before taking the pass-thru deduction) less than \$315,000 (MFJ) or \$157,500 (single, all others)?

**A1:** If Q1 is "yes", Taxpayer receives 20% pass thru income deduction.

**Q2:** Is Taxpayer's business a "service business" (lawyers, accountants, consultants, doctors – but possibly engineers and architects excluded)?

**A2:** If Q2 is yes or no, and Q1 is yes – see A1 (same answer as A1).

**A2A:** If Q2 is yes, but taxable income is over \$415,000 (MFJ) or \$207,500 (all others), then no 20% pass thru deduction. If between \$315 - \$415k (MFJ) or \$157.5k and \$207.5k (all others), then there is a phase out of the deduction.

**A2B:** If Q1 is no and Q2 is no, then pass-thru deduction limited to the higher of 50% of W-2 wages, or 25% of W-2 wages and 2.5% of "qualified property" investment. If taxable income between \$315 - \$415k (MFJ) or \$157.5k and \$207.5k (all others), then there is a phase in of the limitation.

Got it? So much for tax simplification!



E. Rhett Buck, Attorney – CPA, has more than two decades of experience in tax, accounting and finance — including big corporate; and big and small firm.



# Community Services Committee

## Nonprofit Assistance Program

### We Need Your Experience!

One of the charges assigned to the Community Services Committee of the Houston CPA Society is to assist not-for-profit organizations that need the assistance of a CPA, but are unable to afford it. We match volunteer CPAs with organizations on a SINGLE PROJECT BASIS only, not for on-going services such as routine accounting. Volunteer CPAs are not asked to provide annual audits. We need YOU to be a volunteer and experience the satisfaction of helping a worthwhile cause!

By signing up to be a part of the program, we will add you to our volunteer pool and may call on you if a need arises in an area you have indicated. You may decline to accept any request.

**Yes...I am willing to participate in the Community Services Volunteer Program, if needed, and may be able to provide assistance in the area(s) indicated below:**

**ACE:**

☐ Educate young professionals on career development and financial literacy

**TAX:**

☐ Application for exempt status under 501(c)(3) (Preparation of Form 1023)

☐ Preparation of tax returns and/or annual 990s

**ACCOUNTING/FINANCIAL REPORTING:**

☐ Accounting policies and procedures

☐ Financial reporting policies and procedures

☐ General ledger set up consulting

☐ Assist with the preparation of client-prepared audit schedules

**OTHER AREAS:**

☐ Silent Auction Management Assistance

☐ Please specify

☐ **I would like to join the Community Services Committee**

Name \_\_\_\_\_ Employer \_\_\_\_\_

Address \_\_\_\_\_ City \_\_\_\_\_ Zip \_\_\_\_\_

Daytime Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Do you have prior experience with nonprofits? (Experience is not required to be a part of this program.) If so, please describe: \_\_\_\_\_

Do you have restrictions or strong preferences on the geographic area of Houston where you will volunteer? \_\_\_\_\_

Do you have restrictions or strong preferences on the type of charity you will volunteer for? \_\_\_\_\_

Please forward this completed form to:  
cpamail@houstoncpa.org, Attn: Community Services Committee  
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# Tips for Lease Accounting Implementation

*Liz Farr*



When General Dynamics Mission Systems started implementing FASB's new leases standard, Adena Lerner was told it would take hours to extract the information from each lease that is needed to comply with the standard and add it to the accounting system.

"That held true," said Lerner, the controller for the technology company and defense contractor in Fairfax, Va.

Other finance executives who have started implementing the new standard provide a similar refrain. The time and resources required to implement FASB's new lease accounting standard should not be underestimated.

"It requires a significant amount of time and resources to read through every single lease and pull all of the various terms out," Lerner said during a panel discussion at the AICPA Conference on Current SEC and PCAOB Developments in December in Washington. The leases standard takes effect in 2019 for public companies and in 2020 for nonpublic companies. Issued in February 2016, FASB Accounting Standards Codification (ASC) Topic 842, Leases, requires lessees to report on the balance sheet assets and liabilities related to leases of one year or more.

In some cases, locating all of a company's leases and extracting the data required to comply with the

standard has been a serious challenge for financial statement preparers. Lerner's group began planning the work in the summer of 2016 and is still working on it. With an estimated 26,000 leases to account for around the world, the team faced a daunting task.

Cathy DeGenova, CPA, director of SEC reporting and technical accounting at Avis Budget Group in Parsippany, N.J., said her organization initially underestimated the time the project would require for an estimated 4,000 leases. "We didn't understand in the beginning of the project how much time the data collection and data entry would take," she said at the SEC/PCAOB conference.

Both expressed relief at FASB's recent decision to simplify the implementation process. The board decided to provide an optional practical expedient for transition, to clarify land easements guidance, and to propose other measures designed to decrease the burden on preparers.

While those actions may make implementation less difficult, the standard still presents a formidable challenge to preparers. The following tips can help make the process smoother.

Get your arms around your lease portfolio  
The first step in implementation is to gather all the leases, which may not be as simple as it sounds. For large, decentralized organizations such as

Lerner's and DeGenova's, this required thorough study of accounts payable ledgers, asset registers, vendors, P-card purchases, detailed financials by country, and information from subsidiaries.

"The data collection was the biggest hurdle to cross for this particular standard implementation," Lerner said.

Both reported pushback from their organizations, especially for the leases of small items, which might be immaterial. However, Lerner wanted to ensure that she was gathering enough data to prove to the auditors that their controls were working. She also feared setting a threshold for materiality within the organization that wouldn't capture future leases.

"If we say there's a threshold, people will go back to their old ways, and leases may not be maintained under that particular threshold," she said.

Cross-functional engagement is required  
Implementing this standard requires cross-functional cooperation and collaboration across an entire organization.

"The number one issue was resources and getting pushback, that the teams didn't have the time or effort to put in to help us with the project," said DeGenova. Both Lerner and DeGenova enlisted outside assistance to get their existing leases into their new systems.

When implementation at General Dynamics Mission Systems began, Lerner encountered confusion from other departments that had rarely worked with accounting before, and had never worked on implementing accounting standards. "But now, a year later, we work hand-in-hand with procurement and real estate. Legal, too," she said.

Under the new standard, lease terms can have significant repercussions for an organization's financials, so both Lerner and DeGenova described the need to educate all the players — including procurement, real estate, IT, and legal — about the potential for negative impacts of particular lease terms. DeGenova's organization held workshops to educate everyone in accounting and real estate on the new standard. Ongoing education across the organization and deepening relationships with other areas of the organization will also be key.

### **Implement a Lease Management System**

Many organizations have previously relied on Excel to manage their leases, but the complexity of balance sheet entries, disclosures, and calculations required for

compliance with the lease accounting standard may exceed Excel's capabilities, unless an organization only has a few leases. Lerner and DeGenova both recommended using a dedicated lease management system.

When choosing a lease management system, DeGenova recommended using a scorecard to evaluate the options that are most important for an organization.

"Can it handle equipment and real estate?" she asked. "Does it produce the accounting reports you need? And does the system integrate with your ERP system? And does the software scale to meet your needs?"

Lerner suggested looking at the capabilities of an organization's existing real estate system, as these systems are expanding their capabilities for dealing with the nuances of Topic 842. The real estate system at Mission Systems was sophisticated enough that they didn't have to read every real estate lease. Instead, their real estate system produced data that could be easily imported into their lease subledger.

### **Manage International Challenges**

Organizations with international operations face additional challenges. Leases may be in different languages or use a different format. The original documents may have deteriorated and may be illegible. Foreign exchange adds another layer of complexity. DeGenova was surprised at how decentralized the international leases were. Her organization identified and educated a lead for the international team and set up a separate timeline.

Lerner noted that EU privacy laws added further complexity by restricting the type of information an organization could upload to its cloud-based system.

### **Make a Plan for the Long Haul**

While the effort to implement this standard is herculean, Lerner said that "this is not a one-time call for data. It's going to be lifelong." When selecting a lease management system, she also recommended evaluating the process for adding new leases to make sure the chosen system was not cumbersome.



Both organizations digitized all leases and added them to an online database. DeGenova noted the “operational benefits to having all your leases in a central repository.” Now with all the data in a lease management system, the real estate team and the procurement team can perform detailed analysis on the lease portfolio. These operational benefits helped to get buy-in from others in her organization.

DeGenova’s group developed a process that brought new contracts through her team to identify embedded leases. And people across the organization are now educated enough to bring her other contracts that may contain leases. Developing policies for leases will ensure that controls are in place over the process.

Lerner’s group at Mission Systems is centralizing the process for managing leases and is developing a checklist of items in new leases that will require review. On an ongoing basis, there will be points where finance will be alerted when lease terms change. For companies that haven’t yet begun the

process, Lerner advised thinking about the ongoing process for compliance. “I wish we had taken a step back and addressed the future state at the onset,” she said. “Because that’s what we’re doing right now, and ensuring that going forward that all of our leases continue to get put into the system. We do not want to backslide into a situation where it’s a fire drill to get all of these leases into the system.”

Liz Farr is a freelance writer based in Los Lunas, N.M. This article originally appeared in the CPA Letter Daily. ©2018 Association of International Certified Professional Accountants. Reprinted by permission.

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### CPE Related Committees

Quality control and oversight of Society CPE

- \_\_\_\_\_ CFO/ Controllers Conference
- \_\_\_\_\_ CPE
- \_\_\_\_\_ CPE by the Sea

### Membership Related Committees

Work on Society image enhancement, career awareness and member services

- \_\_\_\_\_ Information Technology
- \_\_\_\_\_ Membership Development
- \_\_\_\_\_ Young Professionals

### Industry/Other Committees

Plan topics, serve as on-site coordinators for industry CPE.

- \_\_\_\_\_ Business & Industry
- \_\_\_\_\_ Energy
- \_\_\_\_\_ Healthcare

### Professional Services Committees

Plan topics, serve as on-site coordinators for CPE.

- \_\_\_\_\_ Accounting & Auditing
- \_\_\_\_\_ Forensic & Valuation Services
- \_\_\_\_\_ Personal Financial Planning
- \_\_\_\_\_ Circular 230 RoundTable

### Charity/Civic Related Committees

Sponsor community and organization events.

- \_\_\_\_\_ Accounting Scholarship Endowment
- \_\_\_\_\_ Accounting Scholarships
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### Thank you for signing up!

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**You will be placed on the distribution list for each chosen committee. Committee meeting dates vary from monthly to quarterly. Email this form to [cpamail@houstoncpa.org](mailto:cpamail@houstoncpa.org).**



# Member News



**Danielle Supkis-Cheek** received recognition as one of 26 women in CPA Practice Advisor's 2017 Most Powerful Women in Accounting. The awards were presented at the QuickBooks Connect Conference in November in San Jose, CA.

## CONGRATULATIONS TO OUR 40+ MEMBER. THANK YOU FOR YOUR SUPPORT.

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Carlos Taboada  
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# Member News



The Texas Society of CPAs (TSCPA) has unveiled a three-year strategic plan called TSCPA 2020 that focuses on building a vibrant future by empowering its members to lead and succeed. The plan outlines how TSCPA will advance its mission to support members in their professional endeavors while promoting the value and high standards of Texas CPAs.

## These three pillars make up the foundation of TSCPA 2020:

**Professional Excellence** – TSCPA will promote and embrace a culture of continuous learning that will allow members to address new changes, stay on top of changing regulations and maintain a high level of ethical standards.

**Advocacy** – TSCPA will protect, preserve and promote the CPA certificate by monitoring regulatory systems and supporting public policy makers who understand the concerns of businesses and CPAs.

**Community and Connection** – TSCPA will enhance each member's experience at the state and local levels, and continue to grow the organization through student outreach initiatives.

“Our new vision – Empower Members to Lead and Succeed – succinctly sums up our most important charge,” said Jodi Ann Ray, president and CEO of TSCPA. “TSCPA has existed for our members for over a century, and encouraging them to succeed and grow is at the heart of all we do. Through the implementation of TSCPA 2020, we are ensuring a viable and exciting organization for our members today and for many years to come.”



# Member News



## Announcing TSCPA's new online community: *Connect and Engage on TSCPA Exchange*

Have you visited TSCPA Exchange? We are excited to announce the recent launch of our new online community, TSCPA Exchange, where members can connect, engage and discuss critical accounting issues in real time. Sign in with your TSCPA member login credentials, update your bio and add a profile photo. Then connect with colleagues through the member directory and start a discussion on the main forum. The ways to engage are endless, and the more members who contribute, the more valuable the community becomes.

### Welcome!

Build community and connect with other TSCPA members.

Enter a place for knowledge exchange, content curation, idea incubation and professional networking.

Get Started →



### Latest Discussions



#### RE: Series LLCs in Texas

By: [Joseph Mathews](#), an hour ago

Posted in: [All Member Forum](#)

This is good stuff. Thanks Landon. I've had multiple clients ask about this. The DRE status is the slam dunk, but mixed ownership drives the separate return requirement. ----- Joseph Mathews CPA Partner TRO

### Upcoming Events

#### Understanding and Preparing for the New Lease Accounting Standard

Mar 1

### Nominations for B&I Award

TSCPA is accepting nominations for the 2017-18 B&I award. The award recognizes the professional accomplishments of CPAs who have spent their careers in B&I and have made significant contributions through the recruitment of others to the CPA profession. Nominations are due by Dec. 31, 2017. Criteria and submission information: <https://www.tscpa.org/about-tscpa/awards/business-industry-award/b-i-award>

### Learning and Networking

All TSCPA members are encouraged to be part of the TSCPA Midyear Board Meeting, where you can earn CPE as you learn about cutting-edge profession issues and develop powerful executive skills. You'll also strengthen your network with Society and chapter leaders from around the state. Make your plans now to attend January 26-27, 2018, at the Omni Corpus Christi Hotel. Preliminary meeting information: <https://www.tscpa.org/about-tscpa/leadership/annual-meeting-and-midyear-board-of-directors>

# Member News

**Please keep a look out for more details in the future.**

## **Financial Reporting Symposium - May 17 - Westin Oaks**

### **Panelists:**

- Katherine Schipper, Duke University; Moderator
- Jim Kroeker, FASB Board
- Jim Leisenring, FASB Staff
- Paul Munter, KPMG National Office
- Scott Taub, Financial Reporting Advisors
- Sagar Teotia, SEC Deputy Chief Accountant
- Christopher Champion, Anadarko Petroleum CAO

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## **Spring Accounting Expo - May 21-22 - NRG Center**

### **Topics include:**

Healthcare Update	Company Culture
Financial Storytelling	Forensic and Valuation Services
Federal Tax Update	Contractor v. Employee
Cybersecurity	Nonprofit Accounting
	and more...

### **Speakers include:**

Steven Tillinger, Peter Margaritis, Anson Asbury, Kate Warne, Jack Wisdom, Chuck Cummings, Richard Nevins, Deanna Sullivan and more...

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## **CPE by the Sea - June 13 -15 - Galveston Island Convention Center**

### **Topics include:**

Federal Tax Update  
Employment Law  
A&A  
Ethics  
Succession Planning  
Defining Value through Negotiating  
Software Implementation Best Practices  
Big Data  
and more....

### **Speakers include:**

Steven Tillinger  
Billy Tillota  
Bill Nantz  
Wade Holmes  
and more....

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From left: Tom Williams, Leah Bennett, Allen Lewis, Bill Cunningham,  
Susan Wedelich, Maureen Phillips, Donnie Roberts



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# Member News

Pannell Kerr Forster of Texas, P.C. (PKF Texas) is pleased to announce Nikki Homratsamy, CPA, has been promoted to Tax Director. Additionally, Audit Directors, Ryan Istre, CPA and Chris Hatten, CPA, CM&AA, have been added to the shareholder group.

“Nikki, Ryan, and Chris have all contributed greatly to PKF Texas, and we are proud of their achievements,” said Kenneth Guidry, CPA, President, “These are important milestones in their respective careers and for the firm’s consistent success.”

Homratsamy has spent the majority of her career serving clients in the middle market, including a number of closely-held and publicly-traded companies in a variety of industries including manufacturing and distribution, oilfield services, and technology. She joined the firm in 2010.

Istre has extensive experience in providing external audit services to domestic and international businesses in the areas of real estate, manufacturing and energy services for both the public and private sector. He joined PKF Texas as an Associate in 2000.

Hatten’s experience includes audit and financial consulting for publicly owned and privately held businesses. Areas of industry concentration include power generation, oilfield service, midstream energy, hospitality, manufacturing and software development companies. He joined the firm in 2006.



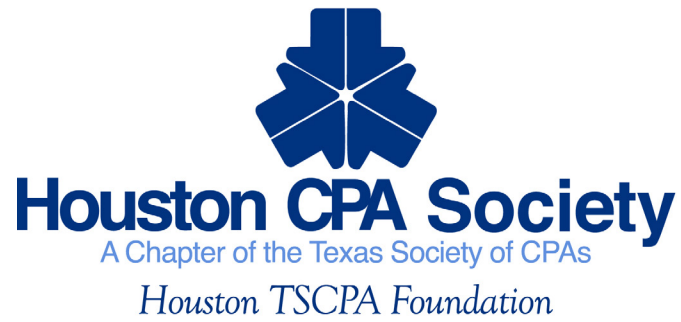
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