

ASL Winter 2011-2012 ADVISOR

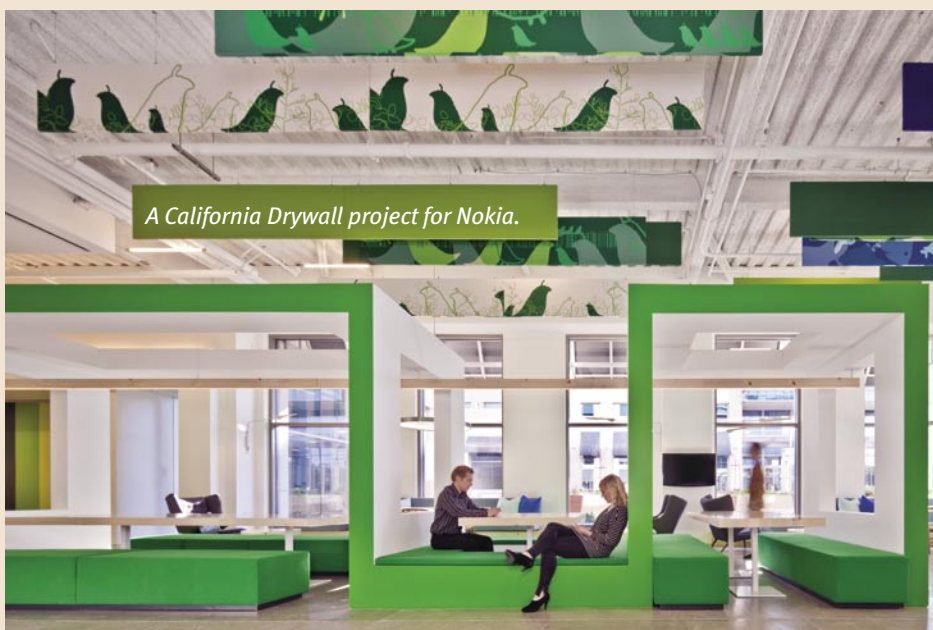
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California Drywall's Commitment Reaps Excellence

BUILDING ON EXCELLENCE
CALIFORNIA DRYWALL CO.
FOR OVER HALF A CENTURY



At-a-Glance

California Drywall Co.
Family Owned & Operated
Owners: Kent Bowles and Steve Eckstrom
Headquarters: San Jose, with an office in San Francisco
Founded: 1946
Employees: 30 in the office, 210 to 300 in the field
Web: www.caldrywall.com

we recognized that improving our approach to safety was key to the success of our business. We recognized, as owners, that we needed to go beyond simply reminding employees to be safe. We started by hiring the right person to lead our safety program, Dan Allen, and we made sure that safety was his only responsibility. We implemented technology tools that help us stay on track with our safety certification program, ensuring all employees are current in their safety

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When a lot of construction companies were folding or just barely hanging on, California Drywall not only survived, they thrived. President and Co-owner of California Drywall Steve Eckstrom recently sat down with us to discuss some recent successes and what Steve believes has helped get California Drywall where it is today.

The interview has been edited for length and clarity.

Q: California Drywall just won the Structure Awards 2011 Subcontractor of the Year. What do you believe helped California Drywall earn this honor?

A: When business slowed down for everyone during the downturn, a lot of

companies cut staff and otherwise reduced their overhead. When we didn't follow suit and instead re-focused our staff on improving the efficiency and effectiveness of our service, it gave us a competitive advantage. Our competitors simply didn't have the bandwidth to maintain their service levels, and as a result, we were able to grow through the downturn.

Q: California Drywall also received the Association of the Wall and Ceiling Industry's 2011 Excellence in Construction Safety Award. How have you achieved excellence in safety?

A: A few years back, our safety wasn't what we wanted it to be, and

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ASL Seminars: Helping You Expand Opportunities

Request Invite: info@aslcpa.com

We will be releasing our 2012 calendar of events on our website in January!

ASL Community Spotlight



We are having a great time contributing to the community in which we live and work. From bowling for financial literacy to walking for breast cancer awareness to sorting food and decorating trees, ASL's people have spent some quality time away from their spreadsheets!

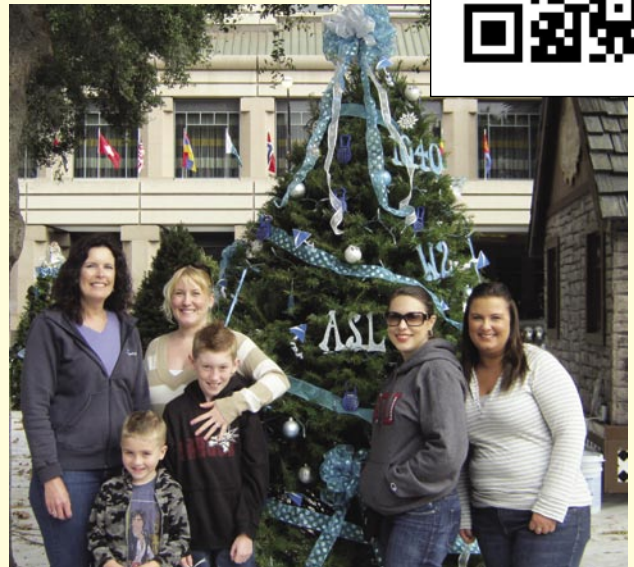
Fun-a-Thons: Raising Awareness & Funds

Our firm is in full "fun-a-thon" mode, raising over \$4,000 for our community in September and October alone. It started with the Annual CPA Bowl-a-Thon for Junior Achievement on September 23rd and the Making Strides Against Breast Cancer Walk-a-Thon for the American Cancer Society on October 29th (see photo below).

The Junior Achievement event raised over \$40,000, which will allow Junior Achievement to bring financial

literacy education to over 1,600 children in the Bay Area. We were fourth in overall fundraising, and ASL Senior Tax Manager Kim Rye was the third top individual fundraiser of the event. Scan the QR code with your smartphone to watch the event video!

American Cancer Society's Making Strides Against Breast Cancer events have raised more than \$400 million since they began in 1993. ASL Principal Carol Wagner was the team leader for the CalCPA team that participated in the downtown San Jose walk. Many of our team members included friends and family,



ASL sponsored and decorated a tree in San Jose's Christmas in the Park. From left to right: Sheba Dalaney, Principal; Jayme Weber (ASL's friendly face and voice) and her sons; Colette Gonsalves, Marketing Coordinator; Amanda Welch, Administrative Assistant (aka Tree Designer and Visionary)

and in addition to what we raised, certain event sponsors made a donation for every person that walked.

Food Drives & Sorts

This year ASL's food drive with Second Harvest brought in 55 pounds of food and our virtual drive brought in nearly \$2,500. In addition to the food drive, about 20 ASL people sorted and bagged tangerines for distribution to needy families. ▲



Left to right: Colette Gonsalves, Marketing Coordinator; Mary Ethington, Executive Administrative Assistant; Rob Trammell, Principal



CONSTRUCTION CORNER

ASL was pleased to put on a construction accounting seminar at The Builders Exchange on 11/10/11. In this class, ASL Audit Manager Deepa Bhat taught general and specific accounting concepts for those in the construction industry. If you are interested in receiving a copy of the materials, please let us know. ▲



Left to right: Daniel Blair, Staff Accountant; Rick Kane, Tax Senior; Steve Falkenhagen, Staff Accountant



A Time for Giving

By ASL Principal Bill Melton and ASL Tax Manager Karen Ritchie

With the holidays approaching, you may be thinking of making gifts to your family and friends, passing down that treasured family heirloom, or perhaps helping out a relative who is struggling to find a job. The tax laws for gifts can be confusing and are subject to change. Below is a summary of the current gift tax rules and how they can facilitate the generosity you wish to share.

Annual Exclusion

For 2011 and 2012, a person may give up to \$13,000 to another person without creating a taxable gift or taxable income to the recipient. This \$13,000 “annual exclusion” is indexed for inflation, and may change for 2013. For 2012, the IRS has indicated that it will remain at \$13,000. Cash gifts within the \$13,000 threshold for the year generally require no reporting. However, gifts requiring appraisals, such as fractional interests in real estate or businesses, and gifts to certain trusts may warrant filing a gift tax return even if the value is below \$13,000. A husband and wife may split a \$26,000 gift for tax purposes. An election to split gifts with one’s spouse is made by filing a gift tax return (Form 709). Gift-splitting is not required if the gift is from community property funds, or if each spouse gives up to \$13,000 from his or her separate funds. Registered domestic partners may not elect

gift-splitting, as the federal government does not yet recognize same-sex marriages.

Education and Medical Expenses

Gifts which are direct payments to educational institutions for tuition and /or to health care providers for medical services are excluded from gift tax. In most instances, there is no limit on the amount which can be gifted for medical or tuition expenses, provided the payments are made directly to the provider and/or educational institution.

Unlimited Marital Deduction

Married couples are allowed an unlimited marital deduction for gifts between spouses whether during their lifetime or at death. This unlimited deduction does not apply to gifts to non-citizen spouses (for whom there is a \$136,000 annual exclusion), nor does it apply to gifts between partners in same-sex marriages.

New Rules

The 2011 and 2012 gift tax rules were changed late in 2010. The Bush-era tax cuts had limited tax-free gifts to one million dollars during an individual’s lifetime. The “Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010” increased the lifetime gift tax exemption to five million dollars, held the maximum gift tax rate at 35% and reunified

the gift tax exemption with the estate tax exemption. The new rules also allow portability of a deceased spouse’s unused estate tax exemption to the surviving spouse. Along with other recently extended Bush tax cuts, these rules are set to expire after December 31, 2012. Whether the previous one million gift tax exemption and higher estate and gift tax rates will follow or new rules will be put into place, will likely be a topic of debate during the upcoming presidential election.

Generation Skipping Transfer (GST) Tax

An additional tax may apply when gifts are made that skip a generation (for example, from grandparent to grandchild). Depending upon how the generation-skipping transfers are structured, the \$13,000 annual exclusion discussed above may apply for GST tax purposes as well. In addition, the new rules allow a five million dollar exemption for GST gifts during 2011 and 2012 and also limit the top GST tax rate to 35%. The GST exemption is claimed by filing a gift tax return (Form 709).

Gift planning encompasses a wide variety of possibilities, ranging from very simple gifts of cash, to complex strategies involving multiple business entities and trusts. We welcome the opportunity to help you explore gift planning options that are right for you. ▲

>>>>> Tech Byte <<<<<<

In our continuing series of semi-annual breakfast seminars, on September 21st Sarah Dryden from ASL’s technology group in collaboration with Graham Burnette of Red Planet Capital Partners presented “VC Funding & Management – What’s Accounting got to do with it?”

➤ The seminar focused on the importance of accounting from a VC

perspective and key accounting issues of technology companies from a CPA perspective.

➤ Speakers shared their knowledge of a VC’s evaluation of a potential investment in a company as well as the accounting complexities that can prevent a company from being successful in obtaining funding.

➤ Speakers also shared valuable practical advice on business plans to attract potential investors, considerations for accounting processes and how to navigate through the accounting complexities faced by technology companies.

For a copy of the presentation or additional information, contact Carol Wagner at cwagner@aslcpa.com. ▲

Your Winter 2011-2012 edition of
**ASL
ADVISOR**
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» 1550 Leigh Avenue, San Jose, CA 95125 » Tel: 408-377-8700 » Fax: 408-377-0821 » e-mail: info@aslcpa.com » web: www.aslcpa.com

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Drywall

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training requirements. I also have a weekly safety meeting with Dan.

Q: What are the opportunities you're seeing in your market? What are the challenges?

A: We're realizing a lot of opportunities with the uptick in high-tech activity by companies such as Apple, Google, and Facebook, where we are well positioned with the general contractors doing their work. We're also seeing a vibrant office space market in San Francisco. With the increase in projects, we are actively recruiting qualified foremen as well as enhancing the in-house development of our younger foremen to address staffing challenges early.

Q: California Drywall is a family founded and operated business that has successfully transitioned through three generations. What do you believe your family has done to make this possible?

A: Neither I, nor my partner, who is my cousin, were handed this company. We both started out as laborers and worked our way through the company, ultimately proving ourselves to be the right owners for California Drywall. As a result, we understand the business better and appreciate the hard work necessary to move up the ladder and nurture the company. My cousin's son is now working his way through the ranks, and is currently a project manager. He'll have to prove himself just as we did. ▲



A California Drywall project for Nokia.

