

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOARD OF DIRECTORS**

**MINUTES OF MEETING – AUGUST 5-6, 2010**

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## AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## BOARD OF DIRECTORS

MINUTES OF MEETING – AUGUST 5-6, 2010

A meeting of the AICPA Board of Directors was held Thursday, August 5 and Friday, August 6, 2010 at the AICPA's New York Office. The meeting convened at 8:30 am on Thursday, August 5.

Attendance

The following Board members were present:

Robert Harris, Chairman  
Paul Stahlin, Vice Chairman  
Ernie Almonte  
Wynne Baker  
Allyson Baumeister  
Terry Branstad (Thursday only)  
Rich Caturano  
Tim Christen  
Patricia Cochran  
Paula Hanson  
Rodney Harano  
Carter Heim  
Mark Hildebrand  
Jeff Hoops  
Ken Hughes  
Bob Laux  
Bill McKenna  
Barry Melancon  
Karen Pincus  
Bill Schneider  
Jimmy Williams

## Also present:

Greg Anton, Vice Chairman - Nominee  
 Kyle Pexton, Chairman  
     Life Insurance/Disability Plans Committee (via phone)  
 Meloni Hallock, Chair  
     Investments Committee  
 Corey Arvizu, Chairman  
     Governmental Audit Quality Center Executive Committee  
 Marilee Lau, Chair  
     Employee Benefit Plan Audit Quality Center Executive Committee  
 Jeannine Birmingham, President and CEO  
     Alabama Society of CPAs  
 Loretta Doon, Chief Executive Officer  
     California Society of CPAs

Joel Allegretti, Director  
     Media Relations  
 Erik Asgeirsson, Chief Executive Officer  
     CPA2Biz  
 Michael Buddendeck, Assistant General Counsel  
 Susan Coffey, Senior Vice President  
     Member Quality and International Affairs  
 Joanne Fiore, Publisher of Magazines &  
     Newsletters  
 Mary Foelster, Director  
     Governmental Auditing and Accounting  
 Ed Karl, Vice President  
     Taxation  
 Cynthia Lund, Vice President  
     State Society Affairs  
 Janice Maiman, Vice President  
     Communications and Media Channels  
 Ian McKay, Director  
     Federal Regulatory Affairs and Strategic Alliances  
 Jim Metzler, Vice President  
     Small Firm Interests  
 Richard Miller, General Counsel and Secretary  
 Jeannie Patton, Vice President  
     Students, Academics and Membership  
 Mark Peterson, Vice President  
     Congressional and Political Affairs (by phone)  
 Tony Pugliese, Senior Vice President  
     Finance, Membership & Operations  
 Cheryl Gravis Reynolds, Director  
     Communications

Bill Roberts, Director  
Media Relations  
Jay Rothberg, Vice President – Office of the CEO  
Scott Spiegel, Chief Financial Officer  
Victor Velazquez, Vice President  
Strategy and Human Resources

### Introduction and Chairman's Report

Robert Harris, Chairman of the Board, opened the meeting by welcoming the Board members. He introduced Jeannine Birmingham, President and CEO of the Alabama Society of Certified Public Accountants and Loretta Doon, Chief Executive Officer of the California Society of Certified Public Accountants, as representatives of CPA/SEA.

He reported on his activities since the April, 2010 Board meeting, which included nine state society presentations and presentations at Interchange, the Major Firms Group and the AICPA Tech/Practitioners Symposium. Mr. Harris said he also participated in the NASBA and Mexico Summit meetings and an IFAC meeting. From his travels, he said there was a lot of interest among members regarding the Blue Ribbon Panel on Private Company Financial Reporting and excellent opportunities in the future for the profession with respect to Sustainability.

Mr. Harris led the Board through a review of the Participants' Evaluation Summary of the spring Council meeting. The Council program and operations received positive reviews.

The Chairman asked the Board members to review the listing of proposed nominees for senior AICPA committees. After discussion, upon a motion duly made and seconded, the Board approved the committee appointments.

#### Approval of Minutes

After discussion, upon a motion duly made and seconded, the regular minutes of the April 22-23, 2010 meeting and the executive session minutes of the April 22-23, 2010 meeting were approved.

The regular minutes were authorized for placement on the AICPA's web site.

#### Report from the President and CEO

Barry Melancon, President and CEO, briefed the Board members on a number of professional and organizational issues. He cited the major efforts of the AICPA on the federal legislative and regulatory front and said Messrs. Peterson and Karl would go into more depth later in the meeting. Mr. Melancon said that the state CPA societies and federal key persons were a "huge" help to the AICPA on these issues.

Mr. Melancon introduced Victor Velazquez, Vice President – Strategy and Human Resources, who briefed the Board members on the merits and operations of CPA2Biz' move into the 19<sup>th</sup> floor of 1211 Avenue of the Americas. He said he anticipated the move being completed by mid-September, 2010.

Mr. Velazquez also updated the Board members on the AICPA Strategic Plan noting the key accomplishments of 2010 and outlining upcoming milestones.

Mr. Melancon then said the AICPA was recommending Neal Spencer, the CEO of BKD, to be a Financial Accounting Foundation Trustee.

He finished by noting that the AICPA was pleased with the United States Supreme Court decision regarding the constitutionality of the PCAOB's appointment process.

#### Blue Ribbon Panel on Private Company Financial Reporting

Bob Durak, Senior Technical Advisor – Accounting Standards, updated the Board members on the activities of the Blue Ribbon Panel on Private Company Financial Reporting. He reviewed the Panel's mission, objectives, and structure and highlighted the Panel's discussions at its first three meetings. He said that the Panel considered seven possible models for private company accounting. After discussion, the Panel eliminated three models and will consider variations of the remaining models.

Dan Noll, Director – Accounting Standards, outlined and compared those remaining models. He said the AICPA staff had a preference and explained the reasons why. He said the Blue Ribbon Panel expects to complete its work prior to the end of the 2010 and meet with the FAF in February 2011 to discuss its recommendations.

Messrs. Noll, Durak and Melancon then answered questions and received comments from the members of the Board.

#### Washington Update

Mark Peterson, Vice President- Congressional & Public Affairs, briefed the Board on the various aspects and the AICPA's position on the Financial Regulatory Reform bill. He also updated the Board members on the Controller General legislation, the Financial Crisis Inquiry Commission and the two bills to overturn *Ashcroft v. Iqbal* and *Bell Atlantic v. Twombly*.

Ed Karl, Vice President – Taxation, updated the Board members on the Institute's activities relative to the IRS' proposals on tax preparer registration and Uncertain Tax Positions. He also explained what the Institute was doing to reverse the Extenders/S Corporation (HR 4213) and Form 1099-Miscellaneous Information Return requirements.

Messrs. Peterson and Karl then received feedback and answered questions from the members of the Board.

#### Report from the Life Insurance/Disability Plans Committee

Kyle Pexton, Chairman – Life Insurance/Disability Plans Committee, said the committee had three recommendations for the Board to consider under the AICPA Insurance Trust. The recommendations involved: a liberalization in coverage amounts in the life insurance programs for ages 75-79; a reduction in contribution premium rates in the Long Term Disability Plan for ages 50 and over;

and enhanced benefit schedule and plan features of a new Long Term Care Insurance Plan 4.

After discussion, upon motions duly made and seconded, the Board approved the three recommendations.

RESOLVED, that, subject to approval by the applicable State Regulators, life insurance maximum amounts for ages 75 through 79 under the CPA Life Insurance Plan – Members, CPA Life Insurance Plan – Spouses, Group Variable Universal Life Insurance Plan and the AICPA Plan shall be determined, effective October 1, 2010, as follows:

Maximum life insurance amounts for ages 75 – 79 shall be determined by multiplying the amount of life insurance coverage at age 74 by 50% and that the maximum amount of life insurance shall not exceed \$500,000 for insureds ages 75 – 79; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is directed to make all changes necessary to effect this amendment to the CPA Life Insurance Plan – Members, CPA Life Insurance Plan – Spouses, Group Variable Universal Life Insurance Plan and the AICPA Plan and policies issued by The Prudential Insurance Company of America; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is vested with any and all powers necessary to direct the Trustee of the AICPA Insurance Trust to modify the Plans and policies in accordance with the above Resolutions

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RESOLVED, that, subject to approval by the applicable State Regulators, the gross contribution premium rate structure of the Long Term Disability Income Plan be amended, effective January 1, 2011, as follows:

**Monthly Contribution Premium Rates**  
**Per \$1,000 of Monthly Disability Income Benefits**  
**Ages 50 and Over**

	<u>Effective</u>	<u>Current</u>	<u>Reduction</u>	
	<u>January 1, 2011</u>		<u>Amount</u>	<u>%</u>
<b>Waiting Period Before Benefits Begin:</b>				
13-Weeks	\$18.00	\$20.00	\$2.00	10%
26-Weeks	\$14.00	\$16.00	\$2.00	13%

; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is directed to make all changes necessary to effect these amendments to the Long Term Disability Income Plan and policy issued by The Prudential Insurance Company of America; and be it

FURTHER RESOLVED, that the AICPA Life Insurance/Disability Plans Committee be and hereby is vested with any and all powers necessary to direct the Trustee of the AICPA Insurance Trust to modify the Plan and policy in accordance with the above Resolutions.

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RESOLVED, that, subject to approval by the applicable State Regulators, that the Schedule of Benefits known as Long Term Care-4 (LTC-4) be added to the Schedules of Benefits providing long-term care coverage under the AICPA Long Term Care Plan, effective January 1, 2011; and be it

FURTHER RESOLVED, that LTC-4 provide daily maximum benefits for nursing home, home care, assisted living or adult day care ranging in amounts of from \$100.00 to \$350.00 per day; and be it

FURTHER RESOLVED, that, LTC-4 provide benefits for care received outside the United States; and be it

FURTHER RESOLVED, that, LTC-4 provide that contribution premium rates be reduced by 15% if the insured is married; and be it

FURTHER RESOLVED, that, LTC-4 provide a cash alternative benefit feature that permits an insured to receive 50% of the insured's daily home care benefit in lieu of reimbursement for eligible charges; and be it

FURTHER RESOLVED, that, LTC-4 provide a future purchase inflation feature that allows an insured to secure additional coverage annually without the need to answer any health questions; and be it

FURTHER RESOLVED, that, the monthly contribution premium rates for coverage under LTC-4 are those shown in Exhibit A, pages 1 – 24, following; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is directed to effect any and all changes in the language and administration of the AICPA Long Term Care Plan and the policy or policies issued by The Prudential Insurance Company of America providing coverage under this Plan, such amendments to be in such forms as approved by the AICPA Life Insurance/Disability Plans Committee or its Chair; and be it

FURTHER RESOLVED, that, the AICPA Life Insurance/Disability Plans Committee be and hereby is vested with any and all powers necessary to direct the Trustee of the AICPA Insurance Trust to modify the Plans and the policy or policies in accordance with the changes prescribed by the AICPA Life Insurance/Disability Plans Committee pursuant to the above Resolutions.

#### Recommendation of Candidates for the 2010-2011 AICPA Nominations Committee

Mr. Harris reported that Ernie Almonte, Immediate Past Chairman, Paul Stahlin, Vice Chairman, and he had, according to procedures approved by the Board of Directors, considered candidates for the Nominations Committee and recommended two possible slates for the Board to consider. He said they had

considered the candidates' geographic location, employment and general background with the goal of selecting a group representative of the membership. He said that if members of the Board wanted to substitute candidates from one of the slates or add candidates, the Board should take into account the candidates' background so as to maintain a representative membership balance.

After discussion upon a motion duly made and seconded, the Board approved, with one abstention, recommending to Council the first slate. The names will be presented to the governing Council in October 2010.

#### Legal Update and Secretary's Report

Richard Miller, General Counsel and Secretary, and Michael Buddendeck, Assistant General Counsel, provided the Board with a Legal Update.

Mr. Miller then delivered the Secretary's Report. Membership ballots No. 904, 905, 906 and 907 for the time period of January 15, 2010 to April 23, 2010 admitting 7153 members, accepting 291 resignations, 1218 reinstatements and 76 advances of dues, were received and approved.

Upon a motion duly made and seconded, the Board accepted the Secretary's Report.

The Secretary's Report is at **Appendix A** in the official minute records of the AICPA.

### Pipeline Update

Tony Pugliese, Senior Vice President – Finance, Membership and Operations, explained the goal of the AICPA’s Pipeline initiative. He also reviewed the activities and direction of the AICPA Leadership Academy. He explained how the alumni of the 2009 Leadership Academy were active in planning the 2010 Academy program, the AICPA strategic vision training, serving on AICPA committees, and setting the foundation for the class of 2010. He then cited the demographics of the 2010 class and how they represented all aspects of the profession.

Jeannie Patton, Vice President- Students, Academics and Membership, demonstrated the new website, “This Way to CPA.” It has profiles of young CPA’s, interview tips, exam and licensure advice, a community, state resource map and the specific requirements for taking the Uniform CPA examination in all 54 jurisdictions.

Ms. Patton also described the 2010 AICPA Accounting Competition and explained the role of the Board of Directors in the process. The topic for 2010 will be Accounting for Sustainability and finalist presentations and winner will be selected at the January 2011 AICPA Board of Directors meeting.

### Report from the Chair of the Investments Committee

Meloni Hallock, Chair – Investments Committee, provided the Board with background information on the committee, including its mission and core

responsibilities. She reviewed the portfolio composition and overall performance versus established benchmarks.

Ms. Hallock explained the committee's key projects and answered questions from the members of the Board. She also reviewed the key change to the pension plan investment policy statement and noted it included new language that creates a dynamic asset allocation strategy to allow management to reduce the plan's exposure regarding certain investments. She noted the Finance Committee approved this policy change and was recommending it for the Board's approval.

After discussion, upon a motion duly made and seconded, the Board approved the report of the Investments Committee and the modified investment policy statement.

#### Report from the Chair of the Audit Committee

Patricia Cochran, Chair of the Audit Committee, reported on the matters covered at the Audit Committee meeting of August 4, 2010. She said the committee received a report on the Institute's Information Technology projects from Hemchandra Nerkar, the Director of Information Technology. Mr. Nerkar reviewed the new Information Technology projects in the pipeline and the status of existing projects. He said the new Learning Management System will be launched later in August with 100 courses.

Ms. Cochran reported that the committee (1) reviewed and approved the AICPA's Political Action Committee's financial statements, (2) reviewed the

status of the Internal Audit staff, the Fiscal Year 2009 Management Letter and the internal audit staff's work on the Fiscal 2010 audit, (3) noted that JH Cohn's progress with regard to the Fiscal Year 2010 audit was on track and (4) reviewed the AICPA Audit Committee toolkit and got the committee's members input and comments for current and future engagements.

Ms. Cochran said the Director of Internal Audit, Karen Percent, reported that 3 items had been closed relative to SAS 112 and two remained open.

Ms. Cochran also reported that the committee met privately with representatives of JH Cohn LLP, the AICPA President and CEO, Senior Vice President –Finance, Membership and Operations and Director of Internal Audit to discuss various operational matters.

### Sustainability

Carol Scott, Vice President – Business, Industry and Government, updated the Board members on the AICPA's Sustainability business plan. She explained the CPA roles, AICPA goals and the communications, member resource and thought leadership strategies.

### Executive Session

The Board convened into executive session at 3:15 p.m. after which the regular Board meeting reconvened on Friday, August 6, 2010 at 9:00 a.m.

### Report from the Finance Committee

Richard Caturano, Chairman of the Finance Committee, reported that prior to the consideration of additional pension expense, the operating forecast reflected an operating profit of \$4.9 million in comparison to the budget of \$2.1 million. He said since the last forecast the AICPA had experienced higher dues revenue and expense reductions in areas of salaries, professional fees and advertising. Management expects to record a final pension adjustment, which is not in its latest forecast, and would likely bring the overall projected net operating income down to approximately \$2 million.

Mr. Caturano said the Institute expects to record net gains on marketable securities of approximately \$8 million. He said at the beginning of the fiscal year the AICPA established 8 key metrics to monitor fiscal performance and determine whether the AICPA could award matches on the employees' 401k contributions. He said all the metrics, but one (gross margin on key revenue streams) were met and the Finance Committee approved a motion to award employees 95% of the targeted match after the annual audit was completed.

Mr. Caturano said management continues to monitor cash flow projections and noted that management did not draw on its line of credit in Fiscal 2010. This is the first time this has been accomplished in recent history. He said management is currently projecting a maximum draw of \$20 million on the line of credit in Fiscal 2011 due to the need for additional funding of the staff pension per the Pension Protection Act as well as additional debt principal payments.

Mr. Caturano closed his report stating that the AICPA's membership would exceed 348,000 regular voting members and 369,000 total members, the AICPA's highest totals ever. He said during Fiscal 2010 the AICPA exceeded its budgeted membership retention rate and new membership goals.

The financial statements are at **Appendix B** in the official minute records of the AICPA.

#### Governmental Audit Quality Center (GAQC) Update

Corey Arvizu, Chairman – Governmental Audit Quality Center Executive Committee and Mary Foelster, Director – Governmental Accounting and Auditing, reported on the Governmental Audit Quality Center activities of the past year. As part of its annual report to the Board, Mr. Arvizu said the Audit Quality Center had increased its membership to 1,444 member firms, an annual net growth of 189 firms or 15%. In addition, he said 15 state audit organizations had joined the Audit Center during the past year.

Mr. Arvizu reported on the Center's resources to members, which included *GAQC Alerts* and *GAQC Update* newsletters (which are pushed electronically directly to members), and 16 member web events that drew more than 10,000 participants. He also covered various technical activities of the Center, including the development of an updated illustrative Yellow Book and single audit reports and participation in the development and review of the various AICPA governmental accounting and auditing publications. Mr. Arvizu then outlined the Center's activities in community and awareness building. Ms. Foelster noted that

the Center was active in the advocacy area meeting regularly with various federal agencies to discuss matters of mutual interest, including issues associated with the American Recovery and Reinvestment Act of 2009 and single audit quality.

Ms. Foelster closed by reviewing the Audit Quality Center's goals and what it foresees on the horizon in the governmental audit area.

Mr. Arvizu and Ms. Foelster answered questions from the members of the Board.

#### Employee Benefit Plan Audit Quality Center (EBPAQC) Update

Marilee Lau, Chair – Employee Benefit Plan Audit Quality Center Executive Committee and Ian Mackay, Director – Federal Regulatory Affairs, provided the Board with the Audit Quality Center's annual report. Ms. Lau reviewed the composition of the executive committee and the center's membership which had grown to 1,955 member firms, a net growth of 8.9%. Ms. Lau said that the member firms audit over 75% of all ERISA plans.

Ms. Lau described the Audit Quality Center's member resources and benefits, its plan advisories and online resources including the member to member discussion forum.

Mr. MacKay highlighted the Center's current activities, which included initial year 403(b) retirement plan audits, plan asset fair value issues, Form 5500 electronic filing and the AICPA's testimony before the ERISA Advisory Council.

Ms. Lau concluded highlighting what the Center sees as its future activities.

Ms. Lau and Mr. MacKay answered questions from the members of the Board.

Report on International Strategy

Sue Coffey, Senior Vice President - Member Quality and International Affairs, updated the Board members on the Vision and Objectives of the AICPA's International Strategy. She reviewed the results of recent research conducted by the AICPA and the proposed next steps that the senior management team endorsed.

The members of the Board provided their comments and input and Ms. Coffey answered questions from the members of the Board.

Fall Council Agenda and Vision

Mr. Harris and Jay Rothberg, Vice President – Office of the CEO, reviewed the proposed agenda for the fall meeting of Council and received input from the members of the Board.

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There being no further business, the meeting adjourned at 11:45 a.m. on Friday, August 6, 2010.