

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – NOVEMBER 18-19, 2010

A meeting of the AICPA Board of Directors was held Thursday, November 18 and Friday, November 19, 2010 at the AICPA's New York Office. The meeting convened at 8:30 am on Thursday, November 18.

Attendance

The following Board members were present:

Paul Stahlin, Chairman  
Greg Anton, Vice Chairman  
Robert Harris, Immediate Past Chairman  
Tommye Barie  
Allyson Baumeister  
Rich Caturano  
Patricia Cochran  
Bob Graham  
Rodney Harano  
Carter Heim  
Mark Hildebrand  
Jeff Hoops  
Teresa Mason  
Bill McKenna  
Barry Melancon  
Jay Moeller  
Karen Pincus  
Bill Reeb  
Bill Schneider  
Monica Sonnier  
Charles Weinstein

Also present:

Kevin Currier, Chairman (by phone)  
Uniform Accountancy Act Committee

Dan Hevia, Chairman  
Peer Review Board

Loretta Doon, Chief Executive Officer  
California Society of CPAs

Erin Hardwick, Chief Executive Officer  
South Carolina Association of CPAs

Erik Asgeirsson, Chief Executive Officer  
CPA2Biz

Jim Brackens, Vice President  
Firm Quality and Practice Monitoring

Sheri Bango Cavaney, Vice President  
Practice Mobility and State Regulatory & Legislative Affairs

Susan Coffey, Senior Vice President  
Member Quality and International Affairs

Robert Durak, Senior Technical Advisor  
Accounting Standards

Ed Karl, Vice President  
Taxation

Cynthia Lund, Vice President  
State Society Affairs

Janice Maiman, Vice President  
Communications and Media Channels

Jim Metzler, Vice President  
Small Firm Interests

Richard Miller, General Counsel and Secretary

Dan Noll, Director  
Accounting Standards

Mark Peterson, Vice President  
Congressional and Political Affairs

Tony Pugliese, Senior Vice President  
Finance, Membership & Operations

Cheryl Gravis Reynolds, Director  
Communications

Jay Rothberg, Vice President – Office of the CEO

Carol Scott, Vice President  
Business, Industry and Government

Scott Spiegel, Chief Financial Officer

Arleen Thomas, Senior Vice President  
Member Competency and Development

Victor Velazquez, Vice President  
Strategy and Human Resources

### Introduction and Chairman's Report

Paul Stahlin, Chairman of the Board, opened the meeting by welcoming the Board members and asking them to introduce themselves. He introduced Erin Hardwick, Executive Director of the South Carolina Association of CPAs, and Loretta Doon, Chief Executive Officer of the California Society of CPAs, as representatives of CPA/SEA.

Mr. Stahlin reported on his activities during his first month as Chairman, which included presentations at the NASBA annual meeting and two state societies and attendance at the NASBA Summit, Business and Industry Executive Committee and Accounting Doctoral Scholars meetings. He said he was stressing the importance of the AICPA and state societies as the "professional homes for CPAs" and was excited about the groundwork being done on the Horizons 2025 vision project. Mr. Stahlin asked Mr. Anton to lead the Board through a review of the participants' evaluations of the fall Council meeting. Based on the evaluations, it was the general consensus that the Fall Council meeting was highly successful.

### Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the August 5-6, 2010 regular meeting, the minutes of August 5, 2010 executive session meeting, and the minutes of the September 25, 2010 conference call meeting, were approved.

The regular meeting 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 provided the Board with an overview of the AICPA's major strategies related to its 8 strategic priorities. He said Mr. Harris, Ms. Coffey and he had attended the recent World Congress, which had a theme of "Sustainability and Integrated Reporting." He announced that Mr. Harris had been elected to the IFAC Board of Directors and would be joining Olivia Kirtley as a member of the Board. Mr. Melancon updated the Board on recent appointments and developments at the IASB, FASB, PCAOB and XBRL. On the latter, he said Arleen Thomas had been elected Chair of XBRL International. Ms. Thomas noted that Mr. Melancon was Chairman of XBRL – U.S.

Mr. Melancon reviewed the major elements of the European Union's Green Paper on Independence of Audit Firms. He asked for and received the input from the members of the Board regarding those elements. He said the AICPA would be submitting a comment letter.

#### Report from the Finance Committee

Richard Caturano, Chairman of the Finance Committee, stated that with new members on the committee and this being the first meeting of the year, the

committee reviewed its roles and responsibilities. He reported on the Institute's current financial results. He said the Institute's current forecast reflected a net operating deficit of \$1.7 million compared to budget of \$.3 million operating profit. He said the major driver for this deficit is a decline in gross margin across several product lines. He said management was currently in the process of performing the second forecast to close the current \$2 million gap either through additional revenue opportunities or cost containment measures.

Mr. Caturano said the Uniform CPA Exam continued to be successful with the forecast for Fiscal 2011 being \$12.4 million of revenue in excess of expenses, which is \$3.5 million favorable to budget.

Mr. Caturano reported that management continues to monitor cash flow projections and is currently projecting a maximum draw of \$11 million on the line of credit in May 2011, which is \$9 million less than the original budget mainly due to the success of the CPA Exam and better than expected Fiscal 2010 operating results.

Tony Pugliese, Senior Vice President – Finance, Membership and Operations, reported on the Institute's membership renewal statistics and said to date they were positive with the number of renewals exceeding last year's numbers at this point and new membership applications being in line with expectations. He said the dues forecast remains at its original budget of \$97.3 million. Mr. Pugliese then reviewed the traffic light report tracking the Institute's financial performance.

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

Mr. Pugliese and Scott Spiegel, Chief Financial Officer, presented the Investment Committee's report and said the committee had three items that required the Board's action. They reviewed the Institute's proposed segmentation of the long-term investments into different asset categories to better align the investment strategy and investment time horizon. After discussion, upon a motion duly made and seconded, the Board approved the new strategy for segmentation of the long-term portfolio. With this change in strategy, the Investments Committee recommended a change in portfolio managers to diversify the portfolio's long term fixed income funds.

After discussion, upon a motion duly made and seconded, the Board approved adding PIMCO Moderate Duration Fund to the fixed income portfolio, which would be funded through the partial liquidation of the Dodge & Cox Income Fund. With respect to the pension plan, and after discussion, upon a motion duly made and seconded, the Board approved fully liquidating the Dodge & Cox Income Fund and the PIMCO Long Term U.S. Government Fund and investing the proceeds into the Barrow, Hanley Long Government Credit Fund to better align the pension plan's assets to the duration of the plan's liabilities.

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

Patricia Cochran, Chair of the Audit Committee, reported that the committee held an orientation for new members and received updates on the

Institute's major Information Technology projects and high impact items in the Management Letter. She said the committee also received a report from the Director of Internal Audit on special projects, reviewed the status of the AICPA's Insurance Trust's year-end audit for December 31, 2010 and discussed the initial planning for the Institute's Fiscal 2011 audit. Ms. Cochran added that the committee reviewed and approved updates to Charters of the Audit Committee and Internal Audit Team.

Ms. Cochran said the committee met privately with representatives of JH Cohn LLP, the AICPA President, Senior Vice President – Finance, Membership and Operations, and the Director of Internal Audit, and discussed various operational matters.

#### Statutory Meetings

Mr. Spiegel presided over the statutory meetings of the Accounting Research Association, the AICPA Benevolent Fund and the AICPA Foundation during which a report was made on the activities of each of the respective organizations, the financial statements of the prior year and the new officers and trustees.

Upon a motion duly made, seconded and approved, the financial statements of the prior year and trustees for the Accounting Research Association for 2010 were approved.

Upon a motion duly made, seconded and approved, the financial statements of the prior year and the officers and trustees of the AICPA Foundation for 2010 were approved.

Upon a motion duly made, seconded and approved, the financial statements of the prior year and the officers and trustees for the AICPA Benevolent Fund for 2010 were approved.

#### Washington Update/Tax Update

Mark Peterson, Vice President – Congressional and Political Affairs, briefed the Board on recent Congressional elections and how they might affect specific committees that the profession works with in both the House of Representatives and the Senate. He said three new CPAs were elected in November making a total of 8 CPAs in the House of Representatives for the 112<sup>th</sup> Congress. He outlined some of the issues and challenges facing the new Congress and reviewed the status of the profession's issues.

Ed Karl, Vice President – Taxation, updated the Board members on the AICPA's activities relative to Uncertain Tax Positions and the IRS' final UTP schedule issued on September 24, 2010. He said when Congress returns a number of tax issues will be of concern, these include, to name a few, the Bush tax cuts, the tax extenders bill, the estate tax, Alternative Minimum Tax and 1099 issues.

Messrs. Peterson and Karl then answered questions from the members of the Board and received the Board's input.

### Tax Preparer Registration

Ed Karl, Vice President – Taxation, updated the Board on the AICPA's overall strategy and activities regarding the IRS' Tax Preparer Registration program. He and Mr. Melancon answered questions from the members of the Board and received the Board's support for continuing the AICPA's efforts.

### State Legislative and Regulatory Update

Sheri Bango Cavaney, Vice President – Practice Mobility and State Regulatory and Legislative Affairs, reported on the Uniform Accountancy Act history and process. She gave the Board background information on the issue of firm name and the AICPA Uniform Accountancy Committee's conclusions.

Kevin Currier, Chairman of the AICPA Uniform Accountancy Act Committee, reviewed the proposed changes and the possible actions the AICPA Board of Directors could take. He recommended the AICPA accept the revised NASBA proposal to approve the AICPA/NASBA Statute definitions of Network and Network Firm and endorse the NASBA Uniform Accounting Act Rule recommendations.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, The AICPA Board of Directors recognizes that there is a lack of uniformity as to approval of CPA firm names at the state level; and

WHEREAS, There is an increasing concern that firms operating in multiple jurisdictions are being unduly impacted by a decision by one state not to allow a firm name that has been approved by another jurisdiction; and

WHEREAS, The Board of Directors believes that in some states, rules regarding CPA firm names are too restrictive; and

WHEREAS, the AICPA/NASBA Uniform Accountancy Act (UAA) currently prohibits the use of misleading firm names but provides no guidance to state boards or CPA firms on what is or is not acceptable;

WHEREAS, the Board has been provided in background material for Agenda Item 10(b), with proposed revisions to Section 3 of the AICPA/NASBA UAA, which set out definitions for “Network” and “Network Firm” and with proposed language for inclusion in NASBA UAA Rules – Article 14-1 with regard to misleading firm names;

NOW THEREFORE BE IT RESOLVED, That having read and considered the above material the AICPA Board of Directors approves the proposed definitions of “Network” and “Network Firm” for the purposes of including those proposed definitions in an exposure draft for public comment as set out in the material for Item 10(b); and

BE IT FURTHER RESOLVED, That the Board of Directors supports the joint work of the AICPA and NASBA UAA Committees in connection with firm names and hereby endorses the proposed language in NASBA UAA Rules - Article 14 on CPA firm names as set out in the materials for Item 10(b) to be included in the same exposure draft with the proposed definitions; and

BE IT FURTHER RESOLVED, That the AICPA Board of Directors urges NASBA to work collaboratively with AICPA on an as needed basis to achieve uniform adoption of language by state boards of accountancy which would provide clarity and guidance on the use of firm names.

#### Approval of GAA International Associate Membership Category Recognition

Sue Coffey, Senior Vice President – Member Quality and International Affairs, requested the Board’s approval of a recognition agreement with the member institutes of the Global Accounting Alliance (GAA), with which the AICPA currently does not already have a mutual recognition agreement, in order to make their members eligible to join the AICPA International Associate membership category. She explained the reasons for such an action and answered questions from members of the Board.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

“BE IT Resolved that the Board hereby approves recognition agreements with the following member institutes of the Global Accounting Alliance (GAA), of which only their full and regular members (CPA, CA or equivalent), shall join the AICPA as International Associates:

- Hong Kong Institute of Certified Public Accountants (HKICPA)
- Institute of Chartered Accountants in England and Wales (ICAEW)
- Institute of Chartered Accountants of Scotland (ICAS)
- Japanese Institute of Certified Public Accountants (JICPA)
- South African Institute of Chartered Accountants (SAICA)
- Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

These organizations are added to the following institutes with which the AICPA already has existing recognition agreements:

- Canadian Institute of Chartered Accountants (CICA)
- Institute of Chartered Accountants in Australia (ICAA)
- Chartered Accountants Ireland (CAI)
- New Zealand Institute of Chartered Accountants (NZICA)
- Instituto Mexicano de Contadores Publicos (IMCP)

#### Legal Update and Secretary's Report

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

Mr. Miller then delivered the Secretary's Report. Membership ballots No. 908 and 909 for the time period of September 13, 2010 – November 10, 2010 admitting 2674 members, accepting 462 resignations, 106 reinstatements and 41 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 B** in the official minute records of the AICPA.

### Executive Session

The Board convened into executive session at 3:50 pm after which the regular Board meeting reconvened on Friday, November 18, 2010 at 10:30 am.

### Blue Ribbon Panel on Private Company Financial Reporting

Dan Noll, Director of Accounting Standards and Bob Durak, Senior Technical Advisor – Accounting Standards, reviewed the mission, structure and activities of the Blue Ribbon Panel on Private Company Financial Reporting. They explained the various options the Blue Ribbon Panel considered and its proposed timeline for completing its work.

They answered questions and received feedback from the members of the Board.

### Peer Review Annual Update

Jim Brackens, Vice President – Firm Quality and Practice Monitoring, reported on the major initiatives of the Peer Review program of the past year. He provided the Board members with the background behind the new peer review standards which apply to peer reviews commencing on or after January 1, 2009. He said the Board and staff had received positive feedback on the new standards. He also updated the Board on the work of the Practice Monitoring Task Force relative to A-133 engagements.

Dan Hevia, Chairman of the Peer Review Board, updated the Board on the Facilitated State Board Access (FSBA) program. He said the program was fully adopted by December 31, 2009. He said it had been well received by the state

societies and state boards of accountancy and currently had approximately 85% of the firms participating. Mr. Hevia also reported on the Peer Review Information System Manager (PRISM), which was adopted in September 2009. It replaced the legacy AS/400 peer review system and although it enhanced the AICPA's and administering entities capabilities, there were a number of issues raised regarding its functionality and the length of time it took to resolve reported issues. He said the AICPA had made resolution a top priority.

Mr. Hevia concluded by reviewing the Peer Review's Board's Vision and top five areas of focus in its Strategic Plan.

Messrs. Brackens and Hevia answered questions from the members of the Board.

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There being no further business, the meeting adjourned at 12:30 pm on Friday, November 19, 2010.