

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – JANUARY 20-21, 2011

A meeting of the AICPA Board of Directors was held Thursday, January 20 and Friday, January 21, 2011 at the AICPA's New York Office. The meeting convened at 8:30 am on Thursday, January 20.

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
Henry Keizer (Friday by phone)
Teresa Mason
Bill McKenna (via phone)
Barry Melancon
Jay Moeller
Bill Reeb (Thursday only; via phone)
Bill Schneider
Monica Sonnier
Charles Weinstein (via phone)

Also present:

Josh Libresco, Executive Vice President – OSR Group
Ralph Thomas, Chief Executive Officer
New Jersey Society of CPAs
Jim O’Hallaron, Chief Executive Officer
Missouri Society of CPAs

Erik Asgeirsson, Chief Executive Officer
CPA2Biz
Susan Coffey, Senior Vice President
Member Quality and International Affairs
Robert Durak, Senior Technical Advisor
Accounting Standards
Cindy Fornelli, Executive Director
Center for Audit Quality
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
Hemchandra Nerkar, Director
Information Technology
Dan Noll, Director
Accounting Standards
Jeannie Patton, Vice President
Students, Academics & Membership
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

Introduction and Chairman's Report

Paul Stahlin, Chairman of the Board, opened the meeting by welcoming the Board members. He introduced Jim O'Hallaron, President & CEO of the Missouri Society of CPAs, and Ralph Thomas, Chief Executive Officer of the New Jersey Society of CPAs, as representatives of CPA/SEA.

Mr. Stahlin reported on his activities since the November Board meeting which included speaking at the AICPA's SEC/PCAOB Conference, three state societies and attending the Major Firms Group meeting among others. He reported that Terry Branstad, a public member of the Board, had to submit his resignation from the Board after being elected Governor of Iowa. Mr. Stahlin said that he was pleased to attend Mr. Branstad's inauguration as Governor.

Mr. Stahlin provided the Board with an update on Horizon 2025.

Mr. Stahlin reported that Jay Hanson, the chair of the Financial Reporting Executive Committee, had to submit his resignation after being named a PCAOB Board member. He recommended Richard Paul as the new committee chair. After discussion, upon a motion duly made and seconded, the Board approved Mr. Paul as the new Chair of the Financial Reporting Executive Committee.

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the November 18, 2010 executive session meeting and the November 18-19, 2010 regular session 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 reported on his recent participation at the CPA/SEA Mid-Winter and the Accounting Associations' Summit meetings. He also updated the Board on recent appointments at SEC, PCAOB, FASB and NASBA.

Mr. Melancon discussed recent developments in Washington, D.C and with respect to XBRL. Mr. Melancon said he was proud to announce Hemchandra Nerkar's promotion to Vice President – Information Technology effective February 1, 2011.

Center for Audit Quality Update

Cindy Fornelli, Executive Director of the Center for Audit Quality, presented the Center's annual update to the Board. She reported on the Center's Vision, its Anti-Fraud Initiative, its policy activities, professional practice activities, research initiatives and the CAQ's 2nd annual Auditing Symposium, held in conjunction with the AAA's Annual Meeting.

Ms. Fornelli answered questions from the members of the Board of Directors.

This Way To CPA Sustainability Student Contest

Jeannie Patton, Vice President – Students, Academics and Membership, explained the goals and objectives of the AICPA’s 2010 Accounting Competition on Accounting for Sustainability. She said the competition was launched in September 2010, with a request that the teams be composed of accounting and non-accounting majors. The competition attracted 130 teams which were narrowed to ten semi-finalists and the three finalists, who would present to the Board today.

The teams from the University of Tennessee, Ohio Dominican University and the University of Texas at Dallas made presentations and were asked questions by the members of the Board of Directors. The members of the Board were then asked to rate the presentations with the first, second and third place winners being announced tomorrow at the Board meeting.

State Legislative and Regulatory Update

Sheri Bango Cavaney, Vice President – Practice Mobility and State Regulatory and Legislative Affairs, provided the Board members with an overview of the recent state elections and how her team anticipated the profession being impacted in 2011. She outlined the top state issues for the profession in 2011 and updated the Board on the profession’s Mobility initiatives.

Ms. Bango Cavaney reviewed the AICPA’s state board outreach program and briefed the Board on the recent Uniform Accountancy Act exposure draft on

Firm Name and an emerging issue of revising the Uniform Accountancy Act's definition of attest, given the recent change in SAS 70 to SSAE 16.

Blue Ribbon Panel on Private Company Financial Reporting

Dan Noll, Director of Accounting Standards, reported on the Blue Ribbon Panel's final meeting, its major recommendations and the timeline for the issuance of the panel's final report. He said he expected the report to be delivered to the Board of Trustees of the Financial Accounting Foundation before the end of January 2011. He said the Trustees plan to meet on February 15, 2011 and Rick Anderson, the Blue Ribbon Panel Chairman, is scheduled to present the panel's report at that meeting.

Bob Durak, Senior Technical Advisor – Accounting Standards, discussed the various scenarios that might occur after the Trustees' meeting and what actions the AICPA might want to take in each situation.

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

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. 910 and 911 for the time period of November 9, 2010 – January 11, 2011

admitting 3115 members, accepting 558 resignations, 96 reinstatements and 66 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.

Executive Session

The Board convened into executive session at 3:00 pm and adjourned at 5:35 pm on Thursday, January 20. The executive session then reconvened on Friday, January 21, 2011 at 8:30am with the regular board meeting reconvening at 9:15am.

This Way To CPA Sustainability Student Contest Award Presentation

Mr. Stahlin presented the results of the Board of Directors' vote. He commended all the teams for making outstanding presentations. The third place winner was the team from Ohio Dominican University; second place went to the team from the University of Tennessee and the first place winner was the team from the University of Texas at Dallas.

The Board members congratulated all the teams.

Market Implications of New IRS Registered Tax Preparers

Josh Libresco, Executive Vice President of the OSR Group, presented the results of recent consumer research conducted by his firm on the IRS' proposed designation of "registered tax preparers." Mr. Libresco reported on the research objectives, methodology and results. He answered questions from the members of the Board.

Cheryl Reynolds, Director of Communications, reported on the AICPA's 360 Degrees of Taxes Campaign. She said this was a multi-year campaign. She reviewed the many elements of the program and demonstrated examples of the radio and web campaigns.

Report from the Finance Committee

Richard Caturano, Chairman of the Finance Committee, reported on the Institute's current financial results. He said at the last Board meeting, the forecast was a net operating deficit of \$1.7 million versus a budget of net revenues of \$300,000. He said the executive management team had worked to close the gap and now forecasts a net operating deficit of \$200,000. To narrow the gap, the management team undertook a cost containment initiative which resulted in a reduction in non-member facing expenses categories as well as an improved revenue outlook in the CPE area.

Mr. Caturano said management continues to monitor cash flow projections and is currently projecting a maximum draw of \$4 million in May 2011 on its \$27 million line of credit, which is \$16 million less than management's originally

projected draw. A large part of this improvement relates to the Uniform CPA Examination. In 2010, candidates took more than 300,000 sections which resulted in a true up by Prometic of almost \$9 million to be remitted to the AICPA in accordance with the contract.

Mr. Caturano said the dues forecast remains at the original budget of \$97.3 million. Membership renewals are positive and exceeding the prior year's renewals at this point. New memberships are in line with expectations. Mr. Caturano said management is forecasting to end the fiscal year with 350,000 regular voting members, which would exceed last year's 348,000 members.

Mr. Caturano concluded by reviewing management's Traffic Light report and the timeline for the 2012 Budget review process.

Report from the Chair of the Audit Committee

Patricia Cochran, Chair of the Audit Committee, reported that the committee received an update from Hemchandra Nerkar on the Institute's major information technology initiatives. These included the upgrades to the PRISM, Oracle and LMS systems and the implementation of LETS Phase II. She said the committee received a status report on the SAS 115 open items in the Management Letter.

Ms. Cochran said the committee received a report from JH Cohn LLP and the AICPA management on the status of the external audits of the AICPA and its related entities for 2011 and the AICPA Insurance Trust for 2010. She said the committee had a conference call scheduled for February 2nd where they would

review the financial statements of the AICPA Insurance Trust. Ms. Cochran also reported that the Internal Audit team recently acquired new audit software which it is anticipated will improve the team's efficiency and effectiveness.

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.

Washington Update/Tax Update

Mark Peterson, Vice President – Congressional and Political Affairs, briefed the Board on the recent federal elections and their possible impact on the profession. He reviewed the Congressional leaders, key committee chairs and reported that there were now 8 CPAs in Congress, an increase of 3 over the previous Congress. He updated the Board on the key issues the profession is involved with, including the recently enacted “Red Flags” legislation, regulations and implementation of the Financial Regulatory Reform legislation and our effort to prohibit tax strategy patents.

Ed Karl, Vice President – Taxation, updated the Board members on a wide range of tax issues, including the recently enacted Tax Extenders Bill, tax preparer registration, Uncertain Tax Positions and the 1099 issues. He also explained the Tax Division's concerns about the IRS' preparer visits and he outlined the results of the due dates project, intended to create a more logical flow for return deadlines.

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

125th Anniversary Celebration

Jay Rothberg, Vice President – Office of the CEO reported on the work of the 125th Advisory Panel and staff in planning and celebrating the AICPA's 125th Anniversary during calendar year 2012.

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There being no further business, the meeting adjourned at 12:00 Noon on Friday, January 21, 2011.