

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – APRIL 19-20, 2012

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A meeting of the AICPA Board of Directors was held Thursday, April 19 and Friday, April 20 at the AICPA's New York City office. The meeting convened at 8:30am on Thursday, April 19.

Attendance

The following Board members were present:

Greg Anton, Chairman
Rich Caturano, Vice Chairman
Paul Stahlin, Immediate Past Chairman
Harold Baird
Tommye Barie
Allyson Baumeister
James Bourke
Thomas Foard
Bob Graham
Rodney Harano
Mark Hildebrand
Thomas Hilton
Jeffrey Hoops
Kenneth Macias
Teresa Mason
Bill McKenna
Barry Melancon
Faye Miller
Jay Moeller
Bill Reeb
Bill Schneider
Monica Sonnier
Charles Weinstein

Also present:

Loretta Doon, Chief Executive Officer
California Society of CPAs
Richard Jones, President & CEO
Washington Society of CPAs

Jennifer Archie, Attorney, Latham & Watkins LLP
 William Balhoff, Vice Chairman Nominee
 Bruce Behn, Chairman
 The Pathways Commission
 Cindy Fornelli, Executive Director
 Center for Audit Quality
 Michael Ham, Vice President – Operations
 CPA2Biz
 Charles Tilley, Chief Executive Officer
 Chartered Institute of Management Accountants
 Scott Voynich, Chairman
 Experienced CPA Volunteerism Task Force

Erik Asgeirsson, Chief Executive Officer
 CPA2Biz
 Michael Buddendeck, General Counsel and Secretary
 Lawson Carmichael, Senior Vice President
 Strategy, People and Innovation
 Susan Coffey, Senior Vice President
 Public Practice and Global Alliance
 Robert Durak, Senior Technical Advisor
 Accounting Standards/Private Company Financial Reporting
 Ellen Goldstein, Senior Manager
 Communications
 Ed Karl, Vice President
 Taxation
 Cynthia Lund, Vice President
 State Society Affairs
 Janice Maiman, Senior Vice President
 Communications and Media Relations
 Jim Metzler, Vice President
 Small Firm Interests
 Hemchandra Nerkar, Vice President
 Information Technology
 Dan Noll, Director
 Accounting Standards
 Mark Peterson, Senior Vice President
 Government and Public Affairs
 Tony Pugliese, Senior Vice President
 Finance, Operations and Member Value
 Cheryl Gravis Reynolds, Director
 Communications
 Jay Rothberg, Vice President – Office of the CEO
 Scott Spiegel, Chief Financial Officer
 Arleen Thomas, Senior Vice President
 Management Accounting
 Mat Young, Vice President
 State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Greg Anton, Chairman of the Board, opened the meeting by welcoming the Board members. He introduced Loretta Doon, Chief Executive Officer of the California Society of CPAs and Richard Jones, President & CEO of the Washington Society of CPAs, as representatives of CPA/SEA.

Mr. Anton reported on his activities since the January Board meeting, which included participation in the CGMA launch, the NASBA Summit and leading the regional meetings of Council. He reviewed the participants' evaluations of the regional meetings of Council with the members of the Board.

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the January 19-20, 2012 regular meeting and the January 19, 2012 executive session were approved.

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

Report from the President and CEO

Mr. Melancon briefed the Board members on a number of organizational and professional issues. He introduced Lawson Carmichael as the AICPA's new Senior Vice President – Strategy, People and Innovation. He informed the Board that Carlos Johnson, a very active AICPA member had been nominated by NASBA as Chairman-elect.

Mr. Melancon said the Chartered Global Management Accountant (CGMA) initiative was progressing well. He said the senior management teams

of the AICPA and Chartered Institute of Management Accountants (CIMA) had a very productive strategy and team building meeting in Dublin, Ireland.

Mr. Melancon briefed the Board on developments affecting the profession in Washington, D.C. and Europe and updated the Board on IFRS and practice issues.

Mr. Melancon reported that the Council members' feedback during the regional meetings of Council supported the AICPA Strategic Plan developed by the staff and reviewed by the Board. He asked if the Board members had any additional input and seeing none said the Institute would move forward with its Strategic Plan for Fiscal Year 2012-Fiscal Year 2014.

Center for Audit Quality

Cindy Fornelli, Executive Director of the Center for Audit Quality, presented the Center's annual update to the Board. She reviewed the Center's Vision and its work during the past year on auditor independence, audit firm rotation, audit committees, the auditor's reporting model and the evolving role of the auditor. Ms. Fornelli also described and demonstrated some of the Center's Investor Education and Anti-Fraud Initiatives. She said the Center was committed to supporting scholarly research that served investors, public company auditors and the capital markets. She said the Center also awarded grants to participants in the Accounting Doctoral Scholars Program so that they could attend the annual meeting of the American Accounting Association.

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

PCAOB Roundtable on Auditor Independence and Audit Firm Rotation

Ms. Fornelli and Mark Peterson, Senior Vice President – Government and Public Affairs, briefed the Board on the issues of auditor independence and audit firm rotation and then led the Board through a discussion of the issues.

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, reported on the Institute's current financial results. She reminded the Board members that the budget called for a \$7 million deficit as a result of the investment in the Chartered Global Management Accountant initiative. She said the forecast before consideration of additional pension expense, currently reflects a loss of \$6.2 million as about \$800,000 of CGMA-related expenses have been deferred to the balance sheet. Ms. Barie also said the Institute was projecting \$8 million of additional pension expense as a result of declining interest rates, bringing the total forecasted loss to approximately \$14 million. Ms. Barie noted that further pension expense could be recognized if interest rates continued to decline.

Tony Pugliese, Senior Vice President – Finance, Operations and Member Value, said the Institute's membership was projecting to be at 352,000 voting and 383,000 total members for the end of the fiscal year. He said the member sections and credentials were experiencing slightly favorable membership trends. Mr. Pugliese also updated the Board on the Institute's line of credit and cash flow projection. He said the Institute's long term investments and pension assets are lagging their respective benchmarks, but on a relative basis are higher than the respective values at July 31, 2011.

Ms. Barie presented the Fiscal Year 2013 budget, which had been approved by the Finance Committee the previous day. She said the budget included a \$5 dues increase in all the membership categories, other than retired and temporarily left the workforce. After discussion, upon a motion duly made and seconded, the Board approved the budget. The budget will be presented to the governing Council at its spring 2012 meeting.

Mr. Pugliese said the Finance Committee was currently evaluating its Operational Reserve Policy. He said the committee was thinking of moving to a "liquidity policy" and is going to discuss the matter further at its next meeting. He said this might be presented to the Board at its August, 2012 meeting.

Mr. Pugliese updated the Board members on the Institute's recent facility changes. He said the Texas operation had been closed and vacated on April 13, 2012. The operation had been moved to Durham, North Carolina. He said the multi-media studio in Jersey City, NJ was in the process of being relocated to New York City about three blocks from the AICPA's current location. He said the Jersey City, NJ lease would end on July 31, 2012.

Mr. Pugliese said the AICPA was considering the establishment of a corporate entity in Canada in support of its international activities. After discussion, upon a motion duly made and seconded, the Board approved creating a corporate entity in Canada.

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

Ms. Barie and Mr. Pugliese answered questions from the members of the Board.

Report from the Chairman of the Audit Committee

Bill Schneider, Chairman of the Audit Committee, reported that the committee received a report on cyber security and had an educational session on software development life cycles by the IT Project Management Office (PMO). He said the external audit was proceeding well and the committee approved the preliminary internal audit plan for Fiscal Year 2013 and authorized the staff to begin a couple of projects early. The committee also approved an engagement letter for the new AICPA Group Insurance Trust.

Mr. Schneider reported that the committee met privately with representatives of JH Cohn LLP, the AICPA President, Senior Vice President – Finance, Operations and Member Value and the Director of Internal Audit and discussed various operational matters.

Cyber Security Overview

Tony Pugliese and Erik Asgeirsson, Chief Executive Officer of CPA2Biz, briefed the Board on the extent and sophistication of cyber and phishing attacks on the internet. They explained what occurred with the AICPA's recent phishing incident and outlined the Institute's response. They reviewed best practices in cyber security and reviewed the threat landscape areas.

Jennifer Archie, a partner with the law firm of Latham Watkins LLP, was introduced. She is a leading expert related to cybercrime, privacy/data security issues, spyware and phishing. She reviewed the first principles of privacy and security and gave a long list of potential breach areas. She described basic security steps that an organization should take and recommended written

information security plans be adopted. She suggested that the AICPA consider an educational program for CPA firms and small businesses on cyber security.

Messrs. Pugliese and Asgeirsson explained to the Board the next steps the AICPA and CPA2Biz plan to undertake in terms of information security, an incident response framework and educational activities.

Messrs. Pugliese and Asgeirsson and Ms. Archie answered questions from the members of the Board.

CPA2Biz and Mobile Apps Update

Michael Ham, CPA2Biz' Vice President of Operations, provided the Board with an update on the mobile marketplace and mobile app categories. He described the AICPA's and CPA2Biz' mobile strategy and current projects and demonstrated several mobile apps. Mr. Pugliese and Mr. Ham outlined a number of mobile apps that the AICPA and CPA2Biz may implement and said they would prioritize development based on market attractiveness and proximity to our core services.

Mr. Asgeirsson reported on why CPA2Biz was established, its Charter and history. He outlined the organization's current business areas and its Firm Solutions Portfolio. He reviewed the Practice Development "Change Management" workshops, CPA2Biz's strategic white papers, its webinars and case studies, the Learning Management Solution and he described where he sees CPA2Biz going with its Digital CPA Cloud User Conference and other initiatives. Mr. Asgeirsson said he felt the company was very well positioned for Fiscal Year 2013 and looking forward.

Report of the Pathways Commission

Bruce Behn, Chairman of the Pathways Commission, reported on the Commission's origin, objective and structure. He said the Commission, which was sponsored by the AICPA and AAA, was a collaborative initiative, which received input from many segments of the profession and from across the country.

Mr. Behn reviewed the historical context for changes in accounting education in the United States and discussed the Commission's preliminary recommendations with the Board. He explained the rationale for each recommendation and why reform is needed.

Report of the Experienced CPA Volunteerism Task Force

Scott Voynich, Chairman of the Experienced CPA Volunteerism Task Force, explained the task force's charge, its composition and timeline. He said the task force conducted research into volunteerism, especially among Baby Boomers, and identified potential models from other national professional associations, volunteer groups and state CPA societies.

Mr. Voynich reviewed the task force's observations and recommendations, which called for promoting, measuring and celebrating CPAs' contributions to their communities and the nation.

Executive Session

The Board convened into executive session at 4:45 p.m. and adjourned at 5:15 p.m. on Thursday, April 19, 2012. The regular session reconvened at 8:30 a.m. on Friday, April 20, 2012.

Washington and Tax Update

Ed Karl, Vice President of Taxation, briefed the Board on a number of tax issues important to the profession. These included the PTIN and tax preparer registration requirements, the due date project, Uncertain Tax Positions, tax preparer compliance visits and the Bush tax cuts and whether they would be extended.

Mark Peterson, Senior Vice President – Congressional and Political Affairs, discussed the current Washington environment and what he anticipated occurring during the next 6-12 months. He described the major provisions in the recently enacted JOBS Act, and the AICPA's position on several key accounting and auditing provisions. He said the AICPA's supported Mobile Workforce bill was moving nicely through the House of Representatives and he expected a vote on the bill before the end of May. Mr. Peterson also reminded the Board members about the upcoming May 8 webcast for Council members to prepare them for their May 16 Capitol Hill visits.

Total Tax Insights™ Calculator

Janice Maiman, Senior Vice President – Communications and Media Relations, and Mr. Karl, demonstrated the tax calculator for the members of the Board and said it would have a soft launch during the Hill visit preparatory webcast on May 8. They explained the media and public information campaign which would accompany the official launch during the AICPA's 125th Anniversary meeting. The calculator was well received by the members of the Board.

Potential Single Audit Changes and Implications for the Profession

Sue Coffey, Senior Vice President –Public Practice and Global Alliances and Mary Foelster, Director – Governmental Auditing and Accounting, reported on the Office of Management & Budget’s recent Advance Notice, “Reform of Federal Policies to Grants and Cooperative Agreements: Cost Principles and Administrative Requirements (including the Single Audit Act).” They explained how the proposed changes might affect between one quarter and one half of the current Single Audit Act engagements. Ms. Foelster explained the specifics of the OMB proposal and the AICPA’s position on its various elements. She answered questions from the members of the Board and said the AICPA would be submitting its comment letter before the April 30, 2012 deadline.

CGMA Update

Arleen Thomas, Senior Vice President – Management Accounting, and Charles Tilley, Chief Executive Officer of the Chartered Institute of Management Accountants, reported on the market’s reaction to the Chartered Global Management Accountant (CGMA) initiative and the strategic initiative to elevate management accounting globally. Ms. Thomas said the results of a new survey on business ethics will be published shortly. They said the senior management teams from the AICPA and CIMA had a very constructive management strategy session in March. Ms. Thomas said that the state society collaborative effort was moving ahead nicely with more than 42 state societies having signed the collaborative marketing agreement.

Ms. Thomas and Mr. Tilley (who participated via conference call) answered questions from the members of the Board.

Private Company Financial Reporting

Dan Noll – Director of Accounting Standards and Bob Durak, Senior Technical Advisor – Accounting Standards/Private Company Financial Reporting, updated the Board and asked Messrs. Stahlin and Melancon to add comments regarding their recent activities on the issue. They said they expected a decision by the FAF before the end of May 2012.

125th Anniversary Celebration

Messrs. Anton and Melancon discussed the proposed agenda and updated the Board members on the activities planned for the spring meeting of Council/125th Anniversary celebration in Washington, D.C.

Legal Update and Secretary's Report

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

Mr. Buddendeck then delivered the Secretary's Report. Membership ballots No. 924 and 925 for the time period of January 16, 2012 to April 4, 2012 admitting 4286 members, accepting 54 resignations, 61 reinstatements and 150 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.

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There being no further business, the meeting adjourned at 12Noon on Friday, April 20, 2012.