

**AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS**

**BOARD OF DIRECTORS**

**MINUTES OF MEETING**

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## AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

## BOARD OF DIRECTORS

MINUTES OF MEETING – AUGUST 2-3, 2012

A meeting of the AICPA Board of Directors was held Thursday, August 2 and Friday, August 3 at the AICPA's New York City office. The meeting convened at 9:00am on Thursday, August 2.

Attendance

The following Board members were present:

Gregory 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  
Jay Moeller  
Bill Reeb  
Bill Schneider  
Monica Sonnier  
Charles Weinstein

Also present:

Joanne Barry, Executive Director  
New York State Society of CPAs  
Mary MacBain, President & CEO  
Kansas Society of CPAs

William Balhoff, Vice Chairman Nominee  
 Clark Blackman, Chairman  
     Personal Financial Planning Executive Committee  
 Kathy Bostjancic, Director for Macroeconomic Analysis  
     The Conference Board  
 Dirk Edwards, Chairman  
     Responsibilities in Personal Financial Planning Practice Task Force  
 Joanne Hagopian, Member  
     AICPA Investments Committee  
 John Hawryluk, Member  
     AICPA Health Care Expert Panel  
 Jeff Market, Member  
     AICPA State and Local Government Expert Panel  
 Charles Tilley, Chief Executive Officer  
     Chartered Institute of Management Accountants

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  
 Joanne Fiore, Publisher of Magazines & Newsletters  
     Journal of Accountancy  
 Audrey Foster, Director  
     Internal Audit (Thursday only)  
 Ellen Goldstein, Senior Manager  
     Communications  
 Ed Karl, Vice President  
     Taxation  
 Mark Koziel, Vice President  
     Firm Services and Global Alliances  
 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  
 Amy Pawlicki, Director  
     Business Reporting, Assurance and Advisory Services and  
     XBRL  
 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 Joanne Barry, Chief Executive Officer of the New York Society of CPAs and Mary MacBain, Chief Executive Officer of the Kansas Society of CPAs, as representatives of CPA/SEA.

Mr. Anton thanked the Board members who were scheduled to end their terms in October 2012 for their outstanding service and contributions to the AICPA and the profession.

Mr. Anton asked the members of the Board to review and comment on the Summary of the Participants' Evaluations of the 2012 spring Council/125<sup>th</sup> Anniversary meeting. He also introduced the key staff responsible for the planning and execution of the AICPA's spring Council/125<sup>th</sup> Anniversary meeting. He said the meeting was exceptionally well done. The members of the Board joined the Chairman in recognizing the staff for their efforts.

Mr. Anton reported on his activities since the April Board meeting, which included presentations to 9 state CPA societies and two universities. He also participated in Interchange, the Major Firms Group, the Practitioners Symposium and Tech Conference and the AICPA Employee Benefits Conference.

Mr. Anton reported that Richard DelGaudio had to resign from the AICPA Peer Review Board for personal reasons. He recommended that Michael McNichols of Iowa succeed Mr. DelGaudio on the Peer Review Board until the expiration of his term in October 2013. After discussion, upon a motion duly made and seconded, the Board approved Mr. McNichols as a new member of the Peer Review Board.

#### Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the April 19-20, 2012 regular meeting 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 updated the Board on FAF's progress in establishing the Private Company Council and the AICPA's development of a framework for OCBOA financial statements. Mr. Melancon briefed the Board members on recent developments relative to mandatory audit firm rotation proposals and International Financial Reporting Standards (IFRS).

Mr. Melancon said the Chartered Global Management Accountant (CGMA) initiative was moving ahead well. As of August 1, more than 20,000 AICPA members had signed up for the designation, which was on schedule with the Joint Venture's plan. He said new management accounting content was being developed and receiving positive feedback from the membership.

Mr. Melancon said the AICPA's new Total Tax Insights™ calculator had attracted more than 100,000 visitors who spent an average of more than ten minutes on the site. He added that version 2.0 was in development. He said the AICPA's "Feed the Pig" financial literacy campaign was the Ad Council's most successful of its sixty campaigns this past quarter.

Mr. Melancon reported that David Walker, a former Comptroller General of the United States and AICPA member, was launching a bus tour in September in support of his "Comeback America" initiative. He said that several state CPA societies were also supporting this effort.

Mr. Melancon asked Anthony Pugliese, Senior Vice President – Finance, Operations and Member Value, to explain the Information Technology Executive Committee's request to change its name and the name of its member section. Mr. Pugliese said the executive committee would like to change its name and the name of its member section to the Information Management and Technology Assurance Executive Committee and Information Management and Technology Assurance Member Section, respectively. He said the change in names more closely fit the committee's and section's activities and direction. He said if approved by the Board, the name changes would need to be considered by the AICPA's governing Council.

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

BE IT RESOLVED, That the Board of Directors recommends that the AICPA Council approve the request of the Information Technology Executive Committee that the committee's name be changed to the Information Management and Technology Assurance Executive Committee and that the name of the Information Technology Member Section be changed to the

Information Management and Technology Assurance Member Section by adopting the resolutions set out below.

BE IT RESOLVED, That the name of the Information Technology Executive Committee is hereby changed to the Information Management and Technology Assurance Executive Committee and that the name of the Information Technology Member Section is hereby changed to the Information Management and Technology Assurance Member Section; and

BE IT FURTHER RESOLVED, That the first paragraph of the implementing resolution under bylaw Section 3.6.1 be amended by deleting the stricken language and adding the underlined language, as set out below:

AICPA Bylaw Section 360R  
Implementing Resolutions Under Section 3.6 Committees

Resolved:

.01 (1) That the following be designated as senior committees and boards:

Accounting and review services committee \*  
 Financial reporting executive committee \*  
 Assurance services executive committee \*  
 Auditing standards board \*  
 Board of examiners  
 Center for audit quality governing board \*  
 Employee benefit plans audit quality center executive committee  
 Forensic and valuation services executive committee \*  
 Government audit quality center executive committee  
~~Information technology executive committee~~  
Information management and technology assurance executive committee  
 Management consulting services executive committee \*  
 National Accreditation Commission  
 Peer review board \*  
 Personal financial planning executive committee \*  
 Private companies practice executive committee \*  
 Professional ethics executive committee \*  
 Tax executive committee \*

Note: \* Indicates a senior committee which is authorized to make statement without clearance with the Council or the Board of Directors in matters related to its area of practice.

### Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, reported on the Institute's current financial results. She said the budget called for a \$7 million loss due to the Institute's investment in the CGMA program. The total projected loss is approximately \$26 million attributable to unbudgeted pension expense of \$24 million as a result of discount rates declining 150 basis points since July 31, 2011. She further noted that if not for the unbudgeted pension expense and the Council-approved investment in the CGMA program, the Institute would have generated an operating profit of more than \$3 million.

Anthony Pugliese reported the Institute had a record breaking year with respect to membership, with 358,360 voting members and 385,785 total members. The retention rate was 94.75%, which surpassed the established benchmark. He said the dues campaign for Fiscal 2013 for general dues, member sections and credentials were all ahead of Fiscal Years 2011 and 2012.

Ms. Barie reviewed the Fiscal 2013 cash flow projections and market value changes in the long-term and pension portfolios.

Mr. Pugliese said the Finance Committee recommends replacing the Board's current Fund Balance Policy with a new Annual Financial Health Scorecard. After discussion, upon a motion duly made and seconded, the Board approved rescinding the Board's Fund Balance Policy, to be replaced by an annual report from the Finance Team on the organization's financial health and liquidity, both on a short-term and mid-term basis, as part of its overall risk mitigations strategy.



Mr. Pugliese updated the Board on the Institute's Information Technology Road Map initiative. He said the Institute selected Avectra as its association management software provider contingent upon the negotiation of satisfactory contract terms with them. He reviewed the selection criteria used, which included functionality, technology framework, S&P/PCI evaluation, Vendor Organization and Cost. He then outlined the three phase timeline for implementation.

In concluding, Mr. Pugliese reported on CPA2Biz's financial results for Fiscal Year 2012. He said gross revenues increased by 14% to \$23.4 million and the Firm Solutions and LMS lines produced \$3.7 million and \$1.27 million, respectively. Mr. Pugliese reported that CPA2Biz's pre-tax net income was \$288,000 as the company continued to invest in the business.

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

#### Report from the Chairman of the Audit Committee

Bill Schneider, Chairman of the Audit Committee, reported that the committee was pleased to learn of Audrey Foster's promotion to Director of Internal Audit, Security & Privacy. He said the committee received a comprehensive briefing on the selection of Avectra as the Institute's association management software provider. He also said the committee received a report on the Institute's recent "phishing" incident and that the AICPA was developing an Incident Response Framework. Mr. Schneider said the committee conducted a self-evaluation based on the AICPA's Audit Committee Toolkit resources. Mr. Schneider also mentioned that the committee reviewed the engagement letter for

the Joint Venture with the AICPA, CIMA and the Association of International Certified Professional Accountants.

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

#### 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 Uncertain Tax Positions, Identity Theft and the proposed Due Date legislation, which is gaining co-sponsors in both the House and Senate.

Mark Peterson, Senior Vice President – Congressional and Political Affairs, discussed the Institute's legislative activities relative to Sarbanes-Oxley section 404b, Investment Advisors, Mobile Workforce and the ability of government employees to attend or speak at association sponsored conferences and meetings, including those sponsored by the AICPA and state CPA societies.

#### Recommendations for the 2012-2013 AICPA Nominations Committee

Mr. Anton reported that Paul Stahlin, Immediate Past Chairman, Richard Caturano, 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's consideration. 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 of the nominees will be presented to the governing Council in October 2012.

#### AICPA Special Recognition Award Presentation

Mr. Anton presented a Special Recognition Award to Karen V. Pincus for her outstanding contributions to international accounting education standards.

#### CIMA Strategic Plan

Charles Tilley, Chief Executive Officer of the Chartered Institute of Management Accountants, reported on CIMA's strategic plan for 2020. It included a review of business needs, business models and management accounting skills. Mr. Tilley described the evolving business models and challenges and the implications for CIMA and CGMA.

#### Consideration of the PFP Executive Committee Being Granted Standard-Setting Authority

Clark Blackman, Chairman of the Personal Financial Planning Executive Committee, and Dirk Edwards, Chairman of the Responsibilities in Personal Financial Planning Practice Task Force, outlined why the PFP Executive Committee was seeking the authority to set standards. They reviewed the feedback received during the regional meetings of Council and answered questions from the members of the Board. They explained that if the Board approved the committee's recommendation, the matter would then need to be considered by the Institute's governing Council.

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

BE IT RESOLVED, That the proposed Operating Policies of the Personal Financial Planning Executive Committee, which were presented to the Board of Directors, are hereby approved; and

BE IT FURTHER RESOLVED, That the Board of Directors recommends that the AICPA Council approve the request of the Personal Financial Planning Executive Committee that Council grant the Personal Financial Planning Executive Committee standard-setting authority and to amend Appendix A to the AICPA Code of Professional Conduct to designate the Personal Financial Planning Executive Committee as a body which may promulgate technical standards with respect to personal financial planning services under Rules 201 and 202 of the Code of Professional Conduct by adopting the resolutions below substantially in the form presented.

### **Council Resolution**

BE IT RESOLVED, That the Personal Financial Planning Executive Committee be designated as a body which may promulgate technical standards under Rules 201 and 202 of the Code of Professional Conduct by amending the Code of Professional Conduct, Appendix A-Council Resolution Designating Bodies to Promulgate Technical Standards, by adding the paragraph set out below:

Paragraph to be added to Appendix A to the Code of Professional Conduct [new language is underlined]

Personal Financial Planning Executive Committee

RESOLVED, That the Personal Financial Planning Executive Committee is hereby designated as the body to promulgate professional standards with respect to personal financial planning services under Rules 201 and 202.

### **State and Local Government Financial Reporting –**

#### **Current Developments and Future Implication for the Profession**

Jeff Markert, Member of the AICPA State and Local Government Expert Panel, described the increasing financial stresses on state and local governments. He noted the changes in pension accounting, sustainability

reporting and regulation of the municipal securities market. Mr. Markert answered questions from the members of the Board.

#### Health Care – Current Developments and Future Implications for the Profession

John Hawryluk, Member of the AICPA Health Care Expert Panel, explained the shifts in funding and other changes as a result of the Patient Protection and Affordable Care Act of 2012. He described how the health industry will need capital for infrastructure and how consolidation in the industry was inevitable. He outlined what he saw as the auditor's role in this changing environment and answered questions from the members of the Board.

#### Integrated Reporting and Sustainability Update

Amy Pawlicki, Director of Business Reporting, Assurance and Advisory Services and XBRL, outlined the AICPA's history of involvement with Integrated Reporting and Sustainability. She showed how this dated back to 1994 with the Jenkins Report. She explained the objectives and strategy focus of the AICPA's Integrated Reporting and Sustainability initiatives and why companies care about sustainability. Ms. Pawlicki highlighted the drivers of this change and cited a number of company examples. She also reviewed the recent developments regarding integrated reporting, the AICPA's activities in this area and the strong support for the International Integrated Reporting Committee.

Ms. Pawlicki then answered questions from the members of the Board.

#### 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. 926, 927, 927 and 928 for the time period of April 5, 2012 to July 26, 2012 admitting 7464 members, accepting 420 resignations, 161 reinstatements and 74 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.

#### Firm Strategy Report

Mark Koziel, Vice President - Firm Services and Global Alliances, reported on the AICPA's Firm Strategy. He said the goal was to implement a customer centric firm service strategy model. He described the AICPA's past and current model and where the Institute planned to be in its firm strategy by 2016. He explained the challenges in serving firms and how the strategy would work going forward.

#### Investments Committee Update

Joanne Hagopian, Member of the AICPA Investments Committee, presented the Committee's annual report to the Board. She 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. Hagopian explained the committee's key projects since August 2011 and answered questions from the members of the Board.

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

Approval of the Extension of MRA with Canada and Mexico to 2015

Susan Coffey, Senior Vice President of Public Practice and Global Alliances, explained the reasons why the AICPA, the Canadian Institute of Chartered Accountants (CICA), Instituto Mexicano de Contadores Publicos (IMCP) and Comite Mexicano para la Practica Internacional de la Contaduria (COMPIC), want to extend the Mutual Recognition Agreement executed by the parties in April 2008 to December 31, 2015.

After discussion, upon a motion duly made and seconded, the Board approved the extension of the Mutual Recognition Agreement.

Review of Board of Directors' Committee Assignments/Review of Senior Committees

Mr. Anton asked the Board members to review the listing of proposed nominees for senior AICPA committees in 2012-2013. After discussion, upon a motion duly made and seconded, the Board approved the committee appointments.

Mr. Caturano reported on the Board committee assignments for 2012-2013. He said all the members accepted their appointments.

Review of the Agenda for the 2012 Fall Meeting of Council/Annual Members' Meeting

Messrs. Anton, Melancon and Rothberg discussed the proposed agenda for the fall 2012 Council meeting and received input from members of the Board.

European Economic Issues – Potential Effects on the U.S. and the Profession

Kathy Bostjancic, Director for Macroeconomic Analysis - The Conference Board, briefed the Board members on the economic conditions in Europe and how the situation could affect the United States' economy and the profession.

\* \* \* \*

There being no further business, the meeting adjourned at 12 noon on Friday, August 3, 2012.