

American Institute of Certified Public Accountants

Board of Directors

Minutes of Meeting: November 21-22, 2013

Contents (by Topic)

AICPA Foundation	8
Approval of the Minutes	4
Attendance.....	2
Audit Committee.....	10
Center for Audit Quality Annual Report	5
Center for Plain English Accounting (CPEA).....	11
Chairman’s Report	4
Compilations Proposal	10
Finance Committee.....	6
Future of Learning Task Force.....	12
Legal Update	9
Peer Review	7
President's Report.....	4
Secretary’s Report.....	9
Small Firms.....	9
State Regulatory and Legislative Affairs	7
Statutory Meetings	8
Third Party Verification.....	11
Washington and Tax Update.....	9

American Institute of Certified Public Accountants

Board of Directors

Minutes of Meeting: November 21-22, 2013

A meeting of the AICPA Board of Directors was held Thursday, November 21 and Friday, November 22 at the AICPA's New York City office. The meeting convened at 9:00am on Thursday, November 21.

Attendance

The following Board members were present:

Bill Balhoff, Chairman
Tommye Barie, Vice Chair
Rich Caturano, Immediate Past Chairman
Grant Ashley
Nancy Bagranoff
Jim Bourke
Steve Christian
Kimberly Ellison-Taylor
Tom Foard
Tracey Golden
Eric Hansen
DeAnn Hill
Tom Hilton
Jean Hobby
Senator Blanche Lincoln
Ken Macias
Myriam Madden
Dorri McWhorter
Barry Melancon
Faye Miller
David Morgan
Representative Anne Northup
Gary Reynolds

Also present:

Penny Gold, Chief Executive Officer
Kentucky Society of CPAs

Ralph Albert Thomas, Chief Executive Officer and Executive Director
New Jersey Society of CPAs.

Chris Almonte, Manager
Communications

Jim Brackens, Vice President
Ethics & Practice Quality

Michael Buddendeck, General Counsel and Secretary

Catey Bullard, Manager
Governance

Lawson Carmichael, Senior Vice President
Strategy, People and Innovation

Jolene Carter-King, Vice President
Strategy

Susan Coffey, Senior Vice President
Public Practice and Global Alliance

Heather Collins, Director
Governance

Audrey Foster, Director
Internal Audit, Security & Privacy

Ellen Goldstein, Senior Manager & Editor
Communications

Ed Karl, Vice President
Taxation

Tim Laspaluto, Controller
Controllershship

Cynthia Lund, Vice President
State Society Affairs

Janice Maiman, Senior Vice President
Communications and Media Relations

Hem Nerkar, Vice President
Information Technology

Kim Nilsen, Executive Editor
Magazines & Newsletters

Dan Noll, Director
Accounting Standards

Mark Peterson, Senior Vice President
Government and Public Affairs

Anthony Pugliese, Senior Vice President and Chief Operating Officer
Finance, Operations and Member Value

Scott Spiegel, Chief Financial Office
Finance, Operations & Member Value

Arleen Thomas, Senior Vice President
Management Accounting
Salome Tinker, Senior Technical Manager
Accounting Standards
Mat Young, Vice President
State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Bill Balhoff, Chairman of the Board, opened the meeting by welcoming the 2013-2014 Board members. Mr. Balhoff also welcomed CPA/SEA representatives present at the meeting, Penny Gold, CEO of the Kentucky Society of CPAs and Ralph Albert Thomas, CEO and Executive Director of the New Jersey Society of CPAs.

Mr. Balhoff reported that he attended and presented at the NASBA Annual Meeting following Fall Council. He also reviewed the evaluations from the 2013 Fall Meeting of Council/Annual Members' Meeting with the Board.

Approval of the Minutes

After discussion, upon a motion duly made and seconded, the Board approved the minutes of the August 1, 2013 executive session, August 1-2, 2013 meeting, and September 23, 2013 conference call.

The regular meeting minutes and conference call minutes were authorized for placement on the AICPA's website.

Report from the President and CEO

Barry Melancon briefed the Board on a number of organizational and professional issues.

He first recognized the organization's Communications and PR team which earned the Ad Council's Creative Campaign of the Year Award for the AICPA's Financial Literacy campaign.

Mr. Melancon introduced, for new Board members, key senior management staff in attendance.

Mr. Melancon reported on various technical activities related to ASEC audit data standards, continuous audit/continuous monitoring, XBRL assurance, and sustainability reporting and assurance.

Mr. Melancon noted that the U.S. House recently passed the Digital Accountability and Transparency Act (DATA Act), and noted that XBRL, while not specifically mentioned in the bill, meets the requirements for government agencies' use of interactive data, leading to easier analytics and more transparency.

Mr. Melancon briefed the Board on activities regarding the International Federation of Accountants (IFAC), and reported that Olivia Kirtley, former AICPA Chair, will be the first female IFAC president beginning in November 2014.

Mr. Melancon reported on the continued efforts to develop an advanced placement (AP) course in accounting for high school students..

Center for Audit Quality Annual Report

Cindy Fornelli, Executive Director of the Center for Audit Quality (CAQ), presented the Center's annual update to the Board. She reported on the health of public company auditing, as well as results from the 2013 CAQ Main Street Investor Survey. Ms. Fornelli also briefed the Board on the CAQ's Anti-Fraud Initiative, created to enhance the ability of the key players in the

financial reporting supply chain to better focus on fraud deterrence and detection. Ms. Fornelli provided an overview of Audit Quality Indicators and Auditor's Reporting Model.

Ms. Fornelli concluded her presentation by answering questions from members of the Board.

Report from the Finance Committee

Tom Hilton, Chair of the Finance Committee, provided a summary of topics the Finance Committee plans to discuss during the year, including an overview of the AICPA's budget process and board policies that guide decision-making by the Committee.

Mr. Hilton delivered an update on the long term investments portfolio, as well as an update on the employee pension plan.

Mr. Hilton also provided the Board with a fiscal year 2014 budget forecast update, which reflected results in line with the budget. The budget and forecast reflects net revenues over expenses of approximately \$60,000.

Mr. Hilton reported that membership renewals were slightly behind last year due to a delay in some marketing campaigns, but are still trending towards the budgeted 94.75% retention rate. He noted that last year's retention rate was also budgeted at 94.75% but actual results were 95.04%, one of the highest in the association industry.

Mr. Hilton provided an update on cash flow projections, and noted that the AICPA is currently expecting line of credit usage of less than \$2.5M, less than last year's usage of \$8.4M.

Mr. Hilton concluded by providing the Board with an overview of the reorganization of the Member Learning & Competency team that took place earlier in 2013, as well as some of the

predictive forecasting tools the Finance team uses to assist with projecting revenue.

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

Profession Challenges and Their Impact on Peer Review and the Future of Practice Monitoring

Sue Coffey, Senior Vice President for Public Practice & Global Alliance, and Jim Brackens, Vice President for Ethics & Practice Quality, spoke about the current and expected challenges the profession is facing from self-regulatory and quality perspectives, as well as the current and future actions AICPA is/will be taking to address these challenges.

They briefed the Board on engagements/regulated industries that create risk to self-regulation, and outlined several enhanced practice-monitoring initiatives. Ms. Coffey and Mr. Brackens provided insight into the work of the Future of Practice Monitoring Task Force (PMoF), noting that sub-groups of the task force are currently working to define technology requirements and performance metrics.

Ms. Coffey and Mr. Brackens concluded their presentation by answering questions from the Board.

2013 State Regulatory and Legislative Affairs Update

Mat Young, Vice President of State Regulatory and Legislative Affairs, presented to the Board an end-of-year review of the team's activities. Mr. Young reported that the team tracked 378 bills and 322 regulations, and responded to more than 200 requests from state CPA societies, Boards of Accountancy, and other state-level partners, as well as provided a broad array of services, such as legislative analysis, drafting of bills, talking points, FAQs, education videos, among others.

Mr. Young spent the remainder of his presentation discussing major state level issues and profession initiatives.

Mr. Young concluded his update by answering questions from the Board.

Statutory Meetings

Scott Spiegel, Chief Financial Officer, presided over the statutory meetings of the Accounting Research Association (ARA), 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 appointment of new officers and trustees.

After discussion, upon a motion duly made and seconded, the officers and trustees for the Accounting Research Association, and the Board of Directors' liaisons to the AICPA Foundation and the AICPA Benevolent Fund for the 2013-2014 year were approved.

AICPA Foundation Bylaw Changes

Thomas Hilton, member of the Board, on behalf of the AICPA Foundation, presented two proposed amendments to the Foundation bylaws, which would increase the number of Trustees to allow for greater flexibility, longevity, and coverage with task force work and other activities the Trustees may want to undertake, and to permit electronic meetings.

After discussion, upon a motion duly made and seconded, the Board approved the amendments to Articles 3.1 and 6.2.2 of the Foundation bylaws.

Washington and Tax Update

Mark Peterson, Senior Vice President – Governmental & Public Affairs, updated the Board on patent trolls, mobile workforce, mandatory firm rotation and other issues, and noted the AICPA's extensive advocacy involvement in various issues.

Edward Karl, Vice President of Taxation, briefed the Board on tax advocacy issues, noting the government shutdown's effects in the legislative and regulatory environment. Mr. Karl also reported on tax reform, PTINs, and identity theft.

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 ballot Nos. 940, 941 and 942 for the time period of July 21, 2013 to November 5, 2013 admitting 5072 members, accepting 483 resignations, 213 reinstatements and 33 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.

Status of Small Firms and Key Issues

Jim Metzler, Vice President for Small Firm Interests, updated the Board on the current state of small firms. Prior to his presentation, Mr. Melancon noted Mr. Metzler's role at the Institute, and recognized him for the value he has brought to the profession during his tenure, and noted that Mr. Metzler will be retiring the end of January 2014.

Mr. Metzler highlighted current key issues facing small firms today, including an expanded service mix, evolving and changing business model, among others. Mr. Metzler also spoke to key issues on the horizon in the next 5-10 years for small firms.

Mr. Metzler concluded his presentation by answering questions from the Board.

Report from the Audit Committee

Tom Foard, Chair of the Audit Committee, reported that the Audit Committee had approved its updated committee charter, reviewed the structure of the AICPA Internal Audit team, and approved its updated Internal Audit Mission & Charter. The committee had also approved the AICPA Code of Conduct and reviewed FY13 exceptions, and was satisfied with the resolution actions taken.

Mr. Foard continued his update by reporting that the committee reviewed and approved the FY14 Internal Audit Security & Privacy Plan.

Regarding the IT Roadmap project, Mr. Foard stated that the committee had received a detailed update and timeline of the three major systems to be implemented, and had reviewed the project risks.

Transformation Topics

Compilations Proposal:

Chuck Landes, Vice President for Professional Standards & Services, briefed the Board on significant changes to the SSARs. He highlighted three new proposed SSARs exposed for public comment on October 23, 2013: revised compilations, new preparation standard, and new association standard, and noted that the comment period ends May 2, 2014.

Mr. Landes outlined the problems with the previous compilation standard, and provided details of the proposed new preparation standard.

Mr. Landes concluded his presentation by answering questions from the Board.

Third Party Verification:

Dan Noll, Director of Accounting Standards, and Salome Tinker, Senior Manager – Accounting Standards, provided information on third party verification requests. They reported an increased number of requests from lenders and from businesses, and also detailed the difference between a third party verification request and a “comfort letter”, noting that smaller firm members are more often the recipient of third party verification requests.

Mr. Noll and Ms. Tinker outlined what CPAs can and cannot provide in terms of third party verification requests and noted the risks involved. They provided the Board with an overview of member and public education activities planned on this topic.

Mr. Noll and Ms. Tinker concluded their presentation by answering questions from the Board.

Center for Plain English Accounting (CPEA):

Bob Durak, Director for PCPS CPEA, delivered a presentation to the Board on the Center for Plain English Accounting, AICPA’s national accounting and auditing center available exclusively to PCPS members. Mr. Durak reported the resource center officially launched November 1st with more than 200 member firm subscribers, and that more extensive launch activities would occur in spring 2014.

Mr. Durak detailed subscriber benefits, and reported that initial reactions to the resource center have been positive.

He concluded his presentation by answering questions from the Board.

Future of Learning Task Force:

Lawson Carmichael, Senior Vice President for Strategy, People & Innovation, updated the Board on activities of the Future of Learning Task Force. Mr. Carmichael reported that the task force is exploring how the accounting profession's many stakeholders can adapt to the changing needs of future learners and new learning methodologies and activities. He also highlighted specific goals for each of the upcoming task force meetings, and recounted key takeaways from the first task force meeting in September.

Mr. Carmichael concluded his presentation by answering questions from the Board.

* * * *

There being no further business, the meeting adjourned at 11:55am on Friday, November 22, 2013.