

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

JANUARY 17-18, 2013 - MINUTES OF MEETING

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BOARD OF DIRECTORS

MINUTES OF MEETING – JANUARY 17-18, 2013

A meeting of the AICPA Board of Directors was held Thursday, January 17 and Friday, January 18 at the AICPA's New York City office. The meeting convened at 9:00 a.m. on Thursday, January 17.

Attendance

The following Board members were present:

Rich Caturano, Chairman
Bill Balhoff, Vice Chairman
Gregory Anton, Immediate Past Chairman
Grant Ashley
Nancy Bagranoff
Tommye Barie
James Bourke
Thomas Foard
Bob Graham
Thomas Hilton
Jean Hobby
Kenneth Macias
Teresa Mason
Barry Melancon
Faye Miller
Jay Moeller
Bill Reeb
Gary Reynolds
Monica Sonnier
Kimberly Ellison-Taylor
Charles Weinstein

Also present:

Michelle McGaughey, Chief Executive Officer
Utah Association of CPAs
Ralph Albert Thomas, CEO and Executive Director
New Jersey Society of CPAs
Charles Tilley, Chief Executive
CIMA

Wes Williams, Chair
 Professional Ethics Executive Committee
 Jeff Porter, Chair
 Tax Executive Committee
 Bob Lavenberg, Chair
 Employee Benefit Plan Audit Quality Center Executive Committee

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
 Heather Collins, Director
 Governance
 Audrey Foster, Director
 Internal Audit, Security & Privacy
 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 (Thursday only)
 Ian MacKay, Director
 Employee Benefit Plan Audit Quality Center
 Dan Noll, Director
 Accounting Standards
 Mark Peterson, Senior Vice President
 Government and Public Affairs (Thursday only via phone)
 Anthony Pugliese, Senior Vice President and Chief Operating Officer
 Finance, Operations and Member Value
 Cheryl Gravis Reynolds, Director
 Communications
 Jay Rothberg, Vice President - Office of the CEO
 Lisa Synder, Director
 Professional Ethics
 Arleen Thomas, Senior Vice President (via phone)
 Management Accounting
 Mat Young, Vice President
 State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Richard Caturano, Chairman of the Board, opened the meeting by welcoming the Board members. Mr. Caturano also welcomed Michelle McGaughey, Chief Executive Officer of the Utah Association of CPAs and Ralph Thomas, CEO and Executive Director of the New Jersey Society of CPAs as representatives of CPA/SEA.

As part of the Chairman's report, Mr. Caturano briefed the Board on the SEC Conference where he delivered the opening address, the Major Firms Group meeting, the critical importance of the Financial Reporting Framework for Small and Medium Sized Entities (FRF SMEs), and the 2012 AICPA Accounting Competition finals where he served as a judge.

Mr. Caturano also discussed the importance of the AICPA Political Action Committee (PAC).

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the September 24, 2012 conference call, and the November 8-9, 2012 r meeting were approved.

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

Report from the President and CEO

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

Mr. Melancon recommended Anne Northup, who served the Third Congressional District of Kentucky in the United States House of

Representatives from 1997-2006, be nominated to fill the public member vacancy on the Board of Directors. After discussion, upon a motion duly made and seconded, the Board approved recommending the nomination to Council at its Spring meeting in May.

Mr. Melancon updated the Board on several meetings he attended including the Accounting Associations Summit, the Major Firms Group, and the CPA/SEA Mid-Winter meetings. He also attended the IFAC meeting in November where Olivia Kirtley, past AICPA Chairman, was elected Deputy President of the IFAC Board.

Mr. Melancon announced the AICPA is well ahead of its goals with 37,842 CGMA members as of January 15, 2013. Mr. Charles Tilley, Chief Executive of CIMA, shared some of CIMA's 2012 milestones with the Board including a \$1.5M surplus, new students being ahead of target and 70,000 exams being taken. Mr. Tilley noted CIMA and the AICPA have come a long way over the last year working together.

Mr. Melancon announced Ashok Noah joined the AICPA as Vice President of External Relations – Management Accounting. Mr. Noah is a CPA and CIMA holder who resides in North Carolina. He reports directly to Arleen Thomas, Senior Vice President – Management Accounting.

Mr. Melancon attended the first Digital CPA: CPA2Biz Cloud User Conference in early December. The conference was rescheduled from November due to Hurricane Sandy and more than 450 people attended. The 2013 conference is scheduled for November 20-22 in Washington, DC.

Mr. Melancon noted the AICPA is pleased the FRF SMEs exposure draft was released on November 1, 2012. The comment period will run through the end of January 2013. Comments will be summarized when the task force meets in February.

Mr. Melancon briefed the Board on the Government Transformation Initiative (GTI) led by David Walker. The purpose of the GTI is to help make the federal government more effective, results driven, future focused, and sustainable to meet the needs of our nation. GTI is a coalition of corporations, nonprofits, academics and others interested in contributing to the achievement of this goal. GTI's primary focus is to support passage of legislation that establishes a non-partisan federal Commission to oversee and direct the transformation of the federal government.

Mr. Melancon provided the Board with a Pathways update. Randy Fletchall and George Krull, representing the AICPA, will help lead the oversight committee along with two representatives from the AAA. Mr. Melancon asked the Board members who serve on business school advisory boards to support Pathways on the agenda at these meetings as it is important to build awareness at business schools across the nation. He also suggested that state societies may want to invite academics to be on panels and work with regional universities.

AICPA Annual Planning: Risk Management and the Changing Environment

Greg Anton, Immediate Past Chairman, Lawson Carmichael, Senior Vice President – Strategy, People and Innovation, and Audrey Foster, Director – Internal Audit, Security & Privacy led a Board discussion on managing organizational risks and provided a review of the external environment.

Update on the Activities of the Professional Ethics Executive Committee

Wes Williams, Professional Ethics Executive Committee (PEEC) Chair and Lisa Snyder, Director – Professional Ethics updated the Board on the Committee’s standard setting activities, including its codification efforts, revisions to non-attest services, and a new definition of partner equivalent.

Report from the Tax Executive Committee

Jeff Porter, Chair of the Tax Executive Committee and Ed Karl, Vice President – Taxation, provided an overview of the tax section’s strategic priorities, which are grouped into three areas: service, ethics and advocacy. They reviewed many of the section’s cross-functional efforts generally. Mr. Porter also discussed more specifically fundamental tax reform, Statements on Standards for Tax Services, comfort letters and several tax administration issues.

Washington and Tax Update

Mark Peterson, Senior Vice President – Government and Public Affairs, discussed the fiscal cliff, debt ceiling/default, sequestration, and the upcoming continuing resolution to provide government funding. In addition, Mr. Peterson covered highlights on some of the legislative and regulatory issues the Washington staff was focusing on including whistleblowers, municipal advisors, due dates, mobile workforce and the Department of Labor’s Fiduciary definition. Ed Karl, Vice President – Taxation, then noted the AICPA is working on approximately 80-90 tax advocacy projects and highlighted some of the key projects including Hurricane Sandy relief, filing season issues, PTIN, Circular 230, Affordable Healthcare Act regulations, and identity theft/truncated taxpayer ID numbers.

Executive Session

The Board convened into executive session at 3:25 p.m. and adjourned at 6:15 p.m. on Thursday, January 17. The regular meeting reconvened at 9:00 a.m. on Friday, January 18.

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, began with a forecast update stating there is a \$1M loss compared to the break even budget. The loss consists of revenue declines of approximately \$4.2M in CPE and Publications and an increase in professional fees of \$1.2M related to acceleration of strategic initiatives. This is offset by an international exam profit of \$1.4M, a decrease in benefits expense of \$1.3M and a decrease of \$1.7M in other expenditures. Management reviewed a robust list of tactics they may deployed to address the revenue declines.

Regarding membership, Ms. Barie and Mr. Anthony Pugliese, Senior Vice President – Finance, Operations and Member Value, and Chief Operating Officer, noted renewals are consistent with past year trends and still trending towards the budgeted 94.75% retention rate. New membership is lagging versus budget. However, new tactics are being deployed and will be launched in February. The CGMA budget was based on 35,700 designees. We surpassed that target and currently have more than 37,800 CGMA designees. As a result, we have exceeded the revenue budget by approximately \$400,000.

On the topic of cash flow, Ms. Barie noted we are currently expecting to use a line of credit of approximately \$10M, which is below original budgeted draw of \$15M.

Ms. Barie then explained that long term investments are in line with the respective benchmark, while pension assets are lagging their respective benchmark. However, on a relative basis both are higher than the respective values at July 31, 2012.

Mr. Barie and Mr. Pugliese concluded with a pension update stating the AICPA is preparing an in-depth analysis of the pension plan. An analysis of possible options will consist of a review of funding and accounting implications, replacement plan designs, and a review of interest rate assumptions and mortality tables to assess impact and reduce volatility in the plan.

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

Report from the Chairman of the Audit Committee

Tom Foard, Chair of the Audit Committee, briefed the Board on the AICPA making an updated Employee Code of Conduct, external audit activities and annual project plan development activities for Internal Audit/Security and Privacy. Mr. Foard also provided an Information Technology Roadmap update.

Executive Session

The Board then moved into executive session from 9:50 a.m. - 10:25 a.m.

Employee Benefit Plan Audit Quality Center (EBPAQC) Annual Update

Bob Lavenberg, Chair of the EBPAQC Executive Committee, stated there are 2,267 firm members and highlighted some of the EBPAQC resources including e-alerts, live forum webinars, member-to-member discussion forums, plan sponsor resources and plan advisories. Mr. Lavenberg also discussed the joint efforts between the Department of Labor (DOL) and the AICPA to improve

audit quality. The DOL's current focus includes high risk audit engagements. Ian MacKay, Director – EBPAQC, shared the top priorities of the EBPAQC three-year tactical plan including investigating ways to broaden the Center's focus on audit quality to be more inclusive of CPAs working for stakeholders, exploring ways to make young CPAs more interested and active in EBP audits and improving access to Center tools and resources.

Governmental Audit Quality Center (GAQC) Annual Update

Mary Foelster, Director – Governmental Auditing and Accounting, briefed the Board on the mission and milestones of the GAQC. Membership includes 1,745 firm members representing 50 states, Puerto Rico, and the U.S. Virgin Islands, which amounts to a 7% net membership increase over last year. Ms. Foelster stated that members value the GAQC website, resources and practice aids, technical guidance, communications and advocacy. On the topic of technical activities, Ms. Foelster discussed the proposed revisions to Circular A-133, the Federal Audit Clearinghouse as well as Housing and Urban Development (HUD) audits.

Legal Update and Secretary's Report

Michael Buddendeck, General Counsel and Secretary, delivered the legal update.

Mr. Buddendeck then delivered the Secretary's Report.

Membership ballots Nos. 931, 932 and 933 for the time period of November 6, 2012 to January 8, 2013, admitting 3,015 members, accepting 38 resignations, 282 reinstatements, and 31 advances of dues, were received and approved.

The Secretary's Report is at **APPENDIX B** in the official minute records of the AICPA.

Review of the Agenda for the 2013 Regional Meetings of Members of Council

Mr. Caturano shared a draft of the March 2013 Regional Meetings of Members of Council with the Board. Post some brief discussion, the Board agreed with the proposed agenda.

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There being no further business, the meeting adjourned at 12:10 p.m. on Friday, January 18, 2013.