

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – APRIL 18-19, 2013

INDEX

	<u>PAGE</u>
<u>Approval of Minutes</u>	4
<u>Attendance</u>	2
<u>Credentials Update from the 2013 Regional Meetings of Members of Council</u>	11
<u>Environmental Assessment Risk & FY14 Annual Plan</u>	11
<u>Executive Session</u>	11
<u>Feedback from Regional Council Meetings on the Definition of Attest/Proposed</u> <u>Changes to the UAA Expanding the Definition of Attest – Vote for Public Comment</u>	8
<u>Introduction and Chairman’s Report</u>	4
<u>Legal Update and Secretary’s Report</u>	10
<u>Report from the Chairman of the Audit Committee</u>	8
<u>Report from the Finance Committee</u>	7
<u>Report from the President and CEO</u>	5
<u>Review of the Agenda for the 2013 Spring Meeting of Council</u>	10
<u>Rule 203 IASB Recognition as a Standard-Setter</u>	8
<u>Washington and Tax Update</u>	10

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MINUTES OF MEETING – APRIL 18-19, 2013

A meeting of the AICPA Board of Directors was held Thursday, April 18 and Friday, April 19 at the AICPA's New York City office. The meeting convened at 8:30 am on Thursday, April 18.

Attendance

The following Board members were present:

Rich Caturano, Chairman
Bill Balhoff, Vice Chairman
Gregory Anton, Immediate Past Chairman
Grant Ashley
Gulzari Babber
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:

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

Erik Asgeirsson, Chief Executive Officer
CPA2Biz

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

Desire Carroll, Senior Technical Manager
Business Reporting Assurance & Advisory Services

Susan Coffey, Senior Vice President
Public Practice and Global Alliance

Heather Collins, Director
Governance

Audrey Foster, Director
Internal Audit, Security & Privacy

Kelly Hnatt, Partner
Willkie Farr and Gallagher

Ed Karl, Vice President
Taxation

Cynthia Lund, Vice President
State Society Affairs

Janice Maiman, Senior Vice President
Communications and Media Relations

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

Cheryl Gravis Reynolds, Director
Communications

Jay Rothberg, Vice President
Office of the CEO

Arleen Thomas, Senior Vice President
Management Accounting

Joel White, Manager
IT Audit

Mat Young, Vice President
State Regulatory and Legislative Affairs

Introduction and Chairman's Report

Rich Caturano, Chairman of the Board, opened the meeting by acknowledging the tragic events that took place in Boston earlier in the week and spoke about his city's efforts to recover.

Mr. Caturano then welcomed 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. He also introduced Anne Northup, a public Board member nominee who was a member of Congress from 1997-2007.

Mr. Caturano reported on his activities since the January Board meeting, which included attending the NABA meeting. He also briefly discussed the Regional meetings of Council and the positive member evaluation feedback.

Lastly, Mr. Caturano addressed a Council vacancy. He explained the Michigan Association of CPAs recommended Stephanie Bergeron as a two-year elected member of Council to replace Ramona Pearson. After discussion, upon a motion duly made and seconded, the Board approved the recommendation to be presented to Council at the Spring meeting.

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the January 17-18, 2013 regular meeting and the January 17-18, 2013 executive session were approved.

The regular meeting 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. He first mentioned that the Honorable Blanche Lincoln, former U.S. Senator from Arkansas, will be joining the AICPA Board of Directors as a public member in November upon the approval of Council. He also noted the upcoming retirement of Jay Rothberg, Vice President – Office of the CEO, and mentioned that this is Jay's last Board meeting. Mr. Rothberg will be honored at the May Council meeting. Mr. Melancon acknowledged Mr. Rothberg's depth of knowledge of the profession and his relationships with members.

Mr. Melancon went on to speak about the 2013 tax and IRS issues including identity theft and security/privacy and noted that on April 16, 2013, Jeff Porter, Chair of the Tax Executive Committee, testified before Congress on tax reform in regards to civil tax penalties.

Mr. Melancon reported that the AICPA continues to support the efforts of the Private Company Council while moving forward with the financial reporting framework.

Mr. Melancon noted that a new GASB chairman will be named soon, and discussed various issues in the governmental accounting arena.

Mr. Melancon also reported that CPA Canada, the new Canadian CPA professional organization, is now operating in virtually all Canadian provinces as of April 1, 2013, and that beginning January 1, 2014 the professional designation for accountants in Canada will be CPA rather than CA.

Mr. Melancon noted that New Zealand and Australian chartered accountant bodies have formally announced the creation of a combined New Zealand and Australian CA body.

Mr. Melancon announced the AICPA has been selected to be the Imperial-level sponsor of the World Congress of Accountants in 2014, which will be held in Rome, Italy.

Mr. Melancon stated that he and Mr. Caturano participated in a news conference at NASDAQ focusing on financial reporting and noted that there is now a new consultative framework on integrated reporting available.

Mr. Melancon explained the AICPA continues to work exceptionally well with CIMA toward the success of the joint venture. He noted that beginning January 1, 2015, future CGMA credential holders will have to take an exam to obtain the credential and that work is underway to modernize the assessment process.

Mr. Melancon said the International side of CPA Exams continues to do well. He commended the AICPA Internal Audit team for its work in managing the potential security and privacy risks that are part of the increase in global Exam offerings..

Mr. Melancon concluded that the AICPA strategic plan includes an initiative to explore ways the AICPA can provide meaningful technical support for smaller firms, and that the AICPA is exploring a consultative program for smaller firms in the financial reporting areas of practice.

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, began with a forecast update that projects a \$1.6M profit compared to the break-even budget.

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 are still trending towards the budgeted 94.75% retention rate, including more than 38,300 CGMA designees, which exceed the original budget of 35,700 designees.

Ms. Barie also noted we are currently projecting to use a line of credit of approximately \$12M, which is below original budgeted draw of \$15M.

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

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

Ms. Barie and Mr. Pugliese also presented the fiscal 2014 budget and discussed the honorary membership trend analysis.

After discussion, upon a motion duly made and seconded, the Board approved the budget, including changes to 2013-2014 dues rates and the honorary membership classification. The budget will be presented to the governing Council at its spring 2013 meeting.

Report from the Chairman of the Audit Committee

Tom Foard, Chairman of the Audit Committee, provided a brief update on the Internal Audit/Security and Privacy Organizational Chart, the plan, and the programs that were being audited during the course of the year. He also discussed the Audit Committee toolkit and approvals.

Regarding the IT Roadmap Project, Mr. Foard said the blueprint stage had been completed and the next stage includes an abundance of change management activities. Mr. Foard reminded the Board that Roadmap is a huge undertaking and the Committee is dedicated to helping ensure all the proper controls are in place to protect AICPA's data from a security and privacy aspect. Mr. Joel White, AICPA Manager – IT Audit, then reported on the IT controls matrix development.

Rule 203 IASB Recognition as a Standard-Setter

Dan Noll, Director – Accounting Standards, and Desire Carroll, Senior Technical Manager – Business Reporting Assurance & Advisory Services, made the recommendation to the Board to recognize IASB as an accounting standard-setter subject to re-assessment in 3 to 5 years.

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

Feedback from Regional Council Meetings on the Definition of Attest/Proposed Changes to the UAA Expanding the Definition of Attest – Vote for Public Comment

Sue Coffey, Senior Vice President - Public Practice and Global Alliance, gave an overview of the evolution of the definition of attest in the Uniform Accountancy Act (UAA), and outlined changes in the marketplace, and

reclassification of certain standards (SAS 70 to SSAE 16, for example) that have given rise to this issue. Ms. Coffey described the need to protect the public via changes to the attest definition.

She reviewed the feedback received from Council members at the March 2013 Regional meetings, and stated that the AICPA is developing language that will amend the definition of attest.

Ms. Coffey asked the Board to recommend that Council approve a resolution which would endorse a conceptual expansion of attest. She noted that a Council resolution is necessary because Council took a position on the scope of attest in 1997, and that the proposed Council resolution would not be approval of specific UAA language, but rather a conceptual position on what attest should be.

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

Mat Young, Vice President - State Regulatory and Legislative Affairs, then briefed the Board on the future of conforming action if the attest changes are adopted.

In addition, Mr. Young discussed firm mobility, a concurrent initiative of the UAA Committee. NASBA and AICPA staff had developed a white paper last year that outlined the risks and benefits of moving forward with mobility. He also reviewed the feedback received from AICPA Council members and state CPA societies during the recent Regional Council meetings and noted that this item will be on the Spring Council agenda as well.

Review of the Agenda for the 2013 Spring Meeting of Council

Heather Collins, Director – Governance, presented the proposed agenda and updated the Board members on the activities planned for the spring meeting of Council in Washington, D.C.

Washington and Tax Update

Ed Karl, Vice President of Taxation, commented on the challenges practitioners faced during the recent tax filing season, including delayed forms, weather problems, and a preponderance of amended 1099 forms, and he noted that the AICPA had been working closely with the IRS to help mitigate or remedy these issues whenever possible, including penalty abatements. Mr. Karl also briefed the Board on other tax issues, including tax reform and Hurricane Sandy tax legislation, and noted that Jeff Porter, chair of the Tax Executive Committee, will be testifying to the IRS Oversight Board Public Forum on identity theft.

Mark Peterson, Senior Vice President – Congressional and Political Affairs, discussed the current Washington environment including the fiduciary definition bill that was introduced in the House, mobile workforce, immigration, patent holding companies, mandatory firm rotation and government-sponsored conferences. Mr. Peterson also noted that he and his team recently completed meetings with new members of Congress, briefing them on issues important to the accounting profession.

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 Nos. 934, 935 and 936, for the time period of January 8, 2013 to April 8, 2013 admitting 3,732 members, accepting 63 resignations, 67 reinstatements, and 66 advances of dues, were received and approved.

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

Credentials Update from the 2013 Regional Meetings of Members of Council

Anthony Pugliese gave an update on globalizing AICPA's specialty credentials and talked about the AICPA's comprehensive approach to specializations. He reviewed the feedback received from Regional Council, and he presented to the Board of Directors a resolution to be presented at Council.

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

Executive Session

The Board convened into executive session at 3:15 p.m. and adjourned at 5:00 p.m. on Thursday, April 18, 2013. The regular session reconvened at 9:00 a.m. on Friday, April 19, 2013.

Environmental Assessment Risk & FY14 Annual Plan

Greg Anton, Past Chairman, and Lawson Carmichael, Senior Vice President - Strategy, People & Innovation, led a discussion on the external marketplace and environmental risks for the profession and the AICPA. They covered trends in economic growth, demographic shifts, regulatory uncertainty, technology and firm and association mergers.

Mr. Carmichael noted that the AICPA has developed and implemented risk mitigation strategies in a wide number of operational and strategic areas. He

noted that the AICPA's current three-year strategic plan continues the eight priorities of people, professional excellence and public interest, CPA reputation, advocacy, thought leadership and innovation, competition and risk, international and operational excellence.

FY14's annual plan was discussed to ensure no significant tactics were missing in order for the AICPA to achieve its eight strategic priorities. The Board endorsed the annual plan.

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There being no further business, the meeting adjourned at 11:45 am on Friday, April 19, 2013.