

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – AUGUST 1-2, 2013

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BOARD OF DIRECTORS

MINUTES OF MEETING – AUGUST 1-2, 2013

A meeting of the AICPA Board of Directors was held Thursday, August 1 and Friday, August 2 at the AICPA's New York City office. The meeting convened at 8:30 am on Thursday, August 1.

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 (Thursday only)
Kenneth Macias
Teresa Mason
Barry Melancon
Faye Miller
Jay Moeller
Anne Northup
Bill Reeb
Gary Reynolds
Monica Sonnier
Kimberly Ellison-Taylor
Charles Weinstein

Also present:

Stephanie Peters, President and CEO
Virginia Society of CPAs
Ralph Albert Thomas, Chief Executive Officer and Executive Director
New Jersey Society of CPAs
Charles Tilley, Chief Executive - CIMA

Erik Asgeirsson, Chief Executive Officer
CPA2Biz

Michael Buddendeck, General Counsel and Secretary

Catey Bullard, Manager
Governance

Lawson Carmichael, Senior Vice President
Strategy, People and Innovation

Suzanne Carr, Director
Web Content & Information Strategy

Michael Cerami, Vice President
CPA2Biz

Heather Collins, Director
Governance

James Cox, Manager
State Legislation

Bob Durak, Director
Accounting Standards

Jack Finning, Chairman
Life Insurance/Disability Plans Committee

Joanne Fiore, Publisher of Magazines & Newsletters
Communications

Audrey Foster, Director
Internal Audit, Security & Privacy

Ellen Goldstein, Senior Manager and Editor
Communications

Joanne Hagopian, Chair
Investments Committee

Ed Karl, Vice President
Taxation

Chuck Landes, Vice President
Professional Standards Team

Tim LaSpaluto, Controller
Finance

Cynthia Lund, Vice President
State Society Affairs

Janice Maiman, Senior Vice President
Communications and Media Channels

Jim Metzler, Vice President
Small Firms Interest

Hem Nerkar, Vice President
Information Technology

Gil Nielson, Director
Media Relations

Ash Noah, Vice President
External Relations

Mark Peterson, Senior Vice President
Governmental & Public Affairs

Cheryl Gravis Reynolds, Vice President
Communications, Advertising & Brand Management,
Scott Spiegel, Chief Financial Officer
Finance
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 welcoming the Board members. He introduced Stephanie Peters, President and CEO of the Virginia Society of CPAs and Ralph Albert Thomas, CEO and Executive Director of the New Jersey Society of CPAs, as representatives of CPA/SEA.

Mr. Caturano reported on his activities since the April Board meeting, which included attending the NABA's annual gala, a recent meeting of the National Commission on Diversity and Inclusion and the Major Firms Group meeting. He will be attending the NASBA Summit next week in Boston, and will be visiting Brazil and Puerto Rico, as well as attending the EDGE conference this month.

Mr. Caturano also briefly discussed the Spring Meeting of Council and the positive member evaluation feedback.

Approval of the Minutes

After discussion, upon a motion duly made and seconded, the minutes of the April 19-18, 2013 regular meeting and the April 19-18, 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 acknowledged Mr. Caturano and his work on diversity and inclusion, including a very successful keynote speech that Mr. Caturano delivered to the National Association of Black Accountants, Inc.

Mr. Melancon went on to brief the Board members on a number of organizational and professional issues.

He first announced the AICPA had a record membership renewal rate in fiscal year 2013 of more than 95 percent, along with above average net income for the fiscal year. Mr. Melancon also commended the work done on the release and communications on the new Financial Reporting Framework for SMEs.

Mr. Melancon reported the AICPA continues to work with NASBA on firm mobility.

Mr. Melancon stated CPA2Biz had another profitable year, and that it had secured the cpa.com domain name, and is working to enhance further the brand positioning of both CPA2Biz and cpa.com.

Mr. Melancon noted that the U.S. House had recently passed a bill that would prohibit the PCAOB from requiring mandatory audit firm rotation for public companies, and he also discussed the relationships the AICPA is building with CIMA and CPA Canada.

Mr. Melancon reported that at the most recent board meeting of the Center for Audit Quality, the CEOs of the eight largest firms indicated support for working together on a more comprehensive attestation model to provide additional information for investors.

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, began with a forecast update and an operating profit projected to be \$5.3M, compared to break even budget and prior forecast of \$1.6M, for fiscal year 2013.

Ms. Barie noted AICPA will have net gains on long-term investments of approximately \$12M and expects to have a favorable result with the pension this year as interest rates have risen close to 100 basis points.

In addition, Ms. Barie said AICPA's fund balance last year on a stand-alone basis was \$7M and will likely be approximately \$20M at fiscal year-end.

Regarding membership, Ms. Barie and Scott Spiegel, Chief Financial Officer, stated the AICPA exceeded 95% in its retention rate in FY13, which is an all-time record retention rate.

Ms. Barie also noted that currently, there are almost 40,500 CGMA credential holders, which exceeds the FY 13 budget of 35,700 credential holders.

Ms. Barie explained total membership for the Institute expected at fiscal year-end will be approximately 394,000 members, compared to a budget of 393,000 members.

Regarding cash flow, Ms. Barie noted that the AICPA originally budgeted to borrow approximately \$15M on its line of credit but had borrowed only \$8.4M. In addition, AICPA liquidated \$10M of investments in June, ending the year with a higher cash balance than expected.

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

Ms. Barie and Mr. Spiegel also reminded the Board of the employee pension plan freeze that became effective on June 30, 2013.

Ms. Barie concluded by noting that Erik Asgeirsson, Chief Executive Officer of CPA2Biz, provided the Committee with an update on C2B's projected financial results for fiscal 2013 as well as other strategic initiatives undertaken in FY13 and planned for FY14.

Report from the Chairman of the Audit Committee

Tom Foard, Chairman of the Audit Committee, provided a brief update and noted that the AICPA Chair and Audit Committee Chair will review the IRS Form 990 prior to its release to the public.

The committee received an update from the audit firm CohnReznick and approved the financial statement for the AICPA Savings Plan.

Regarding the IT Roadmap project, Mr. Foard said the blueprint stage had been completed and the next stage includes a focus on change management activities.

Joel White, AICPA Manager – IT Audit, then gave a brief update on the IT controls matrix development.

Report from the Life Insurance/Disability Plans Committee

Jack Finning, Chair of the Life Insurance/Disability Plans Committee, (participating by phone) and Mr. Spiegel gave an update on the life insurance and disability plans.

Five resolutions were presented to the Board for consideration. After discussion, upon a motion duly made and seconded, all of the resolutions were approved.

CGMA

Charles Tilley, Chief Executive of CIMA, and Ms. Arleen Thomas, AICPA Senior Vice President – Management Accounting and Global Markets, provided an update on the progress of CGMA.

At the end of FY13, Ms. Thomas reported there were 40,453 AICPA CGMA credential holders. She noted that the period for eligible CPAs to obtain the credential without taking the exam will end December 2014, and she outlined several additional changes that will be implemented in 2015, including a new CGMA syllabus, the global CGMA exam, and alignment of continuing professional development policies

Mr. Tilley recommended that Myriam Madden, CIMA's Vice President-nominee, replace Mr. Gulzari Babber as the CIMA member on the AICPA Board of Directors. After discussion, upon a motion duly made and seconded, the motion passed. The recommendation will be presented to Council in October.

New "Feed the Pig" Campaign

Cheryl Reynolds, Vice President of Communications, Advertising & Brand Management, shared new Feed the PigTM creative materials, including television commercials, with the Board. She noted that the program launched in 2006 and has received more than \$300 million in donated media.

Washington and Tax Update

Mark Peterson, Senior Vice President – Governmental & Public Affairs, updated the Board on public policy issues, including the upcoming debt limit discussions, the STEM definition, tax reform, mandatory firm rotation, and section 404(b), among others, and noted the AICPA's extensive advocacy involvement in various issues.

Ed Karl, Vice President – Taxation, provided an update on tax advocacy issues and noted that the potential for tax reform and its various iterations is dominating tax discussions on Capitol Hill. He discussed recent developments concerning tax extenders, education credit consolidation, identity theft, information returns and DOMA.

Investments Committee Report

Joanne Hagopian, Chair of the Investments Committee, 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 2012 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

Future of Learning 2020: Implications for the Profession

Lawson Carmichael, Senior Vice President – Strategy, People and Innovation, spoke about changes in the learning environment that will affect the profession and noted that research shows that competency-based learning is replacing compliance-based learning as the preferred model, and the demand for certificate programs is growing.

He stated that the AICPA will develop a task force, representing diverse perspectives, which will evaluate learning design, development, delivery and application, using key trends and market forces. It will complete its work by early summer 2014 and it will deliver a whitepaper on the future of learning for the CPA profession.

Accounting Basics Certificate Program

Janice Maiman, Senior Vice President – Communications, Media, News and Professional Pathways , and Jeannie Patton, Vice President –Academics, Professional Pathways & Inclusion, continued the discussion of changing learning models, and gave an overview of a proposal to create a certificate program in accounting at the high school level. They noted that career path entry points are shifting to high school, which introduces students to career opportunity and internships during their secondary education years. Ms. Maiman and Ms. Patton outlined the value proposition and risk assessment of creating a high school accounting certificate program.

After discussion, upon a motion duly made and seconded, the Board approved the proposal to explore the concept of a high school accounting certificate program.

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. 937, 938 and 939 for the time period of April 8, 2013 to July 21, 2013 admitting 6679 members, accepting 136 resignations, 1 reinstatement and 119 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.

Articles of Incorporation Updates/Modernization re: D.C. Statute

Mr. Buddendeck explained the Institute, AICPA Foundation, and Accounting Research Association (ARA) are each incorporated in the District of Columbia as not-for-profit entities. D.C. recently adopted a new statute applicable to all D.C. nonprofits. He outlined the required minor changes necessary for each entity to comply with the new statute.

After discussion, upon a motion duly made and seconded, the Board approved the resolutions Mr. Buddendeck presented.

Executive Session

The Board convened into executive session at 4:30 pm and adjourned at 5:00 pm on Thursday, August 1. The Board held a second executive session

beginning at 9:00 am on Friday, August 2 and reconvened into the regular meeting at 10:00 am on Friday, August 2.

Update on the FRF for SMEs Launch

Robert Durak, Director – Private Company Financial Reporting, presented a Financial Reporting Framework for Small and Medium Entities (FRF for SMEs) update to the Board, covering activities since its launch in June. He noted that press coverage including national media outlets, key accounting press and . more than 300 news websites.

Mr. Durak also noted that the rollout included toolkits targeted to various audiences, CPE courses and a social media campaign, and he commended the work of state CPA societies to encourage awareness and adoption.

Credentials Report

Jeannette Koger, Vice President – Member Specialization & Credentialing, updated the Board on AICPA's strategy for expanding specialty credentials in the international marketplace in response to growing demand. She outlined a proposal for a pilot program with CPA Canada and CIMA, and noted that in May 2013, Council had approved offering credentials to members of AICPA Board-approved non-US accounting bodies.

After discussion, upon a motion duly made and seconded, the Board approved the proposal for AICPA to explore a pilot credentials program as outlined by Ms. Koger.

Digital Strategy

Lawson Carmichael and Janice Maiman, discussed the AICPA's new Digital Strategy. They discussed the rapidly evolving technology landscape and

highlighted implications to AICPA. In addition, they underscored the importance of technology in most major activities of the Institute and outlined the coordinated technology activities that are underway to position the Institute for success in this arena.

Recommendation of Candidates for the 2013-2014 AICPA Nominations Committee

Mr. Caturano reported that Greg Anton, Immediate Past Chairman, Bill Balhoff, Vice Chairman and he had, according to procedures approved by the Board of Directors, considered candidates for the Nominations Committee and recommended a slate for the Board's consideration. Mr. Caturano said they had considered the candidates' geographic location, employment and general background with the goal of selecting a group representative of the membership.

After discussion, upon a motion duly made and seconded, the Board approved Mr. Caturano's slate. The names of the nominees will be presented to the governing Council in October 2013.

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

Bill Balhoff, Vice Chairman, asked the Board members to review the listing of proposed nominees for senior AICPA committees in 2013-2014.

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

Mr. Balhoff reported on the Board committee assignments for 2013-2014. He said all the members accepted their appointments.

Review of the Agenda for the 2013 Fall Meeting of Council/Annual Members' Meeting

Messrs. Caturano, Melancon and Heather Collins, Director of Governance, discussed the proposed agenda for the fall 2013 Council meeting and received input from members of the Board.

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There being no further business, the meeting adjourned at 12:00pm on Friday, August 2, 2013.