

American Institute of Certified Public Accountants

Board of Directors

Minutes of Meeting: April 24-25, 2014

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A meeting of the AICPA Board of Directors was held Thursday, April 24 and Friday, April 25 at the AICPA's Durham, North Carolina office. The meeting convened at 9:00am on Thursday, April 24, 2014.

Attendance

The following Board members were present:

Bill Balhoff, Chairman
Tommye Barie, Vice Chair
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 (Thursday Only)
Ken Macias
Myriam Madden
Dorri McWhorter (via phone)
Barry Melancon
Faye Miller
David Morgan
Gary Reynolds

Also present:

Mike Colgan, Executive Director and Chief Executive Officer
Pennsylvania Institute of CPAs

Andrew Harding, Managing Director
Chartered Institute of Management Accountants

Chris Bumcrot, Co-Founder
Applied Research & Learning LLC

Erik Asgeirsson, President, CPA.com

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

Susan Coffey, Senior Vice President
Public Practice and Global Alliance

Chris Cole, Technical Manager
Content Development

Heather Collins, Director
Governance

Mike Decker, Director
Examinations

Kim Drumgo, Director
Diversity & Inclusion

Joann Fiore, Vice President
Professional Media, Pathways & Inclusion

Ellen Goldstein, Senior Manager
Communications

Audrey Foster, Director
Internal Audit, Security & Privacy

Ed Karl, Vice President
Taxation

Cynthia Lund, Vice President
State Society Affairs

Janice Maiman, Senior Vice President
Communications, Media, News & Professional Pathways,

Peggy McIntyre, Vice President
Membership

Gil Nielsen, Director
Media Relations

Carl Peterson, Vice President
Small Firm Interests

Mark Peterson, Senior Vice President
Government and Public Affairs

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

Cheryl Reynolds, Vice President
Communications, Advertising & Brand Management

Clar Russo, Vice President
Member Learning & Competency

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

Arleen Thomas, Senior Vice President
Management Accounting & Global Markets

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 Board members. Mr. Balhoff also welcomed CPA/SEA representative Mike Colgan, Executive Director and CEO of the Pennsylvania Institute of CPAs.

Mr. Balhoff reported on his activities since the January Board meeting, which included attending the NASBA Summit meeting and a Diversity and Inclusion Commission meeting. He mentioned he, Tommye Barie and Jim Knafo represented the AICPA at the 125th anniversary of the Institute of Chartered Accountants Ireland. Mr. Balhoff also briefly discussed the Regional meetings of Council and the positive member evaluation feedback.

Lastly, Mr. Balhoff addressed a Council vacancy. He explained the Wyoming Society of CPAs recommended Alexandra Wilkinson as a two-year elected member of Council to replace Pauline (Pam) Dunnuck. 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 the Minutes

After discussion, upon a motion duly made and seconded, the Board approved the minutes of the January 23-24, 2014 Board Meeting.

The meeting 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.

Mr. Melancon began by welcoming everyone to the North Carolina office and noted it had been nine years since the AICPA relocated to Durham – a move that provided renewed energy and talent streams, and saved \$11 million annually.

Mr. Melancon introduced Carl Peterson as the new Vice President of Small Firm Interests, and described his background as a small firm owner. Mr. Melancon also introduced Andrew Harding, managing director of CIMA, and noted that Mr. Harding has extensive global experience and perspectives.

Mr. Melancon discussed the issue of valuations and the growing concern among regulators around the world, including at the SEC, on the management valuation methodologies. He also discussed CPA licensure activities and the candidate pipeline.

Mr. Melancon announced CPA2Biz will change its name to CPA.com to reflect better its marketplace position and the announcement will be made at Spring Council.

Mr. Melancon updated the Board on the adoption by states of the revised UAA language on the definition of attest. He noted that 39 state CPA societies are working to make similar changes.

Mr. Melancon outlined for the Board that since the Canadian CAs, CMAs, and CGAs have merged three organizations and designations to become Chartered Professional Accountants in Canada, there is a need to extend the Mutual Recognition Agreement (MRA). He stated the International Qualifications Appraisal Board has requested the AICPA and NASBA each extend the existing tri-partite MRA to the end of 2016, with the same terms and conditions. Upon a motion duly made and seconded, the Board approved the extension of the Mutual Recognition Agreement with Canada.

Sue Coffey, Senior Vice President Public Practice & Global Alliances, discussed enhanced audit quality initiatives, including Practice Monitoring of the Future as a long-term

enhancement. She outlined the criteria and process of the proposed changes, and noted that the practice monitoring teams have begun to expose the concepts and gather feedback..

Mr. Melancon gave an update on the Center for Plain English Accounting and noted with sadness the sudden passing of Dr. Thomas A. Ratcliffe, Ph.D., CPA, CGMA. The Board approved a Resolution expressing its appreciation for Dr. Ratcliffe's many contributions and years of service to the accounting profession. The resolution is attached at **Appendix C**.

Mr. Melancon also gave an update on the current status of the IRS Preparer Tax Identification Number (PTIN) issue, along with other concerns about IRS activities. He stated the AICPA is continuing to encourage the IRS to focus its efforts on utilization of the current PTIN program and increased taxpayer education.

Employee Benefit Plan Audit Quality Center Membership Requirement

Jim Brackens, Vice President - Ethics and Practice Quality, reviewed a proposed change to the Employee Benefit Plan Audit Quality Center (EBPAQC) membership requirement. He explained the proposed change, recommended by the EBPAQC Executive Committee, would require the audit partner designated with firm-wide responsibility for the quality of the firm's employee benefit plan audit practice to participate in an annual Center-sponsored web event on recent developments in employee benefit plan auditing.

After discussion, upon a motion duly made and seconded, the Board approved the recommendation for the change.

National Diversity and Inclusion Commission Update

Kim Drumgo, Director of Diversity and Inclusion, and Mr. Rich Caturano, Immediate past Chairman, provided the Board with an overview of minority pipeline initiatives including increasing communication and awareness in diverse communities, increasing support of high

school and community college programs for students pursuing accounting, and increasing the number of minority students who sit for and pass the CPA exam.

Mr. Caturano noted these initiatives require a significant amount of coordination not only to execute, but to ensure all stakeholders in the profession are in alignment with the plan and support these objectives at the onset.

Ms. Drumgo mentioned the AICPA is working with the National Academy Foundation (NAF) on a recognition program that includes competencies, courses, work-based learning and summer enrichment.

Ms. Drumgo also updated the Board on the Diversity Maturity Model, which is designed to help organizations gauge their progress on incorporating diversity and inclusion initiatives into their firm or company culture and practices. She stated the Diversity Maturity Model will be released later this summer.

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. 946, 947 and 948 for the time period of January 14, 2014 to April 14, 2014 admitting 4,432 members, accepting 56 resignations, 0 reinstatements and 28 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.

Audit Committee Report

Tom Foard, Chair of the Audit Committee, reported the Audit Committee reviewed the mission and core values for iARC (Internal Audit, Risk & Compliance, formerly called the Internal Audit and Security & Privacy team) and noted the addition of the Exams Compliance group to the team's responsibilities..

Mr. Foard continued his update by reporting the FY14 iARC project plan is on track, that the Committee approved the Political Action Committee financial statements for year ended December 31, 2013 and the Committee received an update from CohnReznick regarding the FY14 audit.

Mr. Foard also noted the Audit Committee heard an update on the Roadmap project, which has encountered both timing and budgeting challenges, and that appropriate adjustments have been made within the parameters and estimates set at the beginning of the IT modernization initiative. He stated the Audit Committee is confident of the quality of outside vendors and the commitment of AICPA staff to meeting the revised goals.

Membership Update

Peg McIntyre, Vice President of Membership gave an update on membership retention and recruitment initiatives that the AICPA has undertaken to support the Membership Team's mission to increase AICPA membership each year by retaining members and recruiting new members for increased market penetration. She noted that 2013 member growth was 2.1%, which far exceeds rates in comparable individual membership associations, and the AICPA's retention rate above 94% also leads other organizations. Ms. McIntyre shared examples of recruitment and retention materials, and noted the commitment of all AICPA team members to grow the AICPA membership each year.

Finance Committee Report

Tom Hilton, chair of the Finance Committee, reported the Finance Committee received a forecast update which reflected results in line with the budget, with no change to the forecast since the previous meeting. The budget and forecast reflect a small profit of \$58,000.

Mr. Hilton reported the AICPA is projecting to achieve the budgeted 94.75% member retention rate. He also reported the sections and credentials memberships are consistent with prior years, and that the AICPA is on target to end the fiscal year 42,000 CGMA designation holders.

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

Mr. Hilton provided the Board with an update on budget preparations for fiscal year 2015.

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

Mr. Hilton outlined a proposed change to CPA Examination Candidate Affiliate membership that would remove a roadblock to membership for candidates who are scheduled to take the Uniform CPA Exam while still including appropriate safeguards.

After discussion, upon a motion duly made and seconded, the Board approved the recommendation for Council approval of the Fiscal 2015 budget, including the modification to the CPA Candidate Affiliate membership requirement.

Washington and Tax Developments

Mark Peterson, Senior Vice President of Governmental and Public Affairs, and Ed Karl, Vice President of Taxation, provided the Board with an update on tax activities and developments in Washington, DC.

Mr. Peterson discussed the political landscape on Capitol Hill, and described the challenges in the current partisan climate, including some possible scenarios for the upcoming lame duck session after the November elections. He outlined the profession's continued diligence to dissuade Members of both chambers from taking up the cash basis of accounting prohibition in any future tax reform packages, and he commented on the potential for mobile workforce legislation to advance during this session.

Mr. Karl discussed the outlook for tax extenders legislation, and commented on various other aspects of tax reform and advocacy on behalf of members including education tax credits consolidation and net income investment tax.

CGMA Update

Arleen Thomas, Senior Vice President for Management Accounting and Global Markets, provided an update to the Board on activities related to the Chartered Global Management Accountant (CGMA) designation and Management Accounting Principles.

Ms. Thomas' presentation focused on the CGMA competency framework. Ms. Thomas briefed the Board on the new CIMA examination structure and the three major Management Accounting principles. Ms. Thomas concluded her presentation by discussing the positioning of CGMA for the future and answered questions from the Board.

CPA and AICPA Brand Research Results

Cheryl Reynolds, Vice President of Communications, Advertising & Brand Management, and Chris Bumcrot, Co-Founder of Applied Research & Consulting, presented insights into the perceptions of the CPA and AICPA brands among key constituencies.

Ms. Reynolds explained the qualitative and quantitative research is conducted every other year to assess the CPA and AICPA brands. The CPA brand remains strong among business decision makers (BDMs) and investors, as well as other stakeholders, such as CPAs and young professionals and AICPA brand awareness is consistent with previous years...

Mr. Bumcrot noted the Journal of Accountancy remains the most useful AICPA resource for CPAs in general, however young professionals view the AICPA website as most useful.

Future of Learning

Lawson Carmichael, Senior Vice President for Strategy, People & Innovation, and Anthony Pugliese, Senior Vice President and Chief Operating Officer, updated the Board on the most recent Future of Learning activities.

Mr. Carmichael and Mr. Pugliese discussed the four Task Force recommendations that will be released in May and noted the microsite will be launched shortly after Council. It is intended to be an evergreen resource for all stakeholders to continue robust discussions about members' competency needs in the future.

2014 Spring Meeting of Council Agenda

Bill Balhoff, Barry Melancon, and Heather Collins, Director of Governance, presented the proposed agenda for the 2014 Spring Meeting of Council and received feedback from Board members.

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There being no further business, the meeting adjourned at 11:55am on Friday, April 25, 2014.