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# American Institute of Certified Public Accountants

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## **Board of Directors**

### **Minutes of Meeting: July 31-August 1, 2014**

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# American Institute of Certified Public Accountants

## Board of Directors

### Minutes of Meeting: July 31-August 1, 2014

A meeting of the AICPA Board of Directors was held Thursday, July 31 and Friday, August 1 at the AICPA's New York office. The meeting convened at 9:00am on Thursday, July 31, 2014.

### Attendance

The following Board members were present:

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

Also present:

Erik Asgeirsson, President  
CPA.com

Michael Buddendeck, General Counsel and Secretary  
General Counsel & Trial Board

Lawson Carmichael, Senior Vice President  
Strategy, People and Innovation

Tim Christen, Vice Chair Elect  
AICPA Board of Directors

Susan Coffey, Senior Vice President  
Public Practice and Global Alliance

Christopher Cole, Technical Manager  
Accounting & Auditing Publications

Heather Collins, Director  
Governance

Yolanda DeJesus, Director  
Human Resources

Loretta Doon, Chief Executive Officer  
California Society of CPAs & CalCPA Education Foundation

Ron Gitz, Executive Director  
Society of Louisiana CPAs

Ellen Goldstein, Director  
Communications & Member Engagements

Joanne Hagopian, Chair  
Investments Committee

Ed Karl, Vice President  
Taxation

Kim Kushmerick, Senior Technical Manager  
Accounting Standards

Cynthia Lund, Vice President  
State Society Affairs

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

Kim Nilsen, Publisher  
Journal of Accountancy

Dan Noll, Director  
Accounting Standards

Carl Peterson, Vice President  
Small Firms

Mark Peterson, Senior Vice President  
Congressional & Political Affairs

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

Clar Rosso, Vice President  
Member Learning & Value  
Lisa Snyder, Director  
Professional Ethics  
Scott Spiegel, Chief Financial Officer  
Finance, Operations & Member Value  
Arleen Thomas, Senior Vice President  
Management Accounting & Global Markets  
Donna Wolf, Administrative Assistant  
General Counsel & Trial Board  
Mat Young, Vice President  
State Regulatory & Legislative Affairs

## Chairman's Report

Bill Balhoff, Chairman of the Board, opened the meeting by welcoming the Board members. He welcomed Loretta Doon, Chief Executive Officer of the California Society of CPAs & CalCPA Education Foundation and Ron Gitz, Executive Director of the Society of Louisiana CPAs as representatives of CPA/SEA.

Mr. Balhoff briefly discussed the positive member evaluation feedback from the Spring Council meeting.

Mr. Balhoff announced Senator Blanche Lincoln had submitted her letter of resignation and he expressed the Board's appreciation for her service. He stated the leadership and staff have begun work to fill the vacancy for a public Board member. Mr. Balhoff also reported Marshall Gunn, Jr., an elected member of Council from Florida, had submitted his resignation, and the Florida Institute of CPAs had recommended Alan M. West to replace Mr. Gunn for the unexpired portion of the term. After discussion, upon a motion duly made and seconded, the Board approved the recommendation to be presented to Council at the Fall meeting.

Mr. Balhoff noted this will be his last Board meeting as Chair. He reflected on his year of travel to state societies, colleges, firms and other associations, and he thanked the Board and staff for their support.

## Approval of the Minutes

After discussion, upon a motion duly made and seconded, the minutes of the April 24-25, 2014 regular meeting and the June 23, 2014 executive session conference call meeting were approved.

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

## President and CEO Report

Barry Melancon briefed the Board on various matters, beginning with short history of AICPA membership projections from the mid-1990s that predicted the AICPA's then-membership 320,000 would drop based on aging population. Mr. Melancon announced that AICPA membership had grown to over 400,000, and the AICPA would have a 95% membership renewal rate this year. In addition, the number of CGMA designation holders now exceeds 43,280, and he noted the tremendous effort among staff and volunteer leaders to achieve these milestones.

Mr. Melancon gave an update on the lawsuit that the AICPA has filed against the IRS regarding regulating tax return preparers, and noted member reaction had been overwhelmingly positive.

Mr. Melancon discussed IFAC, including the work being done by the IESBA. Mr. Melancon noted at the recent Major Firm Group meeting, Tommye Barie led a first-time panel of women senior executives of firms. He also noted larger firms are dealing with human capital issues, including retention and other business model opportunities. Mr. Melancon gave an overview of the Financial Clearing House project undertaken by CPA.com, which has planned a pilot rollout this fall, and a product introduction in 2015. He also stated the name change from CPA2Biz to CPA.com had been very well-accepted by members and other stakeholders. Mr.

Melancon briefed the Board on a significant project that will update the Uniform CPA Exam to ensure that the exam reflects the knowledge that a new CPA should possess in today's rapidly changing business environment, and appropriately protect the public interest. He noted staff will report more information to the Board and Council, and changes to the exam are likely in 2016.

Mr. Melancon noted in the area of enhancing audit quality, the AICPA will issue a discussion paper in early August that outlines themes, activities and initiatives for the profession. He stated the paper is designed with a series of discussion questions to encourage significant feedback from stakeholders, which will be reviewed by AICPA technical committees, staff and leaders, and which could result in proposed standards changes, Peer Review changes and other steps to ensure the highest level of quality in the private company audit profession.

## **FY15 Annual Plan and Annual Enterprise Risk Management Review**

Lawson Carmichael, Senior Vice President – Strategy, People & Innovation, reported on the results of input from Council members regarding the Enterprise Risk Management Review from the Spring Council meeting. In addition, he reviewed the FY14 positive progress made on the AICPA's twenty-two strategic initiatives. Mr. Carmichael noted for FY15, five initiatives were removed as they were successfully implemented and four indicators were added to reflect new priorities, and the AICPA's eight strategic priorities remain the same for the upcoming activity cycle. Mr. Carmichael outlined next steps, including communicating the fiscal year annual strategic plan to staff; disseminating tactics and metrics as goals through the performance management system, actively implementing risk mitigation plans, and monitoring quarterly progress against the annual plan.

## **Audit Committee Report**

Tom Foard, Chairman of the Audit Committee, reported the Audit Committee had reviewed the annual audit committee toolkit, and was satisfied with the implementation. Mr. Foard noted the AICPA's IRS Form 990 for 2013 has been reviewed and publicly posted.

Mr. Foard went on to report the Committee approved the 401k savings plan financial statements for the year ended December 31, 2013; reviewed and approved the employee and volunteer expense reimbursement agreed-upon procedures, and received an update from AICPA audit firm CohnReznick regarding the FY14 audit.

Mr. Foard noted the Committee reviewed and approved the FY15 project plan for the Internal Audit, Risk and Compliance team which included the newly implemented review and approval of CPA Exam specific projects. Mr. Foard stated the Committee received an update from the Information Technology team regarding the Roadmap project implementation and investment expenditures.

## **New FASB Standard on Revenue Recognition**

Dan Noll, Director – Accounting Standards, and Kim Kushmerick, Senior Technical Manager – Accounting Standards, reported on the new revenue recognition standard, including the move away from transaction and industry specific revenue recognition guidance toward a principle-based approach for determining revenue recognition. Ms. Kushmerick noted that the effective date and transition for public entities is January 1, 2017 for calendar year entities and January 1, 2018 for nonpublic entities. Mr. Noll noted that the AICPA provided extensive member resources at the AICPA online financial reporting center.

## State Legislative and Regulatory Update

Mat Young, Vice President – State Regulatory & Legislative Affairs, gave the Board an update on 2014 state legislative and regulatory issues, and noted many states are likely to make changes to state statutes to adopt the UAA definition of attest, and several states are planning to explore firm mobility legislation. Mr. Young noted tax issues on the horizon in many states include tax on professional services and tax preparer registration, along with other activity on various legislative and regulatory issues.

## AICPA Code of Conduct Amendment for Definition of Attest

Lisa Snyder, Director – Professional Ethics, outlined recommended changes to Rule 505 of the Code of Conduct to conform with recent revisions to the Uniform Accountancy Act.

After discussion, upon a motion duly made and seconded, the Board approved the following resolutions, to be presented to Council at its Fall meeting:

### **Board of Directors Resolution**

BE IT RESOLVED, That the Board of Directors hereby recommends that Council amend its resolution concerning the Form of Organization and Name Rule as set forth in the resolution below.

### **Council Resolution**

BE IT RESOLVED, That Council's resolution under the Form of Organization and Name Rule be amended as set forth below.

[New language is underlined and language to be deleted is stricken.]

### **Appendix B**

#### **Council Resolution Concerning the Form of Organization and Name Rule**

[As adopted May 23, 1994; revised May 7, 1997, May 15, 2000, May 22, 2006 and August 2011, and \_\_\_\_\_, 2014.]

A. RESOLVED: That with respect to a member engaged in public practice fn 1 in a firm or organization which performs (1) any audit or other engagement performed in accordance with the Statements on Auditing Standards, (2) any review of a financial statement performed in accordance with the Statements on Standards for Accounting and Review Services, ~~or~~ (3) any examination of prospective financial information performed in accordance with the Statements on Standards for Attestation Engagements, (4) any engagement to be performed in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), or (5) any

examination, review, or agreed upon procedures engagement to be performed in accordance with the SSAE, other than an examination described in subsection (A) (3), or which holds itself out as a firm of certified public accountants or uses the term “certified public accountant(s)” or the designation “CPA” in connection with its name, the characteristics of such a firm or organization under the “Form of Organization and Name Rule” (AICPA, Professional Standards, ET sec. 1.800.001) of the Code of Professional Conduct are as set forth below:

1. A majority of the ownership of the member’s firm in terms of financial interests and voting rights must belong to CPAs. Any non-CPA owner would have to be actively engaged as a member of the firm or its affiliates. Ownership by investors or commercial enterprises not actively engaged as members of the firm or its affiliates is against the public interest and continues to be prohibited.

2. There must be a CPA who has ultimate responsibility for all the services described in A above, compilation services and other engagements governed by Statements on Auditing Standards or Statements on Standards for Accounting and Review Services, and non-CPA owners could not assume ultimate responsibility for any such services or engagements.

3. Non-CPA owners would be permitted to use the title “principal,” “owner,” “officer,” “member” or “shareholder” or any other title permitted by state law, but not hold themselves out to be CPAs.

4. A member shall not knowingly permit a person, whom the member has the authority or capacity to control, to carry out on his or her behalf, either with or without compensation, acts which, if carried out by the member, would place the member in violation of the rules. Further, a member may be held responsible for the acts of all persons associated with him or her in the public practice fn 1 whom the member has the authority or capacity to control.

5. Owners shall at all times own their equity in their own right and shall be the beneficial owners of the equity capital ascribed to them. Provision would have to be made for the ownership to be transferred, within a reasonable period of time, to the firm or to other qualified owners if the owner ceases to be actively engaged in the firm or its affiliates.

6. Non-CPA owners would not be eligible for regular membership in the AICPA, unless they meet the requirements in BL section 2.2.1. fn 2

B. RESOLVED: The characteristics of all other firms or organizations are deemed to be whatever is legally permissible under applicable law or regulation, except as otherwise provided in paragraph C below.

C. RESOLVED: That with respect to a member engaged in public practice fn 1 in a firm or organization which is not within the description of a firm or organization set forth in paragraph A above, but who performs compilations of financial statements performed in accordance with the Statements on Standards for Accounting and Review Services, the characteristics of such a firm or organization under the “Form of Organization and Name Rule” of the Code are as set forth below.

1. There must be a CPA who has ultimate responsibility for any financial statement compilation services provided by the firm and by each business unit performing such compilation services and non-CPA owners could not assume ultimate responsibility for any such services.

2. Any compilation report must be signed individually by a CPA, and may not be signed in the name of the firm or organization.

## **AICPA/NASBA Joint Discussions on International Qualifications**

Mat Young briefed the Board on rethinking our international CPA pathways and reexamining the US/Canadian professional relationship. He reported on AICPA and NASBA's current joint strategy for foreign credential holders. He recognized inherent value in foreign credential, while also outlining the challenges.

Mr. Young mentioned the second AICPA/NASBA staff white paper presented at the February 2014 Summit laid out three specific policy options – 1) foreign education and foreign experience are recognized by all state and jurisdictions; 2) individuals who meet the education and experience requirements could sit for the IQEX in lieu of the full Uniform CPA Exam if they hold an approved foreign credential in good standing, and 3) individuals who hold an AFC in good standing could substitute some of their extensive post qualification experience for missing education requirements and could sit for the IQEX. Other considerations were outlined. The topic will be revised at the August 2014 Summit.

Finally, Mr. Young discussed new challenges (cross border holding out) and opportunities (need for consistency in education campaign) in the US and Canada. He also discussed a pilot underway in DC and British Columbia and the possibility of the US Canada mobility – if successful could become model for the whole country.

## **CGMA Update and World Congress of Accountants 2014**

Arleen Thomas, Senior Vice President - Management Accounting & Global Markets, provided an update to the Board on activities related to the Chartered Global Management Accountant (CGMA). Ms. Thomas identified an opportunity that only happens every four years, namely, the World Congress of Accountants 2014, which the AICPA will be sponsoring in Rome, Italy. The objectives of the program are to look at the World Congress as an opportunity to build mass content; show our competitors that we are here to stay, have longevity, presence

and profile; build and enhance CGMA partners; and impact technology. A roster of CFOs has been confirmed to speak at the conference, and the AICPA and CIMA will each have exhibit space. There is also the possibility of bringing CPA Global, CPA Exam, and PCPS International to showcase at the conference. A cutting edge app will be used to push out emails/notifications to the 6,000 delegates and attendees.

Ms. Thomas also briefed the Board on what they can expect in 2015 and the initiatives that will be in place - i.e., growth and retention tactics, building the joint venture for the future, and introduce us to the strategic priorities. Some of the key projects are increased access to the CGMA designation to the CGMA exam in the US, effective learning experience with tuition providers through the new syllabus, improved testing experience using computerized based exams, expand access to effective learning through a professional development tool, global management accounting principles defining best practices for finance teams globally.

## **Future of Learning and Professional Development Tool**

Clar Rosso updated the Board on the recent activities of the Future of Learning (FoL), such as the rollout that was presented at the Spring Council Meeting. Council's conclusion on the FoL is to make learning personal, innovate and experiment and ignite a passion for learning. She continued by stating that the Future of Learning report calls for a shift from compliance-based to competency driven learning, creating consistency and confidence. Ms. Rosso continued by reporting on how her team facilitated sessions with state society staff during Interchange; supporting state societies and their boards with understanding potential implications and change management; working with NASBA – CPE Model rules task force and CPE standards working group piloting competency assessment model with Khan Academy.

Ms. Rosso reported on the Competency Framework and how it's foundational to the CPA profession. She discussed the Competency Model Applications and how they are for CPAs, AICPA Profession, Employers, Regulators and outlined the next steps.

Ms. Rosso also reported on the use and objectives of the Professional Development Tool, a joint project with CIMA, and how it's going through a naming process right now. Its objective is to meet both competency building and compliance reporting needs of professionals, while creating a premier global resource for lifelong learning and career development. It is expected to go live to a CGMA audience in January 2015. The look of the homepage was presented to the Board and they were shown how easy it would be to use. Ms. Rosso discussed the work that her team is also working on such as drafting recommendations for the Board regarding changing AICPA membership requirements, drafting a position paper on changes to CPE requirements for licensure renewal; continuing with the pilots and change management efforts with a focus that continues to evolve.

## Finance Committee Report

Tom Hilton, Chairman of the Finance Committee, started by thanking the Finance Team members for all their diligent work. Mr. Hilton reported the 2014 forecast included net revenue \$4.2M from projected operating profit, which is well in excess of the original budget. He also reported the strong membership numbers announced earlier in the meeting included nearly 23,000 new AICPA members.

Anthony Pugliese, Senior Vice President & Chief Operating Officer, updated the Board on fiscal year 2015 dues renewal progress and general membership trends. He discussed the pension plan and potential mitigation strategies that address various risks, and stated the AICPA will continue to evaluate options. The financial statements are at **Appendix A** in the official minute records of the AICPA.

## Legal Update and Secretary's Report

Michael Buddendeck, General Counsel and Secretary, updated the Board on various recent court decisions and their potential impact on the profession. He also commented that the AICPA had recently filed a joint amicus brief with the California Society of CPAs in the matter of *Mosier v. Stonefield Josephson* in the 9<sup>th</sup> Circuit Court of Appeals.

He continued his report by delivering the Secretary's Report. Membership ballot Nos. 949, 950 and 951 for the time period of April 18, 2014 to July 18, 2014 admitting 8232 members, accepting 118 resignations, 122 reinstatements and 197 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.

## 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.

## Washington and Tax Developments

Mark Peterson, Senior Vice President – Congressional & Political Affairs, updated the Board on developments in Washington, DC. He outlined legislation currently in the House of

Representatives, and the general legislative and political landscape, along with SEC and PCAOB activities.

Ed Karl, Vice President of Taxation, provided the Board with an update on tax related legislation and activities, including the AICPA's ongoing productive and collegial relationship with the IRS, prospects for tax reform, and activities regarding tax return identity theft.

## **Recommendations of Candidates for the 2014-15 AICPA Nominations Committee**

Mr. Balhoff and Heather Collins, Director – Governance, reported on the recommended slate for the 2014-15 Nominations Committee and asked the Board to review and approve.

After discussion, upon a motion duly made and seconded, the Board approved the slate of nominees as presented.

## **Approval of 2014-15 Senior Committees & Review of 2014-15 Board of Directors' Committees**

Tommye Barie, Vice Chair, gave an update on the committee appointments meeting that was held on July 29, 2014 and asked the Board to review the proposed nominees for senior AICPA committees in 2014-2015.

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

## **Agenda for the 2014 Fall Meeting of Council/Annual Members' Meeting**

Mr. Balhoff and Heather Collins presented the proposed agenda for the 2014 Fall Meeting of Council, reported on the highlights and received feedback from the Board members.

\* \* \* \*

There being no further business, the meeting adjourned at 11:40 a.m. on Friday, August 1, 2014.