

# American Institute of Certified Public Accountants

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## Board of Directors

### Minutes of Meeting: November 19 - 20, 2015

#### Contents (by Topic)

Approval of the Minutes .....	5
Attendance .....	2
Audit Committee Report.....	8
Center for Audit Quality Annual Report.....	9
CGMA & Thought Leadership .....	10
Chair’s Report .....	4
Finance Committee Report .....	7
Investments Committee Report .....	9
Legal Update .....	9
President and CEO Report .....	5
Statutory Meetings of the ARA, Benevolent Fund, Foundation .....	8
Washington, DC Update .....	8

# Board of Directors

## Minutes of Meeting: November 19 - 20, 2015

A meeting of the AICPA Board of Directors was held Thursday, November 19 and Friday, November 20, 2015 at the AICPA's New York office. The meeting convened at 9:00am on Thursday, November 19, 2015.

### Attendance

The following Board members were present:

Tim Christen, Chair  
Mark Begich  
Tom Broderick  
Steve Christian  
Paul Curth  
Kimberly Ellison-Taylor  
Tracey Golden  
Theresa Grafenstine  
Eric Hansen  
DeAnn Hill  
Ed Jordan  
J. Michael Kirkland  
Barry Melancon  
David Morgan  
Rick Niswander  
Anne Northup  
Margery Piercey  
Bill Pirolli  
Chris Schmidt  
David Stanford  
Mary Stone

Also present:

Erik Asgeirsson, President

CPA.com  
Michael Buddendeck, General Counsel and Secretary  
General Counsel & Trial Board  
Catey Bullard (via teleconference), Lead Manager  
Governance  
John Carey, President  
New Mexico Society of CPAs  
Lawson Carmichael, Senior Vice President  
Strategy, People and Innovation  
Michael Cerami, Vice President, CPA.com  
Corporate Alliances  
Susan Coffey, Senior Vice President  
Public Practice and Global Alliance  
Heather Collins, Director  
Governance  
Ellen Goldstein, Director  
Communications & Member Engagements  
Michael Grant, Senior Manager  
Learning Design & Development  
Penny Gold, CEO  
Kentucky Society of CPAs  
Ed Karl, Vice President  
Taxation  
Tim Laspaluto, Chief Financial Officer  
Finance, Operations & Member Value  
Cynthia Lund, Vice President  
State Society Affairs  
Janice Maiman, Senior Vice President  
Communications, Media, News & Professional Pathways  
Gil Nielsen, Director  
Media Relations  
Daniel Noll, Director  
Accounting Standards  
Carl Peterson, Vice President  
Small Firms  
Mark Peterson, Senior Vice President  
Governmental & 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 Rosso, Vice President  
Member Learning & Competence  
Scott Spiegel, Vice President  
Strategic Partnerships & Corporate Development  
Arleen Thomas, Senior Vice President  
Management Accounting & Global Markets  
Joel White, Director  
Internal Audit, Risk & Compliance  
Mat Young, Vice President  
State Regulatory & Legislative Affairs

## Chair's Report

Tim Christen, Chairman of the Board, opened the meeting by welcoming the 2015-2016 Board members. Mr. Christen also welcomed Penny Gold, CEO of the Kentucky Society of CPAs, and John Carey, President of the New Mexico Society of CPAs.

As the first official meeting of the 2015-2016 volunteer year, Mr. Christen requested all Board members to introduce themselves.

Mr. Christen provided an update on his activities since the October Fall Council meeting, which included highlights of the Annual NASBA Meeting October 25-28, where he and AICPA staff presented. Mr. Christen emphasized the AICPA's strong relationship with NASBA.

Mr. Christen also noted the success of the Fall Meeting of Council in Hawaii.

## Approval of the Minutes

After discussion, upon a motion duly made and seconded, the minutes of the July 30, 2015 executive session meeting; the July 30-31, 2015 regular meeting and the September 21, 2015 conference call meeting were approved.

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

## President and CEO Report

Barry Melancon began his report to the Board with an update on the Fall Meeting of Council that took place in Hawaii, and offered thanks to AICPA staff and Board members who contributed to the success of the meeting.

Mr. Melancon continued by updating the Board on the AICPA and CPA/SEA Leadership Conference and the continued efforts to form even higher collaborative relationships with the State Societies. Mr. Melancon also reported on a host of topics, such as the new COSO framework, AICPA Quality Initiative, IRS lawsuit, and Advanced Placement courses. The Board also heard from Mr. Melancon on the topics of Cyber security, IFAC, and Integrated Reporting.

Mr. Melancon asked the Board to approve a resolution for the CGMA credential for non-CPA members. After discussion, upon a motion duly made and seconded, the Board approved the CGMA credential for non-CPA members. The resolution reads as follows:

WHEREAS, In May, 2011 the AICPA Council authorized the creation of a credential in management accounting known as Chartered Global Management Accountant ("CGMA") to be made available to AICPA voting members and authorized the Board of Directors or its designee to take any actions necessary to implement the Council resolution; and

WHEREAS, In October, 2015 the AICPA Council authorized other qualified professionals who are not eligible to become voting members of AICPA but who satisfy education, examination and experience requirements as set by the Board of Directors, to obtain the CGMA credential as non-voting associate members of AICPA; now

BE IT RESOLVED, That pursuant to the authority delegated by Council, the Board of Directors hereby directs that any voting member of AICPA who holds the CGMA credential but who is not

authorized in at least one state to hold out in some manner as a CPA must use the term “non-CPA member of AICPA” whenever such individual is identifying himself or herself to the public as a member of AICPA while using the CGMA credential; and

BE IT FURTHER RESOLVED, That any individual who holds the CGMA credential and is a member of any associate category, must use the term “non-CPA associate member of AICPA” whenever such individual is identifying himself or herself to the public as a member of any AICPA associate category while using the CGMA credential; and

BE IT FURTHER RESOLVED, That the AICPA staff is hereby directed to take all actions necessary to carry out the resolutions of the Board with regard to disclosures that must be made by voting members who are not authorized in at least one state to hold out in some manner as a CPA and by members of any associate category, whenever such individuals are identifying themselves as AICPA members or as members of any AICPA associate category while using the CGMA credential.

Mr. Melancon concluded his presentation by asking the Board to approve a technical resolution for the ASB’s new attestation standard. After discussion, upon a motion duly made and seconded, the Board approved the technical extension of the Board members’ term.

## **Future of Learning**

Clar Rosso, Vice President—Member, Learning & Competency, and Michael Grant, Senior Manager—Instructional Systems Design provided an update on activities that have transformed the way AICPA approaches learning for the CPA profession. Ms. Rosso and Mr. Grant recapped the strategies that have fueled the Future of Learning initiative, and explained how technology and agile processes have not only increased speed to market, but elevated the holistic member learning experience.

Ms. Rosso and Mr. Grant discussed trends in the learning environment and shared several gamification and interactive samples to be released by the AICPA. They concluded their presentation with an overview of the AICPA|CIMA Competency and Learning website.

## Finance Committee Report

Eric Hansen, Chairman of the Finance Committee, and Anthony Pugliese, Senior Vice President and Chief Operating Officer, provided an update on the FY16 forecast, which reflected an operating deficit of \$7.9M as a result of Enhancing Audit Quality and Practice Monitoring of the Future Initiatives, as well as the recently approved initiatives of evolving the Joint Venture with CIMA. They reported that revenue from products are in line with budget.

Mr. Hansen and Mr. Pugliese stated AICPA's membership continues to grow, and with the positive results from FY15 and success to date, the Institute is likely to exceed the budget for FY16 with a forecast of 415,000 members by July 31, 2016. They also stated that 91% of AICPA members have renewed, which is line with prior year trends. In addition, they reported that more than 7,300 new members have joined in the current fiscal year, compared to 6,700 at the same time last year.

Mr. Hansen and Mr. Pugliese reported AICPA had a max draw on the line of credit in early June of approximately \$13M, prior to the commencement of the dues renewal cycle, and the line was fully paid in early July. They stated for FY16, the AICPA is expecting a maximum use of the line of credit of approximately \$24M, with plans in February to liquidate approximately \$12M of funds previously set aside to cover the \$7.9M deficit noted earlier, as well as \$4M of investment for Next Gen of the Exam. The overall increase in the draw on the line of credit is a result of continued principal payments on debt (which will be paid off in April 2016), continued funding of the pension plan, and capital expenditures primarily related to our technology projects.

Mr. Hansen and Mr. Pugliese also stated the long term investments continue to perform in line with the respective benchmarks.

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

## **Statutory Meetings of the ARA, Benevolent Fund, Foundation**

Tim LaSpaluto, Chief Financial Officer, provided background on the Accounting Research Association. He outlined its purpose, reported on the net assets of \$439,000, and announced the ARA's Officers and Trustees for FY16.

Mr. LaSpaluto also reported on the AICPA Foundation and gave some background as to when it was formed, its mission, recent activities, and reported its net assets of approximately \$11 million. He announced the Board liaison for FY16 would be Mary Stone.

Mr. LaSpaluto concluded his report by reporting on the AICPA Benevolent Fund. He discussed its formation, incorporation, its mission and net assets of approximately \$9 million. He also announced the Board liaison for FY16 would be David Morgan.

## **Washington, DC Update**

Mark Peterson, Senior Vice President—Governmental & Public Affairs, and Ed Karl, Vice President—Taxation, updated the Board on developments in Washington, DC. Mr. Peterson and Mr. Karl reviewed several topics of interest to the CPA profession. They reported on the fall political environment, including the recent Speaker of the House election, debt limit, the highway bill, government funding, and tax extenders. They also updated the Board on Senate Finance Committee discussions, IRS service issues, and status of mobile workforce legislation.

## **Audit Committee Report**

Tracey Golden, Chair of the Audit Committee, stated the Committee reviewed and approved the Audit Committee Charter, Internal Audit, Risk & Compliance (iARC) Mission and Charter, as well as the AICPA Code of Conduct. She continued by reporting the Audit Committee received an update from CohnReznick and iARC on FY16 audit planning and internal controls. The Committee also received updates on iARC's FY16 project plan and the AICPA Roadmap initiative.

## Legal Update

Michael Buddendeck, General Counsel and Secretary, delivered the Secretary's Report (reflecting membership ballot Nos. 963, 964, and 965 for the time period of 7/23/15 to 11/5/15 admitting 7,361 members, accepting 1,153 resignations, 142 reinstatements and 478 advances of dues). Upon a motion duly made and seconded, the Board accepted the Secretary's Report, which is attached under Appendix B of the meeting minutes.

Mr. Buddendeck then provided the Board with a legal update.

## Investments Committee Report

Scott Sprinkle, Chair of the Investments Committee, and Timothy Laspaluto, Chief Financial Officer, began their annual update to the Board by reviewing background information and responsibilities of the Committee. Their report highlighted portfolio performance and composition, long-term funds investment pools, portfolio asset allocation, the 401(k) plan, and an update on the pension plan.

Mr. Laspaluto asked the Board to approve prefunding the pension plan via liquidation of the AICPA's organizational investments funds of \$12 million to eliminate Pension Benefit Guaranty Premiums. Along with the pre-funding, Mr. Sprinkle also presented modifications to the Pension's Investment Policy Statement in line with the strategy of de-risking the portfolio as the plan becomes more fully funded. Further Mr. LaSpaluto noted, these recommendations were reviewed and recommended by the Finance Committee. After discussion, upon a motion duly made and seconded, the Board approved both motions.

## Center for Audit Quality Annual Report

Cindy Fornelli, Executive Director - Center for Audit Quality (CAQ), explained to the Board the CAQ's mission and provided an overview of key activities the Center focused on in 2015. Ms. Fornelli discussed the CAQ's work on top issues such as, internal control over financial reporting, financial reporting fraud, and Audit Quality Indicators (AQIs). She concluded her presentation to

the Board by highlighting initiatives the Center will focus on in the future, notably, cybersecurity and talent.

## **CGMA & Thought Leadership**

Charles Tilley, Chief Executive of CIMA, joining via teleconference, provided the Board with a presentation on many topics CIMA is focusing on that center on management accounting and better business. Topics discussed during Mr. Tilley's presentation included: IFAC's Professional Accountants in Business (PAIB) Committee, Accounting for Sustainability (A4S), International Integrated Reporting Council (IIRC), UK Financial Reporting Council (FRC), BIS/FRC European Issues Steering Group, public/government sector activity, PwC Building Public Trust Awards, UK Chartered Institute of Personnel and Development—valuing your talent programme, CIMA CEO Advisory Panel, and CIMA business model research programme.

Mr. Tilley concluded his presentation with a brief update on CIMA's Joint Venture activities.

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There being no further business, the meeting adjourned at 12:00pm on Friday, November 20, 2015.