

American Institute of Certified Public Accountants

Board of Directors

Minutes of Meeting: January 28-29, 2016

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A meeting of the AICPA Board of Directors was held Thursday, January 28 and Friday, January 29, 2016 at the AICPA's New York office. The meeting convened at 9:00am on Thursday, January 28, 2016.

Attendance

The following Board members were present:

Tim Christen, Chair
Kimberly Ellison-Taylor, Vice Chair
Tommye Barie – Immediate Past Chair
Mark Begich
Tom Broderick
Steve Christian
Paul Curth
Tracey Golden
Terry Grafenstine
Eric Hansen
DeAnn Hill
Ed Jordan
J. Michael Kirkland
Dorri McWhorter
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

Jim Brackens, Vice President
Ethics and Practice Quality

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

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

Mike Colgan, CEO and Executive Director
Pennsylvania Institute of CPAs

Heather Collins, Director
Governance

Gary Davis, Senior Manager
Public Relations

Mary Foelster, Director
Governmental Auditing and Accounting

Gary Freundlich, Technical Director
Peer Review Program

Ellen Goldstein, Director
Communications & Member Engagements

Ed Karl, Vice President
Taxation

Jeannette Koger, Vice President
Member Specialization & Credentialing

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

Ian MacKay, Director
Federal Regulatory Affairs

Erin McCormack, Director
Innovation

Connie McGough, Senior Administrative Assistant
Examinations Team

Dan Noll, Director
Accounting Standards

Carl Peterson, Vice President
Small Firms, Public Practice & Global Alliance

Gil Nielsen, Director
Media Relations

Stephanie Peters, President and CEO
Virginia Society of CPAs

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 and Competency

Scott Spiegel, Vice President
Strategic Partnerships & Corporate Development

Arleen Thomas, Senior Vice President
Management Accounting & Global Markets

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 Mike Colgan, CEO and Executive Director of the Pennsylvania Institute of CPAs, and Stephanie Peters, President and CEO of the Virginia Society of CPAs.

Mr. Christen continued his report by noting the success of the Major Firms Group meeting that met in early January in Florida.

Mr. Christen then shared with the Board an update on the Political Action Committee (PAC). PAC campaign 2016 information was distributed to all CPA Board members.

The Board approved Martin Shannon of Ernst & Young to fill the vacant position on the Peer Review Board.

Approval of the Minutes

After discussion, upon a motion duly made and seconded, the minutes of the November 19, 2015 executive session meeting, and the November 19-20, 2015 regular 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 by commending and thanking the numerous state CPA societies that had already passed resolutions supporting the AICPA's joint venture with CIMA. He also thanked board members and AICPA staff for their support of state societies and outreach efforts.

Mr. Melancon continued his report by giving an update on numerous Washington initiatives, including working with Congressional leaders to improve IRS customer service. Mr. Melancon also reported on the accreditation process, the future of the audit and cybersecurity issues in the audit arena, SSARS 21 and the upcoming AICPA/NASBA leaders' summit meeting with the AICPA, Prometric and NASBA.

Mr. Melancon outlined the need for extensions of AICPA's current mutual recognition agreements regarding mobility of accounting professionals between the U.S. and both Ireland and Hong Kong, and after a motion duly made and seconded, and discussion, the Board approved the requested extensions.

Mr. Melancon concluded his report with an update on the collaborative pilot projects with state CPA societies.

Practice Quality Annual Reports

Susan Coffey, Senior Vice President – Public Practice and Global Alliances, introduced Anita Ford, Chair- Peer Review Board, Erica Forhan, Chair-GAQC Executive Committee, and Alice Wunderlich, Chair – EBPAQC Executive Committee, and acknowledged the significant and substantive contributions made by all three committees to audit quality.

Ms. Ford briefed the Board on the Peer Review initiatives to improve detection and accountability for non-conformance, and gave examples of enhancements that are currently underway. Ms. Ford also discussed the evolution of Peer Review administration and the continuing transformation of peer review through the Practice Monitoring of the Future initiatives.

Ms. Coffey outlined the new Assurance Research Advisory Group (ARAG) that will drive research relative to audit issues to support enhancing audit quality.

Ms. Wunderlich continued the presentation with an update on the Employment Benefit Plan Audit Quality Center (EBPAQC). Ms. Wunderlich discussed membership trends and activities, and noted that the EBPAQC works closely with the Department of Labor (DOL) and will continue to collaborate to enhance audit quality.

Ms. Forhan then presented the Board with an update on the Governmental Audit Quality Center including membership, web events, single audit roundtable, and noted the extensive U.S. Office of Management and Budget and other federal agency liaison activities of the GAQC. The presentation continued with topics including competency and learning, audit certificate programs, joint efforts with the Auditing Standards Board on quality control and a progress update on the AQC membership structure.

Report from the Audit Committee

Tracey Golden, Chair of the Audit Committee, reported that the Committee reviewed and approved the AICPA Savings Plan financial statements. She shared with the Board that CohnReznick provided an update on various FY16 audit activities as well as their preparation for internal controls testing with the Internal Audit, Risk & Compliance (iARC) team. Ms. Golden reported that iARC has seen an upward trend in phishing activities aimed at AICPA members and employees. In response, several communications have been distributed to members of the AICPA, in an effort to raise awareness. Ms. Golden also shared that the Audit Committee reviewed the first phase of iARC's Cybersecurity Assessment.

Ms. Golden concluded her report with an update on the Roadmap project and how management is preparing to implement for the new association management system (AMS).

Report from the Finance Committee

Eric Hansen, Chairman of the Finance Committee, and Anthony Pugliese, Senior Vice President and Chief Operating Officer, provided an update on the FY16 forecast for an operating deficit of \$7.9 million which is higher than the original budget of \$4 million deficit, and discussed the changes to the forecast.

Mr. Hansen and Mr. Pugliese reported that the AICPA is on track to exceed membership goals and retention rates, with a forecast of 417,000 members by July 31.

Mr. Hansen and Mr. Pugliese also stated that long term investments continue to perform in line with their respective benchmarks, and noted that earlier this year, the AICPA liquidated approximately \$12.5M of investments to proactively fund the AICPA Pension plan and thereby avoid an increase in PBGC premiums.

Mr. Hansen and Mr. Pugliese asked the Board to approve a resolution to authorize several senior staff members to renegotiate the AICPA's line of credit with Wells Fargo. After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, The Board had determined that it was appropriate that the AICPA enter into a loan renegotiation discussion with Wells Fargo with respect to its existing line of credit to help with operating cash flow needs, including pension plan funding;

NOW, THEREFORE, BE IT RESOLVED, That the President & CEO, Senior Vice President & Chief Operating Officer, and the General Counsel & Secretary of the AICPA and their designees be, and each of them hereby is, authorized and directed to renegotiate the terms of the line of credit to increase the borrowing capacity not to exceed \$32 million to achieve the above result; and

BE IT FURTHER RESOLVED, That the appropriate employees of the AICPA are hereby authorized and empowered to execute all documents and perform all acts necessary to effect this resolution; and

BE IT FURTHER RESOLVED, That all actions previously taken by an officer, employee or agent of the AICPA in connection with or related to the matters set forth in or reasonably contemplated or implied by the foregoing resolution be, and each of them hereby is, adopted, ratified, confirmed, and approved in all respects as the acts and deeds of the AICPA.

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

Legal Update

Michael Buddendeck, General Counsel and Secretary, delivered the Secretary's Report (reflecting membership ballot Nos. 966, 967, and 968 for the time period of 11/5/15 to 1/14/16 admitting 4717 members, accepting 457 resignations, 48 reinstatements and 76 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.

Fair Value Credentials Update

Jeannette Koger, Vice President - Member Specialization & Credentialing, and Anthony Pugliese, reviewed for the Board the Council's approval to offer two new Fair Value Measurement (FVM) credentials – Business Valuation and Intangibles (BV&I) and Complex Financial Instruments

(CFI). Ms. Koger and Mr. Pugliese continued their presentation with a timeline and launch status of the FVM credentials.

Ms. Koger and Mr. Pugliese outlined the process by which intellectual property for the BV&I credential is developed by various independent groups, and the subsequent need to create a legal entity that would hold intellectual property for the new BV&I credential, protect the rights of the AICPA and the other participating organizations, and enhance operational functionality. After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, The AICPA Board of Directors and the National Accreditation Commission are authorized to take any action necessary to implement the resolutions of Council with regard to Council's authorization of an accreditation program for individuals involved in fair value measurements of businesses and intangible assets ("fair value accreditation program"); and

WHEREAS, Council authorized the development of a fair value accreditation program for individuals who are CPAs or other qualified professional who meet eligibility requirements determined by the National Accreditation Commission and approved by the AICPA Board of Directors in a manner that takes into consideration maintaining the quality of the CPA brand; and

WHEREAS, Intellectual property that is integral to this accreditation program, including the credential name, is being created by the AICPA and two other valuation profession organizations ("VPOs"); and

WHEREAS, AICPA and the two VPOs have agreed to utilize a separate legal entity to own title to this intellectual property;

NOW THEREFORE BE IT RESOLVED, That AICPA's Board of Directors authorizes the creation of a new legal entity for this purpose; and

BE IT FURTHER RESOLVED, That the Institute's President & CEO, Chief Operating Officer and General Counsel & Secretary be, and each of them hereby is vested with any and all powers necessary to act on behalf of the Board of Directors to effectuate the foregoing resolution.

Joint Venture Evolution

Barry Melancon updated the Board on the activities since the November board meeting and reported on the recent AICPA/CIMA venture leadership meeting.

Shifting Landscape of Tax

Ed Karl, Vice President – Taxation, provided the Board with an update on the long term trends in tax practice, legislation and regulation, and spoke on the importance of anticipating long term trends to assist members in their practices and to advocate on their behalf. Mr. Karl shared with the Board the resources, tools and aids available to members.

Mr. Karl reminded the Board of the AICPA Tax Section Mission, which is to serve the public interest by assisting AICPA members to be the most trusted professional providers of tax services, and by advocating sound tax policy and effective tax administration. He then answered questions from Board members.

AICPA/NASBA Statement on Standards for CPE

Clar Rosso, Vice President – Member Learning and Competency, presented to the Board the exposure draft of the Statement on Standards for Continuing Professional Education (CPE), as prepared by the Joint AICPA/NASBA CPE Standards Committee. She outlined the significant clarifications and additions and answered questions from Board members.

After discussion, upon a motion duly made and seconded, the Board approved the motion to approve the Standards for CPE Exposure Draft. The motion reads as follows:

WHEREAS, the AICPA and NASBA Statement on Standards for Continuing Professional Education (CPE) Programs and Fields of Study are included as an Appendix to the Uniform Accountancy Act; and

WHEREAS, the Joint AICPA/NASBA CPE Standards Committee has submitted revised standards for CPE Programs and Fields of Study has requested that the AICPA Board of Directors approve the exposure of the revised standards and Fields of Study for public comment;

NOW BE IT RESOLVED, That having reviewed the proposed standards, the AICPA Board of Directors hereby approves the proposed revised standards for CPE Programs and Fields of Study as set out in the material provided to the Board for the purposes of including them in an exposure draft for public comment.

Digital CPA

Sue Coffey and Erik Asgeirsson, CEO, CPA.com, provided an update on the evolving digital CPA practice and how it is driving firm business model changes. Their presentation highlighted the evolution of the financial statement audit and the effects of cloud computing and SSARS 21.

Ms. Coffey and Mr. Asgeirsson then discussed the new assurance service activities, including a financial statement clearinghouse and its possible vertical industry use cases, and cybersecurity opportunities that exist for firms. The presentation concluded with an overview of the key skills for building firm success.

Review Agenda for the 2016 Regional Meetings of Members of Council

Tim Christen, Barry Melancon and Heather Collins, Director – Governance, reviewed the agenda for the 2016 Regional Meetings of Members of Council. A copy of the draft agenda was distributed to the Board members.

Mr. Christen thanked the Board for attending the meeting.

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There being no further business, the meeting adjourned at 11:30am on Friday, January 29, 2016.