

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS

MINUTES OF MEETING – JANUARY 19-20, 2012

A meeting of the AICPA Board of Directors was held Thursday, January 19 and Friday, January 20 at the AICPA's New York City Office. The meeting convened at 8:30am on Thursday, January 19.

Attendance

The following Board members were present:

Greg Anton, Chairman
Rich Caturano, Vice Chairman
Paul Stahlin, Immediate Past Chairman
Harold Baird
Tommye Barie
Allyson Baumeister
James Bourke
Bob Graham
Rodney Harano
Thomas Hilton
Jeffrey Hoops
Kenneth Macias
Teresa Mason
Bill McKenna
Barry Melancon
Faye Miller
Jay Moeller
Bill Reeb
Bill Schneider
Monica Sonnier
Charles Weinstein

Also present:

Jim O'Hallaron, President & CEO
Missouri Society of CPAs
Elaine Weiss, President & CEO
Illinois CPA Society

Clark Blackman, Chairman
Personal Financial Planning Executive Committee

Debra D'Agostino, Editorial Director of Thought Leadership
Oxford Economics

Dirk Edwards, Chairman
Responsibilities in PFP Practice Task Force

Charles Tilley, Chief Executive
Chartered Institute of Management Accountants

Edie Weiner, President
Weiner, Edrich, Brown, Inc.

Christopher Almonte, Communications Specialist
Communications

Erik Asgeirsson, Chief Executive Officer
CPA2Biz

Michael Buddendeck, General Counsel and Secretary

Susan Coffey, Senior Vice President
Public Practice and Global Alliances

Robert Durak, Senior Technical Advisor
Accounting Standards/Private Company Financial Reporting

Joanne Fiore, Director
Magazines and Newsletters

Mike Freeman, Director
Office of Strategy Management

Suzanne Jolicoeur, Senior Manager
State Regulation and Legislation

Ed Karl, Vice President
Taxation

Cynthia Lund, Vice President
State Society Affairs

Janice Maiman, Senior Vice President
Communications and Media Relations

Craig Mills, Vice President
Examinations and Continuing Professional Education

Gil Nielsen, Director
Media Relations

Hemchandra Nerkar, Vice President
Information Technology

Dan Noll, Director
Accounting Standards

Mark Peterson, Senior Vice President
Government and Public Affairs

Tony Pugliese, Senior Vice President
Finance, Operations and Member Value

Jay Rothberg, Vice President – Office of the CEO

Scott Spiegel, Chief Financial Officer

Arleen Thomas, Senior Vice President
Management Accounting

Victor Velazquez, Senior Vice President
People, Strategy and Enterprise Management
Mat Young, Vice President
State Regulatory and Legislative Affairs
Diane Zyats, Director
Media Relations

Introduction and Chairman's Report

Greg Anton, Chairman of the Board, opened the meeting by welcoming Harold Baird as a new Public Board member. He also introduced Charles Tilley, the Chief Executive of the Chartered Institute of Management Accountants, and Jim O'Hallaron, President & CEO of the Missouri Society of CPAs and Elaine Weiss, President & CEO of the Illinois CPA Society, as representatives of CPA/SEA.

Mr. Anton reported on his activities since the November Board meeting, which included presentations at the AICPA SEC/PCAOB Conference, the Major Firms Group meeting and four state societies.

Mr. Anton reported that Richard Kretz had to resign as an elected member of Council because of his firm's merger with JH Cohn LLP, the AICPA's auditor. He said the Connecticut Society recommended Noelle Taddei to replace him through the end of his term in October 2012. After discussion, upon a motion duly made and seconded, the Board approved recommending to Council Ms. Taddei's election as an elected member of Council. Mr. Anton said the Council would vote on Ms. Taddei's selection in May 2012.

Approval of Minutes

After discussion, upon a motion duly made and seconded, the minutes of the November 3-4, 2011 regular meeting, the November 3, 2011 executive session and the November 4, 2011 executive session were approved.

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

Report from the President and CEO

Mr. Melancon briefed the Board members on a number of organizational and professional issues. He discussed recent developments regarding International Financial Reporting Standards, the COSO exposure draft and other developments at the SEC, PCAOB and the European Union. He also updated the Board members on the proposed merger of the accounting associations in Canada. Mr. Melancon said he expected the Pathways Commission to issue its report in the spring 2012.

Mr. Melancon said he attended the Major Firms Group meeting and also participated in a strategic planning session with the Practice Advisory Group of the Group of 400 firms. He discussed what he was hearing and seeing in the marketplace among public accounting firms.

Mr. Melancon reported that administering the Uniform CPA Exam in Japan and the Middle East was progressing well with more than 5400 sections being taken by December 2011. This was far ahead of the AICPA's and NASBA's projections. He said plans were moving forward for offering the exam in Brazil in 2012.

Report from the Finance Committee

Tommye Barie, Chair of the Finance Committee, reported on the Institute's current financial results. She reminded the Board members that the budget called for a \$7 million deficit as a result of our investment in the Chartered Global Management Accountant (CGMA) initiative. She said the forecast continues to reflect a breakeven operating budget and a \$7 million deficit on the CGMA activities. Ms. Barie also updated the Board on the Institute's line of credit and cash flow projection.

Tony Pugliese, Senior Vice President – Finance, Operations and Member Value, said the dues forecast remains at the original budget of \$100.6 million. Membership renewals remain positive and consistent with prior trends and new memberships are in line with budget.

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

Mr. Pugliese stated that the Institute's Multi-Media team currently resides in Jersey City, New Jersey with a lease that expires in July 2012. He said the management team had been exploring video studio space in New York City and had identified several good options. After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, the Board has reviewed management's proposal to relocate the AICPA's multimedia operations from its current location in Jersey City, NJ to a new location in the greater New York area;

NOW, THEREFORE, BE IT RESOLVED, That AICPA's President and Chief Executive Officer, Senior Vice President – Finance, Operations & Member Value, General Counsel & Secretary, and their designees be, and each of them hereby is, authorized and directed to: (1) negotiate up to a 15-year lease agreement, beginning on or around March 2012 and ending on or around February 2027, for approximately 5,500 square feet in the greater New York

area, (2) enter into such agreement on behalf of the AICPA, and (3) take such further action and execute such other documents on behalf of the AICPA as determined to be necessary or appropriate to implement 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.

Mr. Pugliese reported on the Institute's Business Solutions Roadmap. He explained the key drivers for the initiative, the challenges, opportunities and the scope of the project. This technology project would be a multi-year implementation and cover the following areas: Human Resources, CRM/Association Management, ERP, Business Intelligence and Middleware/Integration. He said the project was anticipated to breakeven five years after full implementation and integration. Mr. Pugliese explained the funding for the project, which would include a new credit facility not to exceed \$15 million. After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, the Board has reviewed the proposal to implement AICPA's Business Solutions Roadmap and has determined that it is appropriate for management to negotiate and execute on a loan agreement (or such other extension of credit) to fund the implementation of the Business Solutions Roadmap, with the spending level approved during the AICPA's annual budget cycle;

NOW, THEREFORE, BE IT RESOLVED, That AICPA's President & Chief Executive Officer, Senior Vice President – Finance, Operations and Member Value, General Counsel & Secretary, and their designees be, and each of them hereby is, authorized and directed to negotiate the exact terms of the loan agreement (or such other extension of credit) including, but not limited to (A) specifying the exact amount, not to exceed \$15,000,000.00, to be borrowed by the AICPA, (B) the rate of interest on such loan (or other extension credit), (C) the term of such loan (or such other extension of credit) and (D) such assets, if any, of the AICPA which shall serve as collateral for such loan (or such other extension of credit),and

BE IT FURTHER RESOLVED That AICPA's President & Chief Executive Officer, Senior Vice President – Finance, Operations and Member Value, General Counsel & Secretary, and their designees be, and each of them hereby is, authorized and directed to execute all documents on behalf of the AICPA and perform all acts as they determine may be necessary or appropriate to implement 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.

Executive Session

The Board convened into executive session at 10:35am and reconvened the regular session after lunch at 1:00pm.

Report from the Chairman of the Audit Committee

Bill Schneider, Chairman of the Audit Committee, reported that the Audit Committee participated in a joint meeting with the Finance Committee, to review the proposed Business Solutions Roadmap.

Mr. Schneider said the Committee then met separately and had an educational session on security and privacy.

He said the committee received a report from JH Cohn LLP and the AICPA management team on the status of the external audits of the AICPA and its related entities for 2012 and the AICPA Insurance Trust for 2011. He said the committee had a conference call scheduled for February 1 where they would review the financial statements of the AICPA Insurance Trust. Mr. Schneider also reported that the committee reviewed the Internal Audit Plan and was

informed that the AICPA's internal audit function was to be fully staffed by end of month. Mr. Schneider said the committee met privately with representatives of JH Cohn LLP, the AICPA President, Senior Vice President – Finance, Membership and Operations, and the Director of Internal Audit, and discussed various operational matters.

Proposed Revisions to the Statement on Standards for CPE Programs

Suzanne Jolicoeur, Senior Manager – State Regulation and Legislation, briefed the Board members on the background behind the suggested revisions to the AICPA/NASBA CPE Standards. She said the proposed standards were exposed for comment in August 2011.

After discussion, upon a motion duly made and seconded, the Board approved the following resolution:

WHEREAS, at its August 2011 meeting, the Board of Directors approved exposure of a revised Joint AICPA/NASBA Statement on Standards for Continuing Professional Education (CPE) Programs; and

WHEREAS, the exposure period has now ended and the Standards have been further revised by the Joint AICPA/NASBA CPE Standards Committee based on the comments received; and

WHEREAS, The committee has submitted to the Board revised Standards, which include changes made based on comments to the exposure draft, and the committee has requested that the Board approve the revised Standards; now

BE IT RESOLVED, That the Board of Directors hereby approves the revised Standards for Continuing Professional Education (CPE) Programs and directs that the revised Standards be included in an appendix in the Uniform Accountancy Act.

Mr. Mills requested that the AICPA consider early adoption of the standards if NASBA agrees. Upon a motion duly made and seconded, the motion for early adoption effective January 21, 2012 was approved.

Discussion on the PFP Executive Committee Being Granted Standard-Setting Authority

Clark Blackman, Chairman of the Personal Financial Planning Executive Committee, explained the committee's objectives and rationale for the AICPA establishing Personal Financial Planning Standards.

Dirk Edwards, Chairman of the Responsibilities in Personal Financial Planning Practice Task Force, reviewed how the committee proceeded on the issue. He explained the historical background, the committee's outreach to the PCPS Executive Committee, Tax Executive Committee and state societies. He reviewed how the committee was addressing the feedback it received and answered questions from the members of the Board.

Mr. Anton said he planned to have the Committee make presentations at the regional meetings of Council in March and after those sessions decide on the appropriate next steps.

Guest Speaker – Edie Weiner

Edie Weiner, President of Weiner, Edrich, Brown, Inc., discussed her firm's observations and projections about the future.

Washington and Tax Update

Mark Peterson, Senior Vice President – Congressional and Political Affairs, briefed the Board on a number of legislative and regulatory issues in which the profession was involved. These included several legislative attempts to roll back the section 404(b) requirements in the Sarbanes-Oxley legislation, the PCAOB's and legislative activity relative to mandatory firm rotation, attempts to make PCAOB disciplinary actions' public and the profession's efforts to pass the Mobile Workforce legislation.

Ed Karl, Vice President – Taxation, updated the Board members on a number of tax issues important to the profession, including the 2011 tax extenders and IRS' activities relative to Forms 8988 and 8937. Mr. Karl also reported that the Tax Division issued its first inter-active *Tax Practice Guide and Checklist* for 1040s and 1120s and plans to expand the offering next year.

Executive Session

The Board convened into executive session at 4:20pm and adjourned at 5:30 pm on Thursday, January 19. The regular session reconvened at 9:00 am on Friday, January 20.

Private Company Financial Reporting

Dan Noll, Director – Accounting Standards, updated the Board and asked Messrs. Stahlin and Melancon to add comments regarding their recent activities on the issue. The Board considered its possible options and agreed that the staff and volunteer leadership were headed in the right strategic direction.

AICPA Three-Year Strategic Plan

Victor Velazquez, Senior Vice President – People, Strategy and Enterprise Management, provided the Board members with a recap on the Institute’s strategic planning journey for Fiscal Years 2012-2015 and how the AICPA’s Mission, Vision and Values are aligned with the findings and continue to guide the plan.

Mike Freeman, Director – Office of Strategy Management, reviewed the Institute’s strategic planning approach of analyzing the environment, formulating strategy, implementing the strategy and monitoring the progress. He explained the various input mechanisms that were used during development of the plan.

Mr. Velazquez said the strategic priorities were re-prioritized with the new plan.

Mr. Melancon and his direct reports reported on the eight strategic priorities that they were individually responsible for.

There was a discussion among the members of the Board and it was agreed this report should be presented at the regional meetings of Council, whereby the members of Council will be able to provide their input to the process.

125th Anniversary Celebration

Jay Rothberg, Vice President – Office of the CEO, updated the Board members on the planning activities and progress to date for the 125th Anniversary celebration. These activities include a celebration at the May 2012 Council meeting, a 125th Anniversary video, a financial literacy consumer book, a

special issue of the *Journal of Accountancy* in June 2012 and thought leadership projects including a comprehensive web based tax calculator for the citizens and residents of the United States.

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 ballots No. 921, 922 and 923 for the time period of October 27, 2011 to January 16, 2012 admitting 4,000 members, accepting 291 resignations, 55 reinstatements and 25 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.

Review of the Agenda for the 2012 Regional Meetings of Members of Council

Greg Anton, Barry Melancon and Jay Rothberg reviewed the proposed agenda for the regional meetings of Council and received feedback from the members of the Board.

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There being no further business, the meeting adjourned at 11:45 a.m. on Friday, January 20, 2012.