

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

FALL MEETING OF COUNCIL
OCTOBER 19-21, 2014
BOSTON, MA

MINUTES OF MEETING

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A meeting of the Council of the American Institute of Certified Public Accountants convened at 2:30 PM on Sunday, October 19, 2014, at The Westin Copley Place, in Boston, Massachusetts.

Bill Balhoff, Chairman of the Board, presided.

Attendance

A record of attendance for the Council is listed in **Appendix A** in the official minute records of the AICPA.

SUNDAY, OCTOBER 19, 2014

Welcome and Opening Remarks by the Chairman of the AICPA Board of Directors

Bill Balhoff, Chairman of the Board, welcomed everyone to the AICPA's 2014 Fall Meeting of Council. He declared a quorum to be present, outlined the agenda for the meeting, and moved to the first agenda item.

Elected Member Council Vacancy from Florida

Mr. Balhoff announced Allen West of Florida had been nominated to fill a vacancy for a two-year term that will expire in October of 2016. Upon a motion duly made and seconded, the members of Council approved the election of Mr. West to fill the vacancy for the duration of the expired term.

Elected Member Council Vacancy from New Jersey

Mr. Balhoff announced Ann Marie Callahan of New Jersey had been nominated to fill a vacancy for a two-year term that will expire in October of 2016. Upon a motion duly made and seconded, the members of Council approved the election of Ms. Callahan to fill the vacancy for the duration of the expired term.

Approval of the Minutes from the 2014 Spring Meeting of Council/Annual Members' Meeting

Upon a motion duly made and seconded, the minutes of the May 18-20, 2014 meeting of Council were unanimously approved.

Update from the International Federation of Accountants (IFAC)

Warren Allen, President of the International Federation of Accountants, gave an update on IFAC's current activities, including support for standards development, enhancing organizational reporting and other initiatives.

Presentation of the Gold Medal Award

Mr. Balhoff explained the Gold Medal for Distinguished Service is the highest honor bestowed by the AICPA to a member, and is awarded to members whose influence in the profession as a whole, is distinguished when compared with contemporary leaders. He acknowledged past Gold Medal recipients and introduced Jim Curry, the Chair of the Awards Committee, to present the Gold Medal to this year's recipient, Frank Ross. Mr. Ross accepted the award and thanked his family and colleagues who helped him through his career.

Update on the Profession’s Commitment to Quality and Code of Conduct Amendment for Definition of Attest

Susan Coffey, Senior Vice President – Public Practice & Global Alliances, gave an update on the profession’s commitment to quality and the foundational principle of public protection. Ms. Coffey also discussed a Code of Professional Conduct amendment for the definition of attest, where Council members were asked to vote on the following resolution:

AICPA COUNCIL PROPOSED RESOLUTION

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 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 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.

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 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.

Upon a motion duly made and seconded, the resolution was unanimously approved.

Evolution of the Uniform CPA Examination

Arleen Thomas, Senior Vice President - Management Accounting and Global Markets, Mike Decker, Vice President of Examinations and Dr. Rick Niswander, Chair of the Board of Examiners, reported on the evolution of the Uniform CPA Exam. They outlined the mission of the exam, which is to always be relevant to the ever-changing profession, to always focus on the public interest, and to be a leading model for assessments overall.

Dr. Niswander discussed the practice analysis project being undertaken by the AICPA exam's team and the Board of Examiners, which is a multi-year, structured research project designed to determine the job duties and responsibilities of newly-licensed CPAs. Mr. Decker addressed implementation considerations for the new exam, including increased assessment of higher order skills and integrating content. He noted that additional information can be found at aicpa.org/nextcpaexam.

Guest Speaker – Thomas Davenport

Thomas Davenport, President's Distinguished Professor of Information Technology & Management at Babson College, discussed the topic of big data, including analytics, how organizations use their analytical capabilities, and ramifications for the accounting profession.

The Sunday session of the 2014 Fall Meeting of Council concluded at 5:54 p.m.

MONDAY, OCTOBER 20, 2014

Opening Remarks

Mr. Balhoff opened the session with a recap of the previous day's presentations, and gave an overview of the agenda. He announced this year's Sustained Contribution Award recipient, James Brown, and outlined the qualifications for the award.

Presentation of the Gold Medal Award

Jim Curry, Chair of the AICPA Awards Committee, presented the Gold Medal for Distinguished Service to Robert Harris. He summarized Mr. Harris' significant contributions to the accounting profession through his extensive and distinguished career. He stated Mr. Harris' involvement has spanned a broad array of activities with the AICPA and the Florida Institute of CPAs, as well as other national and international accounting organizations. Mr. Harris thanked the AICPA and the dozens of people who helped him shape his professional life.

Professional Issues Update

Barry Melancon, President and CEO, began by presenting a short video on a day in the life of Bill Balhoff, which highlighted his year as Chair.

Mr. Melancon gave an extensive professional issues update on various topics, including the rapid changes in information dissemination, human capital challenges and ways to create value for business. He outlined the growing number of college accounting majors who either do not enter, or do not stay in, the accounting profession, and the ramifications of that trend.

Mr. Melancon noted the work of the National Commission on Diversity and Inclusion to create tools and thought leadership to assist firms and companies, including the Inclusion Maturity Model that contains a recruiting and retention toolkit for diverse populations inside companies.

Mr. Melancon invited Mark Peterson, Senior Vice President of Congressional Political Affairs, and Ed Karl, Vice President of Taxation, to give an update on the legislative and regulatory environment. Mr. Peterson outlined activity with the Equal Employment Opportunity Commission regarding mandatory retirement age in partnership agreements, patent reform, immigration, and gave an overview of the current lame duck session in Congress. Mr. Karl discussed the outlook for tax extenders legislation, tax ramifications of disaster relief, and tangible personal property regulations.

Mr. Melancon continued by noting the newest revenue recognition standard, and opportunities for the profession in integrated reporting. He noted the effects of cloud computing, especially in sourcing and the challenges for auditing and accounting, and the tremendous evolution of all other types of technologies.

Mr. Melancon reported that AICPA had achieved a membership milestone of 400,000 members, and had achieved this goal almost a year earlier than anticipated. He introduced Jennifer Highsmith, a CPA from Florida, who became the AICPA's 400,000th member earlier this year.

Mr. Melancon next addressed quality issues within our profession, and outlined the ways the profession has built and grown its commitment to quality, including the major changes brought about by the Plan to Restructure that ushered in peer review, CPE and a new code of conduct, among other changes. He noted the profession's systematic approach to initiatives that address the constant commitment to improvement and expanded knowledge we must have as a profession, including the audit clarity project; standards changes; IFRS; XBRL requirements; the competency framework; financial forensics, and others. Mr. Melancon also reported on the new ethics codification that is much more conducive to helping practitioners determine how independence rules apply to their work.

Mr. Melancon concluded by noting that AICPA had created CGMA with its partners at CIMA to create a global focus on the important role that management accounting plays in business, and that approximately . 47,000 AICPA members have obtained the CGMA in the US, and today is it the largest management accounting credential in the world.

Update from the National Association of State Boards of Accountancy (NASBA)

Carlos Johnson, Chair of the National Association of State Boards of Accountancy, gave an update on the activities of NASBA, including work on the definition of attest and firm mobility and the formation of a task force and working group to make recommendations in the regulatory environment that would address changes in learning and ways to measure learning, respectively.

Implementing the Future of Learning

Anthony Pugliese, Senior Vice President and Chief Operating Officer, and Clar Rosso, Vice President of Member Learning and Competency gave an update on the efforts of the Future of Learning task force as its focus shifts towards implementation. Mr. Pugliese reviewed the recommendations that came from the work of the task force, and updated Council on implementation activities. Ms. Rosso highlighted the extensive work on the competency-based learning model and its value to the profession.

Open Forum

The Chair invited questions and comments from members of Council and guests. A member from Ohio expressed support for the continuous efforts of the AICPA on behalf of the profession to improve audit quality. He urged further initiatives to strengthen the profession's peer review program to address challenges to quality, including the continued exploration of greater transparency of peer review results.

Report from CPA.com

Erik Asgeirsson, Chief Executive Officer – CPA.com, gave an update on the positive reception of the name from CPA.com, and discussed various initiatives underway at CPA.com, including adding more value to practitioners by expanding its presence in the cloud computing environment. He discussed CPA.com's work on a secure clearinghouse for private company financial information, additional enhancements to the learning management system and a global strategy for the rollout of ".cpa".

CGMA and the Journey to 2015

Arleen Thomas, Senior Vice President of Management Accounting and Global Markets gave an extensive update on CGMA and the journey to 2015, which will mark the launch of the CGMA exam in the U.S., and she noted the work of Mr. Ash Noah, Vice President of External Relations, who is working with numerous employers and state CPA societies to expand the awareness of the CGMA and its value.

Ms. Thomas introduced Paul Stahlin, former Chair of the AICPA and a member of the Joint Venture Board, who discussed the new Global Management Accounting Principles – a collaboration between the AICPA and CIMA – that represents the first international set of management accounting principles.

Mr. Stahlin introduced Myriam Madden, the incoming President of CIMA, who discussed the strategic management accounting qualifications, and the next steps to develop a diagnostic tool for CFOs and CEOs determine management accounting function effectiveness.

Guest Speaker – Luke Williams

Luke Williams, Professor of Innovation and Executive Director of Berkeley Entrepreneurship Center and New York University Stern School of Business, spoke about disruptive business opportunities.

Breakout Sessions

Mr. Balhoff invited Council members to participate in breakout sessions for the remainder of the business day.

The Monday session of the 2014 Fall session of Council adjourned at 3:40 p.m.

Tuesday, October 21, 2014

Opening Remarks

Mr. Balhoff opened the session with some personal reflections on the accounting profession and his year as chair and reviewed the agenda for the day.

Report on Breakout Sessions

Tim Christen, AICPA Vice Chair nominee, reported on the breakout sessions held the previous afternoon. He noted that AICPA leadership and staff will use Council's valuable feedback, and thanked Council members for their thoughtful approach to the discussion questions.

Report from the Audit Committee

Tom Foard, Chair of the Audit Committee provided a report on the committee's activities including review of the internal and external audit process of the AICPA; update of the Audit Committee Charter and internal audit risk and compliance mission and charter; and approval of the internal audit risk and compliance team's fiscal year 2015 project plan. He noted that the Audit Committee had received reports from the AICPA's key software development projects; reviewed and approved the AICPA's Code of Conduct; and reviewed and approved the audited financial statements of the Institute and related organizations, the AICPA's Insurance Trust, AICPA's Group Insurance Trust, AICPA Political Action Committee, AICPA Staff Savings Plan, AICPA Pension Plan, AICPA Benevolent Fund and AICPA Foundation. He stated that a copy of the AICPA's annual report was included in the Council materials, and that the report had been approved by both the Audit and Finance Committees, as well as the Board of Directors.

Mr. Foard requested a motion to approve the reappointment of CohnReznick LLP as the independent auditors of the AICPA for the year ending July 31, 2015. Upon a motion duly made and seconded, the members of Council approved the reappointment of CohnReznick LLP as the independent auditors of the AICPA for the year ending July 31, 2015.

Proposed Not-for-Profit Section

Anthony Pugliese, Senior Vice President and Chief Operating Officer, outlined the proposed not-for-profit membership section, and noted that the proposed section aligns with strategic initiatives to increase professional excellence in the profession, to attract members into the profession, as well as AICPA's mission to protect the public interest. He stated the section would provide benefits and an enhanced body of knowledge to individual members, public accounting firms (large, medium, small), and non-CPAs who serve in management or governance roles within not-for-profit industry sector, and noted the changes required to amend AICPA membership for associate and affiliate member categories.

Upon a motion duly made, seconded and discussed, the members of Council approved the proposed not-for-profit section resolution as outlined below:

Council Resolutions

[Note: To the extent any resolution below relates to a proposed amendment of an existing resolution, the proposed amendment is shown with a strike through of language to be deleted and language to be added is underlined.]

BE IT RESOLVED, That the Council hereby authorizes the establishment of a Not-for-Profit Section as described in the materials presented to Council; and

BE IT FURTHER RESOLVED, That the Board of Directors is hereby authorized to take any action necessary to carry out the Council resolution which authorized the Not-for-Profit Section; and

BE IT FURTHER RESOLVED, That Council's resolution with regard to the AICPA Non-CPA Associate Member category is hereby amended as follows:

BE IT RESOLVED, That ~~Council authorizes the formation of a new category of nonvoting Non-CPA Associate for persons~~ individuals who have not passed the Uniform CPA Examination and who are either: a) owners of, or professional staff employed by, CPA firms which are licensed to practice public accountancy in any U.S. jurisdiction and which includes at least one AICPA member as an owner or employee of such firm, b) corporate or government finance professionals who are under the supervision of, or sponsored by, a voting member of the AICPA, ~~or~~ c) employed by any U.S. or non-U.S. college or university in a full time business or accounting educator role or d) have management or governance responsibilities with respect to an organization served by an industry-specific membership section of the AICPA as established by Council shall be eligible to become a non-voting non-CPA Associate; and

~~BE IT FURTHER RESOLVED, That the current non-CPA faculty associate category shall be merged into the new non-CPA associate category upon implementation of the Non-CPA Associate category and any individual who is a member of the non-CPA faculty associate category as of that date shall automatically become a member of the non-CPA Associate category.~~

BE IT FURTHER RESOLVED, That Council's resolution with regard to membership in AICPA member sections is hereby amended as follows:

RESOLVED, That any member of any associate category shall be eligible to join any member section established by AICPA, and

BE IT FURTHER RESOLVED, That any member of any affiliate category may join any AICPA member section if the affiliate member meets the requirements for membership in such member section.

Report on Finance and Operations

Tom Hilton, Chair of the Finance Committee, and Anthony Pugliese reported on key financial activities, including highlights of financial position, membership, product and exam operations and other strategic and operational initiatives. Mr. Hilton reviewed the audited financial statements for fiscal year 2014 and noted that the AICPA's Board of Directors had unanimously approved the audited financial statements in September.

The financial statements are at **Appendix B** in the official minutes of the AICPA.

Update from the Financial Accounting Standards Board (FASB)

Russ Golden, Chairman of the FASB, discussed the FASB's work to improve financial reporting and noted that the Private Company Council (PCC) is driving improvements for all companies and organizations in addition to private companies. He also discussed simplification efforts and he concluded by discussing the FASB's support of the profession's commitment to diversity and inclusion initiatives

Report of the AICPA Nominations Committee

Richard Caturano, Chair of the Nominations Committee and former Chair of the Board, presented the report of the 2013-14 AICPA Nominations Committee. In accordance with the Institute's bylaws, the Committee held meetings and subsequently published its report on the AICPA website in April of 2014.

Mr. Caturano put forth the slate of members nominated as Council members at large for three-year terms ending in 2017. Upon a motion duly made and seconded, the members of Council unanimously approved the election of the nominees for Council Members-at-Large.

Mr. Caturano put forth the slate of nominees for directly elected members of Council. Notice of these nominations was also placed on the AICPA website. Upon a motion duly made and seconded, the members of Council unanimously approved the election of the nominees to be directly-elected Council members.

Mr. Caturano put forth the slate of nominees for the Joint Trial Board to fill three vacancies, as well as reappointment of nine members for an additional three-year term. Upon a motion duly made and seconded, the members of Council unanimously approved the election of the nominees to the Joint Trial Board.

Mr. Caturano put forth the individuals nominated for election to the Peer Review Board. Upon a motion duly made and seconded, the members of Council unanimously approved the election of the nominees to the Peer Review Board.

Mr. Caturano put forth the slate of nominees to serve on the AICPA Nominations Committee for the year 2014-2015. Upon a motion duly made and seconded, the members of Council unanimously approved the election of the Nominations Committee members. The Nominations Committee report is at **Appendix C** in the official minute records of the AICPA.

Mr. Caturano put forth the nominations for membership on the AICPA Board of Directors, for a three-year term, as follows: Thomas Broderick, New Mexico; Theresa Grafenstine, District of Columbia; Eduardo Jordan, California; Myriam Madden, Scotland (Public Member); David Moynihan, New York; and Marjorie Piercey, Massachusetts. Upon a motion duly made and seconded, the members of Council unanimously approved the election of these nominees.

Mr. Caturano put forth the nomination of Timothy Christen for the position of Vice Chair of the Board for 2014-2015. Upon a motion duly made and seconded, the members of Council unanimously approved his election.

Mr. Caturano then put forth the nomination of Tommye Barie as AICPA Chairman of the Board of Directors for 2014-2015. Upon a motion duly made and seconded, the members of Council unanimously approved her election.

Closing Remarks

There being no further business, Mr. Balhoff stated upon conclusion of Ms. Barie's inaugural speech, the meeting will adjourn.

The meeting was adjourned at 11:30 a.m. on Tuesday, October 21, 2014.