

# CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

## Board of Director Meeting

### Minutes

Friday, May 16, 2003

Ritz-Carlton, Bachelor Gulch  
Avon, Colorado

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#### Members Present:

Nancy Wheeler-Chandler, Chair  
John Costello  
Paul Herrerias  
Pam Kelty  
John Levy  
Teresa Mason  
Jerry Nightingale  
Marc Parkinson  
Jessie Powell  
Dan O'Hare  
Michelle Walters  
Steve Wimmers  
Chris Yahng

#### Staff Present

John Angelo  
Donna Lekosky  
Linda McCrone  
Clar Rosso  
Sarah St. Charles  
Susan Waters

#### Guests

Gale Case (via conference call)  
John Phillips (via conference call)

#### Absent

Bruce Allen  
David George  
Gregg Wind

#### Action Items

- The board approved the consent agenda.
- The board unanimously approved the FY04 budget to be brought to Council for approval in July.
- The board unanimously approved the resolution certifying changes to CalCPA's pension plan.
- The board approved allocation of \$20,000 from the contingency fund for continued implementation of pension plan changes.
- The board approved a motion to support in concept financial education in grades 7-12 and refer AB707 to the GRC for further evaluation.
- The board unanimously approved a motion to recommend the slate of Group Insurance Trust nominees, Gale Case, James Malone, John Phillips and Nancy Wheeler-Chandler to CalCPA Council at its July 2003 meeting.
- The board agreed to create a task force to review CalCPA's dues categories.
- The board approved a motion to authorize \$1,000 from the contingency fund for a ruling from California Department of Labor on exempt personnel in CPA firms.

#### Chair Report

Nancy Wheeler-Chandler gave the chair's report. She noted that streamlining leadership has been a CalCPA goal and reminded the board that it is everyone's job to find new leaders.

#### First Vice-Chair Report

Steve Wimmers gave the first vice-chair report. He noted that per CalCPA's Bylaws, the incoming chair appoints state committee chairs. Wimmers reviewed his appointments for the coming year. He pointed out that CalCPA has 25 state committees and it is important that leaders keep abreast of state committees' activities. He said that the state committee chairs, staff liaisons and leaders will meet prior to the Council meeting in Beverly Hills to review processes and state committees activities. Wimmers proposed that vice chairs act as liaisons to state committees, to help make sure the state committees concerns and interests are being represented to the board. A discussion followed about the possibility of a members in industry state committee.

### **CalCPA/Foundation Officers Meeting**

Steve Wimmers reported on the meeting between the officers of CalCPA and the Education Foundation, the group included Steve Wimmers, Nancy Wheeler-Chandler, David George, Paul Regan, Marc Parkinson and Loretta Doon. The group asked Susan Waters and John Dunleavy to prepare a written report by July 31, 2003 that will explore specific ways to enhance coordination between the two organizations. The report is to include findings, agreements and disagreements, as well as opportunities to cut costs and increase services to members.

### **Treasurer's Report**

Jessie Powell presented the treasurer's report. She reviewed the budget guidelines for FY04. Powell reported that the Finance Committee met in April and approved the budget in the board packet. She noted that the budget represents a slight increase in total membership, but no increase in dues. She then reviewed significant expense increases for FY04. Susan Waters and Donna Lekosky reviewed the impact of CalCPA's personnel reorganization on expenses. Waters noted that the restructuring of the membership department will result in a member recruiting model that embeds membership throughout the organization. Powell reviewed the capital budget. Waters emphasized that the capital budget does not include a database replacement. She noted that the SSLLC is developing a database for state societies that is being beta tested by Florida and Ohio and CalCPA will wait to see the success of that database before making a decision. The board unanimously approved the FY04 budget and the 18-month budget to be brought to Council for approval in July.

Powell asked if there were any questions regarding the March 2003 financial statements. A discussion followed about the impact of life membership on CalCPA's fiscal well-being. Susan Waters presented a Finance Committee proposal that life members pay 50 percent of normal dues beginning May 1, 2004, the FY05 renewal cycle. Current life members would retain their benefit of free membership. Considerable discussion followed. A distinction between practicing vs. retired members was noted. The board requested that a task force be created that combines the membership and finance committees to look toward alternate solutions to this problem.

Sarah St. Charles presented a resolution for officer certifications of changes to CalCPA's pension plan. The board unanimously approved the resolution certifying changes to CalCPA's pension plan.

St. Charles noted that of the \$50,000 allocated from the FY03 contingency fund to pay for implementation costs related to changes in CalCPA's pension plan, only \$32,000 was spent, however implementation is not complete. The board approved allocation of \$20,000 from the contingency fund for continued implementation of pension plan changes.

### **Government Relations Update**

Susan Waters gave the government relations update, noting that the California Board of Accountancy was meeting this same day. She discussed the California Board of Accountancy appointment process and reported that the National Association of State Boards of Accountancy has said that a public member majority board is not wise.

Waters next reviewed various bills pending in the Legislature. She reported that AB 665 if enacted would prohibit non-licensed members of the CBA from representing accounting firms. SB 1080 would require one CBA member to be a professor of accounting. SB 766 would allow securities suits in California, skirting the securities reform act of 1995. SB 821 would mandate that colleges require business and business administration students to take ethics courses. SB 2 would mandate mandatory health insurance for all employees in California. SB 516 would prohibit S Corporations with more than \$20 million in gross revenue from being treated as an S corp for California tax purposes.

Companion bills, AB 1601 (Frommer) and SB 614 (Cedillo), increase fines for abusive tax shelters. Waters noted that although it is being discussed, a tax on professional services has not been included in a bill yet.

On behalf of the Personal Financial Planning Committee, Jerry Nightingale reported that Lou Correa is sponsoring a bill, AB 707, that calls for a task force to be created that would develop a high school curriculum related to fiscal literacy. The board approved a motion to support, in concept, financial education in grades 7-12 and refer AB 707 to the Government Relations Committee for further evaluation.

Linda McCrone reported that the CBA's peer review task force has decided to delay issuing its report to 2004 to give it time to digest information that will be made available this year. She also reported that the AICPA Peer Review Board proposal to place system review reports in a public file is not being pursued and will not be put to a vote of the AICPA members.

### **Communications Update**

Clar Rosso presented a communications update. She reported that Quest magazine had been updated and refreshed and that recent direct mailings of Quest to high school counselors and college professors were generating interest. Rosso told the group that the first edition of CalCPA Industry BUZZ was e-mailed to industry members Feb. 27 and that its delivery alternates weeks with CalCPA BUZZ. She noted that it is an HTML-based newsletter, and that many of CalCPA's electronic publications will transition to this HTML-format to help better target the publications to member needs. Rosso noted that Candidate Connection was distributed Wednesday as an e-newsletter. Along with a change in format, Candidate Connection distribution will increase to quarterly. Rosso reported that response to CalCPA Daily Clips has been much better than expected and that currently there are 19,597 subscribers to clips, which is bigger than the initial subscriber list. She added that communications was exploring selling sponsorships to clips to generate additional advertising revenue. Rosso told the board that a project was underway to reorganize information on CalCPA's website so that it is more user-friendly. She reported that despite reduced tax season media coverage due to the war in Iraq, CalCPA was on a pace of almost a media placement a day. Rosso updated the group on image advertising activities, noting a change of strategy since the board last met. The revised strategy was developed with a member task force and new external public relations consultants. A radio campaign had recently launched that includes National Public Radio sponsorships and targeted 60-second radio spots on business, news and finance programs.

### **AICPA Council Update**

Nancy Wheeler-Chandler reported on AICPA Council meeting held in Washington DC in April. She noted that the California Council members were very active at the meeting. Wheeler-Chandler said considerable time was spent discussing the specialty credentials, and that sunset reviews would be held for all three credentials and the AICPA would investigate possible strategies for continuing the credentials and report back to the AICPA Council in the fall. She said that the AICPA is continuing to use CPA2Biz only for marketing and technology and is paying a fee for these services. Wheeler-Chandler updated the group on the computerized CPA Exam that will launch April 5, 2004. She reported that breakout sessions on big GAAP, little GAAP were held and that the AICPA's antifraud and corporate responsibility group is working with the certified fraud examiners on developing a fraud detection competency exam. Wheeler-Chandler reported that CalCPA member Bill Holder won the AICPA award for outstanding accounting educator.

### **Annual Members Business Meeting**

Susan Waters reported on CalCPA's Leadership Forum, Annual Members Business Meeting and July council meeting and reviewed the schedules for each.

### **Education Foundation Report**

Marc Parkinson gave the Education Foundation Report. He reviewed key Education Foundation team accomplishments for the year, including noting that the Web is now its top registration source. Parkinson added that the Foundation is continuing program to put on CPE events for chapters. He handed out April financial statements, noting that revenue down about \$300,000 and reasons why, including the AICPA's failure to relicense the Foundation's ethics exam. He indicated that the Foundation had discussed the issue with AICPA management but that it was unresolved. Parkinson noted that there has been a large improvement in Western Schools, that promotional expenses went down by \$100,000 and that although sales are down, margins are up. He also noted an increase on deferred revenue this year over last.

Parkinson reported that the Foundation's nominations committee had met the previous day and nominated the following trustees to FY04 leadership positions, president, Loretta Doon; first vice president, Lou Savett; vice president, Thad Scott; treasurer, Beverly Brautigam. Trustees that were nominated for election include David Primes, Patricia Cochran, Elliot Kajan, Tony Teng and Kathleen Wright.

### **CEO Goals and Performance Review**

Nancy Wheeler-Chandler reported on the process that CalCPA's CEO Goals and Performance Committee engages in to assess the CEO's performance as it relates to her goals. She also identified members of the committee.

### **CalCPA Bylaws Election Process**

Nancy Wheeler-Chandler reported on the bylaws election process. She noted that approximately 2 percent of eligible members voted and approximately half voted via the paper ballot and half online. A discussion ensued about the process, cost and low voter turnout.

### **Practice Continuation Task Force**

John Angelo reported on Jerry Sample's request to continue the Estate Planning Committee's Practice Continuation task force. Angelo reported on results of the practice continuation survey of members' interest. He noted that there was a very low response rate, and while respondents were supportive of the concept, there were no volunteers to support a new project. Angelo reported that the state MAP Committee met in early May and also discussed this issue. They thought that this was a succession planning topic that the MAP Committee should and is pursuing. Angelo reviewed CalCPA's current resources to support members in the event of a practice emergency. The board recommended that this issue be moved from the Estate Planning Committee task force to the more established MAP Committee and that Jerry Sample participate on that committee.

### **Member Relations Update**

John Angelo presented the member relations update. He noted that CalCPA has budgeted a \$5,000 contribution to support the Southern California Accounting Careers Awareness Program. Additionally, there is budget to continue to provide ACAP with administrative support, although it was currently being handled with in-kind staffing.

Angelo reported that the Education Foundation is continuing to offer each chapter a free eight-hour course for the third year. In 2002-03 it resulted in \$78,300 in scholarship contributions.

In FY04, all chapters will receive \$2,500 for leadership development. Angelo reported on how chapters used their funds last year. He noted that the list would be distributed to all chapters to help generate new ideas for developing leaders. He also noted that each chapter will receive \$1,500 to secure better speakers for chapter events, a direct outcome of CalCPA's strategic planning process.

Angelo reported that the 2003-04 Leadership Directory will be handed out at the July council meeting. He noted enhancements, including explanations of why members are on council. Also e-mail addresses have been added for chapter board members.

Angelo posed question about whether or not CalCPA should develop a process for new member initiatives. He also noted a need to make information on current CalCPA resources more readily available to members. A suggestion was made to include a listing of member benefits and resources in Education Foundation course and conference manuals.

### **CEO Report**

Susan Waters gave the CEO report. She reported on the meeting of the building task force, noting that CalCPA has accumulated more than \$1 million that could be used toward the purchase of a building, when real estate conditions improve. She noted that the Group Insurance Trust is not able to own a building, so they would continue as a tenant, and that CAMICO's ability to purchase a building is somewhat restrained by insurance laws.

Waters then reported on California's participation in the 2002 MAP Survey. California had the strongest participation of any state. She noted that to encourage participation, CalCPA had paid the costs of members who completed the survey but were not PCPS members, which came to about \$23,000. Waters told that group that CalCPA has been negotiating with the AICPA to reduce costs, but the AICPA has thus far refused to change its position. A discussion followed about how CalCPA could encourage member participation with out absorbing such a significant cost. The board recommended that the MAP Committee look for sponsors to offset the costs of CalCPA members.

Waters pointed out to the board that an article in was included in *California CPA* re labor issues related to exempt vs. nonexempt employees and payment of overtime or compensatory time off. She said a few other related issues have arisen about whether or not CPA licensed in other states, foreign nationals, or individuals with master's degrees are exempt from the wage and hour rules. The board approved a motion to authorize \$1,000 from the contingency fund to be spent on a ruling from California Department of Labor about whether the exemption that applies to CPAs under California's wage and hour laws also applies to CPA licensed in other states, foreign nationals, or individuals with master's degrees.

Waters reviewed with the board a PowerPoint presentation, "A Profession at the Crossroads".

### **Nominations to GIT Board**

Gale Case and John Phillips joined the board via teleconference. Case reviewed the composition of the Group Insurance Trust Board of Trustees. He also discussed the process for recommending a slate of trustees to CalCPA Council for nomination and ultimately a council vote. Case reviewed the proposed slate of nominees and pointed out that curriculum vitae had been provided for each proposed nominee. Board unanimously approved a motion to recommend the slate of nominees, Gale Case, James Malone, John Phillips and Nancy Wheeler-Chandler to CalCPA Council at its July 2003 meeting.

John Levy made a proposal re how GIT reports to CalCPA's Board of Directors, specifically he was interested in what are expectations of the trust and how the board can know if those expectations are being met. The board decided to allow GIT to explore how they can provide more meaningful information to CalCPA's board and council as appropriate and come back with a proposal of how to report information at the board's November meeting.

Adjourned at 3:43 p.m. (Mountain Daylight Time)