

**California Society of CPAs
Board of Directors
Minutes**

Friday, May 6, 2005

Westin Mission Hills
Rancho Mirage CA

Attendees

Joan Alleckson
Janice Carr
David Cieslak
Mark Dauberman
Michael Eisenberg
Bob Jones
Teresa Mason
Ted Mitchell
D. Paul Regan, Chair
Stu Robken
Lou Savett
Steve Wimmers
Chris Yahng
Dennis Young

Staff

Bruce Allen
John Angelo
Loretta Doon
John Dunleavy
Linda McCrone
Clar Rosso
Sarah St. Charles

Action items

- The board approved the minutes from the Feb. 11, 2005 board meeting unanimously.
- The board unanimously approved the budget for FY06 to be presented to council at its July meeting.
- The board approved the capital budget for FY06.
- The board unanimously approved the recommendations of the Meetings Task Force.
- The board accepted the State Committee Task Force's report.
- The board approved the Membership Dues Task Force's recommendations with a modification to the definition of Associate member: "Professionals working in a CPA environment."
- The board unanimously adopted the following policy recommendation from the Communications Advisory Committee:

"To provide uniform quality of information and to protect its proprietary marks and copyrights, all internet web pages and content belonging to the California Society of Certified Public Accountants must be hosted by the California Society of Certified Public Accountants. Anyone found to be hosting web content that holds itself out to represent the California Society of Certified Public Accountants will be notified in writing of this policy and be provided 30 days to transition all such material to CalCPA and cease such activity."

- The board approved the Audit Committee appointments unanimously.
- The board unanimously approved joining the Group Insurance Trust and recommending to Council Gary Capata, Pam Hunter, Steve Kramer and Stu Weinstein as GIT trustees starting in 2005.

Consent Agenda

The board approved the minutes from the Feb. 11, 2005 board meeting unanimously.

Chair report

Paul Regan directed board members to a letter from CalCPA legal counsel regarding the Committee on Future of California's Professional Accountants. He reviewed key points of the letter and noted that he has communicated with John Lacey regarding the letter.

Regan reviewed the results of the AICPA Virtual Grassroots Panel poll and the results of the AICPA Council's future issues discussion. The board discussed several of these issues in depth. Regan noted that CalCPA's AP&AS Committee is reviewing Ethics Interpretation 101-3 and will communicate to the AICPA regarding any concerns. Regan reported that the AICPA is uncomfortable with California's two pathways to licensure. However the Government Relations Committee recently reviewed California's pathways and only 20-30 percent of candidates are choosing the 150-hour pathway. Given this reality it is unlikely a major change will happen in California.

First Vice Chair Report

Chris Yahng reviewed the appointment process for new state committee chairs and reported that all new chairs have been notified and have accepted their appointments. He reviewed the revised meeting dates and locations for 2006 as well as the activity schedule for the July council meeting. Yahng reported that the Distinguished Service Award will be presented to Hal Schultz.

Treasurer's Report

David Cieslak delivered the treasurer's report, noting that the Finance Committee had reviewed and approved the budget. He noted that the contingency fund was reduced from \$300,000 to \$150,000, a discussion followed regarding why this change was made and how the amount was arrived at. The board unanimously approved the budget for FY06 to be presented to council at its July meeting. The board also approved the capital budget for FY06. Cieslak reviewed the March financials. John Dunleavy reviewed the reorganization of CalCPA and the Education Foundation's finance departments and discussed the overall shifting and integration of human resources between CalCPA and the Foundation. Lastly, Cieslak noted that the organization would be looking at more of a bottom up budgeting process next year, this was a recommendation of the Finance Committee.

Meetings Task Force Report

Teresa Mason reviewed the process the Meetings Task Force went through and reviewed the task force's recommendations—see attached. The board discussed the various recommendations. The board unanimously approved the recommendations of the Meetings Task Force.

Education Foundation Report

Lou Savett noted the new Foundation catalog is out. He announced that two new trustees have been selected by the Foundation's Nominations Committee, Bob Jones and Michelle Walters. Savett reviewed incoming leadership and noted a vacancy created by Loretta Doon's departure. He reviewed the Foundation's financial statements and noted that for FY05 revenue over expenses for the year are projected to be more than \$600,000. Savett reviewed new classes and dropped classes for FY06. He noted that webcasts are particularly profitable and that this year the Foundation will offer a webcast for sexual harassment training and other mandatory types of training for California employers.

Government Relations Update

Bruce Allen reported that while the California Board of Accountancy was spared when the governor's initial reorganization plan was dropped, Reorganization One is likely to be readdressed, agency by agency. He noted that SB 393 has been amended and no longer contains scope of services restrictions, but still requires auditor rotation. CalCPA is working with the author on clarifying the bill's intent. Allen said they are collecting feedback on the difficulty of implementing nonprofit reporting required by SB 1262, as well as on new school district reporting requirements. He said Assembly Member Lois Wolk's bill on mandatory elder abuse reporting does not include CPAs, but it is on CalCPA's watch list.

Other legislation that is actively being opposed includes AB 310 (Umberg), which would repeal Supreme Court decisions related to establishing securities fraud in civil litigation and would increase liability for many individuals, including CPAs (Although Umberg has indicated he is willing to amend the bill); AB 1700 (Pavely) that would disallow private settlements in civil litigation; and AB 9 (Coto) that would impose a sales tax on select professional services. The Coto bill is on the Assembly Revenue and Taxation Committee's suspense file. An Action Alert on the bill generated 300 letters, and although the bill is on the suspense file, the issue is being watched closely. SB 747 (Machado) is tax shelter follow-up legislation that is so broadly worded it could be a problem to CPAs involved in legitimate tax planning. CalCPA submitted a letter of opposition the first week of May. Allen reported that Assembly member Judy Chu, who has authored a bill, AB 911, requiring mandatory CPE on sales tax for all CPAs, has agreed to remove that provision. Allen also discussed the issues of practice privilege, reportable events and nonCPA owners and problems related to delivery of the CPA Exam.

CEO Report

John Dunleavy reported that Loretta Doon has been on board for three weeks and began contributing immediately. Dunleavy reviewed internal staffing changes, including changes in member relations and creation of a special projects division lead by John Angelo that is focused on leadership development and nominations. He reported that CalCPA and the Foundation have moved to a single phone system, and by the fall will operate under one 800 number. Dunleavy reported that the AICPA refunded CalCPA's initial investment in the AICPA's aborted database project base, and that CalCPA and the Foundation are working toward common database, AM4. AM4, which the Foundation has used for the last 5 years, is a proven commodity and scheduled to go live in early June with conversion completed in early August. Dunleavy also reported that the two organizations' networks have been bridged. Loretta Doon reported that an IT assessment of both organizations was complete and as a result, a virtual CIO to project manage conversion to AM4 has been engaged. Dunleavy added that among the staffing changes, Gary Hammond is the new liaison to the Los Angeles Chapter and CalCPA and the Foundation's customer service teams are being combined. Regan noted that CalCPA is operating more efficiently and effectively.

Dennis Young reported on the Nonprofit Integrity Act, SB1262. He noted that it applied to the Foundation, CalCPA institute and because of the consolidated financial statements, also CalCPA. Young reported that he has reviewed the entities for compliance, including the structure of the audit committee and compensation committee. Small changes were made to the audit committee structure. He noted that the U.S. Senate Finance Committee is looking at implementing provisions similar to California's SB 1262 on the federal level.

State Committee Task Force

Bob Jones delivered the State Committee Task Force's final recommendations. He noted changes to the Professional Conduct Committee, which would function more like the amicus committee, responding to events and problems as they occur. The committee will meet at least once a year and have wide representation from other committees. The board accepted the task force's report. Jones thanked John Angelo for all his help.

Dues Task Force Report

John Angelo presented the Membership Dues Task Force report on behalf of Marc Parkinson. He recapped previous activity and reviewed the task force's recommendations as well as an analysis of the financial impact of encouraging the prepayment of dues program. The board approved the Membership Dues Task Force's recommendations with a modification to the definition of Associate member: "Professionals working in a CPA environment."

Pension Plan Update

Don Gurse reported on the Pension Plan Task Force's past and present activities. The task force recommends that the pension plan remain frozen for another year since interest rates are on the rise and CalCPA could potentially save a significant amount of money in

relation to the timing of future plan termination. The Task Force will report to the Board again in May 2006.

CEO Goals and Performance

Paul Regan reported that the CEO Goals and Performance Committee met May 5, and invited Lou Savett to participate. He noted that the committee's charge needs to be rewritten and should include composition of the review group along with the process for review and compensation. Regan reported that John Dunleavy has met the goals and objectives that were set forth by the board of directors, adding that Dunleavy was effective immediately upon accepting the role as transitional CEO. Regan reviewed the goals that have been established for 2005-06, including continuing to identify cost sharing methods between the entities; and assist and train COO to allow for a smooth transition in 12 to 18 months.

Communications Advisory Committee update

Clar Rosso overviewed the policy recommendation from the Communications Advisory Committee regarding all web pages and content belonging to the California Society of CPAs. Bob Jones reviewed the process the committee went through to arrive at its recommendation and David Cieslak shared concerns expressed to him by Bill Downs on behalf of the Estate Planning Committee. Rosso assured the group that the Estate Planning Committee's concerns could all be accommodated before any transition would take place. The board asked Rosso to contact the Estate Planning Committee chair regarding the committee's concerns and the new policy. The board unanimously adopted the following policy recommendation from the Communications Advisory Committee:

"To provide uniform quality of information and to protect its proprietary marks and copyrights, all internet web pages and content belonging to the California Society of Certified Public Accountants must be hosted by the California Society of Certified Public Accountants. Anyone found to be hosting web content that holds itself out to represent the California Society of Certified Public Accountants will be notified in writing of this policy and be provided 30 days to transition all such material to CalCPA and cease such activity."

Audit Committee appointments

Regan reviewed Audit Committee appointments for 2005-06 including a modification—removal of incoming CalCPA Treasurer Teresa Mason so that the committee would be compliant with SB 1262. The board approved the appointments unanimously.

Nominations to GIT board

Via teleconference, Gale Case reviewed the process for recommending GIT trustees. He noted that the 2005 nominees for trustee are Gary Capata, Pam Hunter, Steve Kramer and Stu Weinstein. He asked for the board's joint (with GIT) recommendation to council of the nominees. After discussion regarding the fact that two GIT trustees will be on CalCPA's board of directors, the recommendation passed unanimously.

The council brainstormed various ways to increase the interactivity of council meetings.

Industry CPE Task Force

Joan Alleckson reviewed the Industry CPE Task Force's origin and the process it has gone through to arrive at a recommendation. She highlighted key results from surveys of CalCPA MII members and inactive CPAs in California. It was noted any change to the current continuing education requirements would need to be based on a strong public/consumer protection argument. Alleckson reviewed the various recommendations that had been considered and noted that the committee had returned with a recommendation for 80 hours of CPE for all CPAs to maintain their license. A discussion of the recommendation followed, but no action was taken.

Bylaws Proposals

Greg Burke delivered bylaws report and specifically reviewed changes related to proxies. A discussion followed. The board unanimously approved a motion to recommend the changes to council.

Adjourned at 3:20 p.m