

CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

**BOARD OF DIRECTORS MEETING
MINUTES**

**Friday-Saturday
September 28-29 2001**

**Westin, South Coast Plaza
Costa Mesa, CA**

Attendees:

David George (Chair)
John Costello
John Levy
Teresa Mason
Dan O'Hare
Jessie Powell
Paul Regan
Nancy Wheeler
Steve Wimmers
Gregg Wind
Chris Yahng

Staff Members

Bruce Allen
John Angelo
John Dunleavy
Donna Lekosky
Linda McCrone
Curt Olsen
Sarah St. Charles
Susan Waters

Guests

Steve Lund
Mike Soza
Ken Turton

Actions Taken

1. The Board approved the July Council minutes and consent agenda with no recommended changes.
2. The Board approved revisions to the budget.
3. The Board approved the guidelines of the 2002-2003 budget.
4. The Board approved a resolution and recommendations regarding the Relocation TF.
5. The Board approved that a letter be sent to the State Bar regarding Multidisciplinary Practice.
6. The Board approved a motion to establish a policy for Calcutta/AICPA dual memberships.
7. The Board approved a motion to support a password-protected website.

Foundation Report

Paul Regan reported for the Foundation. He began by naming 2 new benefits:

1. The Foundation will provide 8 hours of CPE with materials and instructor to each Chapter to use as a Scholarship fund-raiser.
2. The Foundation will award one free 8hour class for any new, first time member joining CalCPA.

With new Internet upgrades, Mr. Regan reported that Western School customers would have the capability of register for courses on line.

CPE Week in Las Vegas will be heavily attended. The Foundation is happy with revenue and hope the rate of income will continue as the Foundation collects most of the cash early in the fiscal year. The investment portfolio continues to deteriorate and in the future they will provide more details.

CEO Report

Susan Waters began by introducing CalCPA's new Director of Finance, Donna Lekosky. Susan reported that Donna joined CalCPA on August 6, 2001 and expressed the CalCPA Management Team's appreciation of having Donna on board.

Ms. Waters reflected that some or most of her biggest projects appear on the agenda before us and will be discussed during the course of this meeting.

Other issues she reported on included the resolution of an AT&T contractual problem, which will save \$180k provided we stay with them for 3 years. Problem with concept 5(BSN) portal contract are pending; and the launching of the student outreach campaign and celebration of 100 years licensure of the CPA in California; our bill to enact our version of the UAA will require significant media campaign efforts.

She reported that the potential litigation that noted in the audited financial statement was resolved with no extraordinary payment by CalCPA.

Financial Report

Jesse Powell reported on CalCPA's financial statements for the period for the three months ending July 31, 2001 and the financial position is good.

In implementing the budget for the 2001-2002 year, some mistakes were discovered that require changes to the budget. The Board approved budget adjustment's that have no affect on net assets because the changes are among departments. The major change was removing \$106,000 from the Government Relations department and giving it to the Executive Department. The \$106,000 was originally budgeted for legislation issues related to the passing of the Uniform Accountancy Act but is no longer needed. Because the changes between the departments are material the revisions as detailed in the packet were brought to the Board of Directors for approval. The revisions were approved.

Due to the timing of an accounting issue the San Diego Chapter for a scholarship event is over budget by \$13,000. This could be handled by either explaining the matter in the financial information that the California

Society of CPAs prepares or by taking the funds from the contingency fund. However, Jessie did not think this was an appropriate expenditure for the contingency fund. It is also not appropriate to penalize the San Diego Chapter. The budget overrun will just be explained.

The Board passed a motion to approve the guidelines for 2002-2003 budget. The guidelines were discussed and approved.

Ms. Powell also explained a memo prepared by Sarah St. Charles who then answered questions as to the content of the memo. The Pension plan, due to poor investment performance, has quickly become underfunded after a seven-year period in which CalCPA did not contribute toward the funding. The board requested that a study be done on our plan by our Actuary to be reported on at the next Board meeting in January 2002.

Government Relations Report

Bruce Allen reported on the past several busy months in Sacramento and feels fortunate that we have made substantial progress in our efforts with AB 585 and SB 133. Bruce noted that if the 2 bills became final, it will be very attractive to the profession and named the heroes that have supported the profession during this very long and difficult year. He also thanked the CalCPA Staff, Board and Council. He also reported that John Campbell would be in Palm Springs to present during our kick-off CPA Week in Palm Springs, held November 4, 2001 through November 10, 2001. The week will be a weeklong celebration of the CPA profession in California.

David George interjected recognition of Bruce Allen, Jeannie Tindel and all Staff in Government Relations for a superior job.

Bruce forwarded with a request of CalCPA to endorse in a Primary assembly race a CPA and member from Bakersfield, Michael Maggard. Bruce explained that he fit –he fits in the prerequisite, as did John Campbell.

Diversity TF

Mark Dauberman was not able to be present. The Board was appraised with the current activities. Mark has met with NABA on ACAP and they are planning most likely for CalCPA to take it over. It has also been discussed with the Finance Committee.

Communications Report

Curt Olsen reported on the 100-Year campaign. His visions include activities and possible Chapter involvement and various support in the area of and focus on tax aid, community service and tax call-ins.

Curt displayed a video and encouraged feed back on the new ads that were shown. He shared that there would be more ads this year at Universities. He updated the Board on the development of the student outreach program, the new website launching in November and thanked CalCPA Staff for all of their input and assistance.

John Costello made a motion to support a password protected web site. Nancy 2nd. Motion passed.

Relocation Task Force Report

David George gave overview and history that lead the group into a lengthy discussion.

-The first motion to move to Sacramento came in 1999.

-October 2000 there was another motion that was tabled.

-David reminded us of our training with Glen Tecker and the technique the group should use. That as a whole everyone should participate freely with no motion made until everyone has had a chance to speak.

Mike Soza began by introducing Steve Lund, Ken Turton and the rest of the TF (Ed Harry not present) and Susan Waters.

Mike explained that the TF has gone back after being asked by the executive committee in May to do more research. He reviewed the following:

Benefits of Relocating CalCPA

-What stands out are reduction in rent by buying

-Government Relations and rest of staff less than one roof (close K Street office)

Risks

-Loss on sub leases in Redwood City in light of huge market turn and availability of office space

-Organizational break up impact needs to be considered

-Amount of staff that would not go is 90%

-Ken Terton presented on the building as a new investment

- See power point presentation attached.

The group then began discussion; the following text contains some of the comments and suggestions that were made.

-David George asked Jessie Powell to speak to the Investment Committee

Discussion ensued.

Jesse-set aside lease vs. buy issue.

Susan Waters asked the board to answer 3 questions with discussion.

1. Do we want to move because it's cheaper or because we want to be located at the seat of government?
2. Separate the entities?
3. How would we make the transition and are we willing to sacrifice the experience and knowledge of current staff.

Adjourned Friday 6:00 p.m.

The meeting began at 8:30 a.m. And David George submitted a resolution that evolved over the net 2-hour discussion.

John Dunleavy- Why do all of this (re: David's notes) without approaching the other entities, re: looking for a building together in the Bay Area.

David George asked for a straw vote to be taken. The group voted against making an offer on the Sacramento property to preserve it until the Council meeting by a small margin.

David George asked that the following be done:

- Susan Waters to have someone to look for properties
- Send Q to board members prior to meeting
- Get square footage of current space on Radio Road

Resolution of the Board of Directors

Whereas the Board of Directors thanks and recognized the members of the Office Relocation Task Force, Mike Soza, Chair, Everett Harry, Steve Lund and Susan Waters for its work, the fulfillment of its October, 1999 charge to develop a long-range strategic plan to move CalCPA headquarters to the Sacramento area and their recommendations to this Board.

Whereas the Task Force has recommended a purchase of a specific building in Sacramento.

The Board of Directors hereby observed the following:

1. The Board is basing its current recommendations on the October 1999 directive of the State Council (Board of Directors) to develop a long-range strategic plan to move CalCPA headquarters to the Sacramento area.

2. Since October 1999, the economics of the real estate market have substantially changed in the Bay Area and Sacramento.
3. The task force has recommended CalCPA be a real estate investor and landlord in Sacramento while the headquarters remain in Redwood Shores (can I change this from Shores to City??) for five years.
4. The sister entities of CalCPA have stated their intentions to remain in RWC and/or lack of desire to relocate to Sacramento.
5. Based on a survey of employees, it is estimated that CalCPA would lose 90 percent of their employees in Redwood Shores City??) by moving to Sacramento which at best would require significant effort in the transition.
6. A potentially significant, but as yet undetermined, amount of shared costs associated with being in close proximity could be lost by a move to Sacramento.
7. From an employee and staff management perspective it is imperative to conclude this matter as soon as possible.
8. We note CalCPA has a current effective presence in Sacramento.
9. Significant potential economic advantages are possible when purchasing real estate as opposed to leasing.
10. Potential and significant economic risk may be associated with purchasing real estate.

Recommendations and Authorizations:

- a. The Board in light of circumstances and observations ask CalCPA Council to revisit the October, 1999 motion authorizing a move to Sacramento.
- b. It is in the best interest of CalCPA to have its related organizations in close proximity to each other for economics and delivery of member services.
- c. That Susan Waters explore with the related entities and report to Council in November, 2001 the degree if interest of the related entities to acquire real estate in a location where all entities would remain together and determine an approximate cost and timeline of such co-ordinate acquisition.
- d. The Finance Committee present to the November, 2001 Council meeting a detailed analysis of the shared costs paid by the sister entities and details of those shared costs for the year ended April 30, 2001 or the most recent twelve months whichever is easier.
- e. The Finance Committee report on a Performa basis, the consequences of the purchase vs. lease, upon CalCPA's Statement of Financial Position and Statement of Activities.

Action- John Costello made motion. Motion passed.

State Bar of California MDP Report

John Costello introduced a memo in which he reported that as an Multidisciplinary Practice TF meeting on August 16, in which the TF believe it is advisable that CalCPA comment on several different areas with recommendations contain specific information (see memo attached). John closed with a request that sought the Board to approve the request that such a letter be written.

Action- Moved and approved to respond to The State Bar of California expressing strong interest in continuing to explore the development of a pilot program for an integrated multidisciplinary practice.

Global Credential Report

Survey conducted- Hal Shultz presented a verbal summary of the survey results. They will be published soon. Topics discussed:

- After survey results take to membership and not spending more money on it.
- 6 states against/ 3 in favor of the Global Credential
- Pro and con arguments at XYZ.com

Portal Update

David George explained that the current contract set to expire 12/31/01. TF chaired by David Primes, next contract a much longer contract to be mailed by 8/01 but no later than 9/01. Seven states, including California, have joined together for legal representation on anti-trust issues.

Membership Report

Greg Wind presented the Membership report with Pat Kilner on teleconference. Pat and Greg described the new non-member database with benefits like various sort capabilities. They also reported the new member recruiter, had recruited 60 members in July and August. Overall last year, there were 1,000 total members recruited. The Foundation will provide one free CPE course to all new members. The Board discussed an investigation of joint memberships of CalCPA and AICPA and requested David George push for that at the AICPA Council meeting.

Action

To establish a policy to council to terms with AICPA and dual membership.
-Motion passed.

In the area of member retention, we have contracted with 2 individuals, currently contacting 2,400 members to hopefully renew. As on September 1, the renewal rate is 90%, the goal is 93% and the retention rate is .1% under the financial goal. Dues will be increased but they don't anticipate complaints from members. Greg and Pat noted that a survey of non-

member CPAs has been conducted to find out why they are non-members. The results will be available at board meeting in January 2002.

Strategic Planning

Ms. Waters reported that the Strategic Planning session had been postponed because of the shortened schedule in November. A revised process will be conducted in April.

Meeting adjourned at 11:45.