

**CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
Board of Directors Meeting**

Friday, November 7, 2003

Casa Madrona Hotel
Sausalito, CA

Members Present

Steve Wimmers, Chair
Paul Regan
Bob Jones
Teresa Mason
Jerry Nightingale
Chris Yahng
Dan O'Hare
Nancy Wheeler-Chandler
Loretta Doon
Ted Mitchell
Pam Kelty
Michelle Walters
Mike Eisenberg
Kendall Wheeler

Staff Present

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

Guests

John Dunleavy

Absent

John Costello

Action Items

- The board approved the consent agenda.
- The board unanimously approved the 2004-05 Budget Guidelines to be brought to Council for approval in January.
- The board approved a motion to authorize \$50,000 from the contingency fund for a study on membership fee structure.
- The board approved a motion to authorize up to \$100,000 from the contingency fund for purchase of a content management system for the web site.
- The board approved a motion to authorize \$75,000 from the contingency fund for the financial literacy initiative.
- The board agreed to establish a 501(c)(3) organization and approved \$7,000 from the contingency fund to form this nonprofit.
- The board approved a motion to authorize \$13,000 from the contingency fund for the data input integration needed to record CalCPA CPE at the Education Foundation website.
- The board agreed to endorse John Campbell in his campaign for a state senate seat.
- The board approved recommending to the Council and membership that the proposed changes to the bylaws be adopted.
- The board approved recommending to the Council and membership that the articles of incorporation be amended to make minor corrections.

Chair Report

Steve Wimmers described his first four months in office, he noted that he is continuing to work toward his major goals of moving forward the financial literacy program and increasing participation in the PAC. He has spent around 70 hours per month on CalCPA matters. Wimmers reported that everyone on the board has contributed to CPA-PAC. He wrote the cover story for the August issue of *California CPA*, sharing his vision with the members. Finally he noted that all areas of the strategic plan are being worked on.

First Vice-Chair Report

Paul Regan has been active as the chair of the Litigation Sections Steering Committee, working on better communication and coordination with the AICPA's Litigation Services Section. He wrote the cover story on revenue recognition rules for the September issue of *California CPA* and has taught courses on several different subjects at chapter functions.

Dues Task Force

Dan O'Hare reported that the Dues Task Force was formed at the Colorado meeting of the Board of Directors. Historically CalCPA has used a zero-based budget approach to determine dues. O'Hare proposed that instead we should be looking at what our vision is and what will it take to get there. In the short term, the task force recommends a \$10 across the board dues increase, except for the student and candidate categories. Donna Lekosky went over the budget guidelines in the packet. The staff is looking at many ways to get new members but it will take a while to develop new programs. The budget guidelines assume a slight increase in membership. We have not had a dues increase for the last three years. Last year CalCPA restructured without cutting programs but that would be impossible to do again this coming year. The board agreed to bring the budget guidelines for 2004-05 to the Council meeting in January recommending their approval.

John Angelo discussed the Dues Task Force recommendation for the staff to implement a firm discount program. We are researching having a minimum firm size and giving a discount to these firms for one hundred percent membership. The firms would get one bill and could possibly advertise the one hundred percent membership on their letterhead. Susan Waters added that since CalCPA is a professional association, not a trade organization, membership will remain individual, not firm based.

Another Dues Task Force recommendation was to increase communications to life members. Next week, a letter is being sent to life members asking them to contribute to CPA-PAC, scholarships, and CalCPA programs. CalCPA currently has 1,765 life members (40 years of membership are required to achieve the life membership benefits).

O'Hare requested \$50,000 from the contingency fund to commission a study on our membership fee structure. RFPs have been sent out and two proposals have been received and one more is expected soon. The motion was made, seconded and approved.

Treasurer's Report

Dan O'Hare reviewed the financial statements which show large favorable variances primarily due to timing differences. Donna Lekosky explained that we do not accrue expenses each month. Budgets are prepared in December for the next fiscal year, which makes it hard to determine when certain expenses will occur. An open associate director position was just recently filled. The advertising budget will be spent by year-end. The budget amount for depreciation includes a new phone system that has not yet been installed. Investment gains are favorable. One-half million dollars was moved from cash to investments, representing the excess operating cash from last year. Dan O'Hare commended staff for keeping costs down.

Education Foundation Report

Loretta Doon informed us that the Education Foundation will contribute to support CalCPA's financial literacy program. They will continue to provide the free 8-hour CPE classes for chapters as a scholarship fund-raiser, which has been a successful program. They are looking at ways to promote further the free 8-hour class to all new CalCPA members. They will increase the differential in VP card pricing for members and nonmembers to provide CPAs incentive for joining CalCPA. Also, when Foundation staff is registering a nonmember, the staff pitches the advantages of CalCPA membership. The two organizations are working well together promoting each other. Life members receive a 50 percent discount on Foundation-produced courses. The Education Foundation is in the process of relocating its office from the second story of the building to the first story.

The ethics exam produced by the Education Foundation is the only ethics exam approved by the California Board of Accountancy that candidates must pass to receive their licenses. When the CBA was considering expanding to other vendors for the ethics exam, Jeannie Tindel informed the Education Foundation and got a representative from the Education Foundation before the state board. Bruce Allen stated that prior to this the CBA was considering taking action but has instead put together a task force to examine this issue. Other vendors are pressuring the CBA to use their products.

The Education Foundation will present disaster recovery workshops in December in San Diego and Ontario. The class will be free to CalCPA members and members can bring clients.

John Angelo described the activities of CalCPA Accounting Education Committee, including starting an Accounting Educator's BUZZ similar to the Industry BUZZ already published. Loretta Doon is the liaison to this committee.

Paul Regan stated that the AICPA big 10 states has become the big 14 and California is distinguished by having more than double the education revenue than any other state. This is a tribute to John Dunleavy, Loretta Doon and the Education Foundation.

Bob Jones asked about improving the investment return on the scholarship funds that are held in the Education Foundation. John Angelo suggested that chapters discuss this issue and we could work on a common policy.

CEO Report

Susan Waters reported on a telephone survey of California CPAs of both members and nonmembers conducted in July. Nonmembers represented 403 of the 706 respondents. Fairly consistent among members and nonmembers was the ranking of major concerns: credibility, ethics, independence, regulations, and auditing and accounting standards. Consistent with the concerns is the ranking of issues, the most important is improving the image of accounting, followed by strengthening the profession's voice in the regulatory process, electing more officials who understand the profession, and receiving more information about laws that affect their business and the profession. The majority of CPAs report that their business is doing better than it was five years ago and they expect this trend to continue. Members reported slightly better financial results than nonmembers. Of great interest to CalCPA is that 74 percent of the members and nonmembers view CalCPA very favorably and 26 percent view us favorably. Interestingly, 43 percent of the nonmembers reported that they are CalCPA members.

Donna Lekosky reported that CalCPA had discovered that more than 1000 members did not have current licenses with the California Board of Accountancy. As a service to members, a notice was sent out and the response has been favorable. We found out that people whose licenses had lapsed were given new license numbers upon reinstatement, but the lapsed license numbers still appeared on the report given to us by the State Board of Accountancy. We will continue sending this notice as a service to members. Also, in collaboration with the Education Foundation, CalCPA is entering chapter and state committee CPE into the Education Foundation site so that members can go one place for all their CPE records.

Clar Rosso is working on upgrading and improving the CalCPA website and as part of this process we are exploring online registration for chapter events, recognizing members as they come to the site, having a shopping cart for monetary transactions, better integration with the Education Foundation, and in-house management of list serves. Even if we eventually use the national database system, the majority of the new functionality offered by a content management system would be maintained. The Communications Advisory Committee has discussed the content management system and supports it. A task force will approve the final vendor selection for a content management system. Although this is a capital expenditure, a request is being made to spend up to \$100,000 of the contingency fund on this project. The motion was made and carried.

AICPA Council Report

Steve Wimmers reported on the AICPA Council meeting that took place in New Orleans. The Board of Directors proposed to the AICPA Council that the three specialty credentials (Personal

Financial Specialist, Certified in Information Technology Professional, and Accredited in Business Valuation) be given a period of two to four years to become self sufficient. There was concern from AICPA Council members about how these financial benchmarks would be calculated. The AICPA Board of Directors was responsive and met on short notice and put forth clearer benchmarks. The AICPA Council approved reconstituting the Auditing Standards Board to focus on meeting the needs of users of financial statements of private companies and other entities whose audits are not within the scope of PCAOB standards and to add public members to the Auditing Standards Board. The AICPA Council voted to restructure the SEC Practice Section into a Center for Public Company Audit Firms whose focus would be on audit quality and who would also conduct peer reviews for the member firms' non-public engagements. The AICPA Council agreed to establish two audit quality centers in the employee benefit and government audit areas.

Communications Update

CalCPA rose to the challenge of the wild fires in Southern California with speed and commitment. Clar Rosso reported on the successful collaborative effort between staff and members. The first day of the project a special BUZZ was sent out asking for pro bono volunteers and we got a great response from all over the state. CalCPA provided all volunteers with a handbook of resources. There have been press releases and public service announcements, and the Red Cross is handing out fliers announcing this free CPA service. Legislators have been informed about our services and volunteers have made themselves available for any workshops that legislators are putting on in their districts.

The student outreach program is progressing nicely and the new *Quest* magazine is well received. CalCPA is continuing its image advertising radio campaign and is complementing it with a print advertisement that will run in the business journals around the state.

Financial Literacy Report

As one of the first acts of his chairmanship, Steve Wimmers formed the Financial Literacy Committee and the initial meeting was held in September. Committee Chair Michael Eisenberg reviewed some statistics that demonstrate the need for financial literacy. The committee has developed four subcommittees: grassroots, speakers' bureau, legislative and technical resources. We have contacted legislators and offered them a financial literacy workshop in their districts called Dollars and Sense. We are planning our first workshop on Nov. 22 in John Campbell's district. The committee also is working with the California Jump\$tart Coalition, a nonprofit organization whose purpose is to increase financial smarts for students. Eisenberg requested \$75,000 from the contingency fund for the first year activities of the financial literacy initiative. The motion for \$75,000 from the contingency fund for the financial literacy initiative was made, seconded and approved unanimously.

The Personal Financial Planning Committee had discussed and brought to the board the idea of establishing a 501(c)(3) to help raise funds for the financial literacy initiative and other projects.

The Financial Literacy Committee also thinks the establishment of this type of nonprofit would be a good idea and help us raise funds from nonprofit organizations, corporations and individuals. Steve Wimmers has asked the opinion of our legal counsel who is in favor of the idea. A motion was made to approve the establishment of a 501(c)(3) and to allocate \$7,000 from the contingency fund to pay for the organization costs. The motion was seconded and approved.

Shared Services

As previously reported, on April 23, 2003, the joint officers from CalCPA and the Education Foundation met and discussed ways to enhance member services, increase revenues and share costs. Steve Wimmers discussed the subsequent conference call among the joint officers. One of the items discussed was the formula established in 1996 for the affiliation fees that the related organizations pay to CalCPA. This formula is going to be evaluated to see if changes need to be made. CalCPA and the Education Foundation are finding many ways to work collaboratively as mentioned in the previous reports. The recording of CalCPA CPE information at the Education Foundation website is an example of a collaboration that will be of tremendous benefit to members who can just print the record and attach it to their license renewals. Steve Wimmers requested \$13,000 from the contingency fund to pay for the data input integration needed to complete this project. The motion was seconded and approved.

Government Relations Report

Bruce Allen reported on the California Board of Accountancy. Governor Davis has appointed Olga Martinez, a CPA and CalCPA member, to the CBA. Reuben Davila, a CPA and the small firm representative, has also been appointed; Mr. Davila is also a highly regarded professor at the University of Southern California. Ian Thomas is expected to be elected CBA president. In the September 2003 Sunset Review report of the California Board of Accountancy, there is a recommendation postponing the Peer Review Task Force report until Sept. 1, 2005, to enable the task force to evaluate the AICPA and PCAOB programs. It also recommends moving the start date of mandatory peer review for firms with more than four CPAs from Jan. 1, 2006 to July 1, 2008. The CBA is going to be discussing tax information sent overseas. On Dec. 2, Senator Figueroa will introduce legislation to get the special fund money back to the CBA and remove the hiring freeze; our Government Relations Committee will be discussing our position on this issue.

Government Relations Committee members and staff are on the cover of November issue of *California CPA*. Thanks to Clar Rosso for doing a great job.

John Campbell, a CPA, will be running for a state senate seat and is asking for the endorsement of CalCPA. Since the Council had previously endorsed him when he ran for the Assembly, a motion was made to continue to endorse him and this was seconded and approved.

Susan Waters reported on NASBA which is working on a discussion memorandum of applying parts of Sarbanes-Oxley to nonpublic companies. NASBA is also interested in a national database for CPAs, creating its own code of ethics, and producing an ethics exam. NASBA thinks that peer review for education is no longer appropriate and instead it should be a quality assessment of firms with all firms required to participate. The UAA is a joint project of the AICPA and NASBA but there has been a change with regard to the rules. NASBA now has sole responsibility for rule setting.

Bylaws Committee

Pam Kelty complimented Greg Burke for his excellent chairmanship of the Bylaws Committee. She went over the proposed changes. Most of the discussion centered on the changes to Article XII of the by laws. A motion was made to recommend to the Council and membership that, expect for the changes to Article XII, the changes proposed be adopted; the motion was seconded and approved. Upon further discussion, the motion was made that the changes to Article XII be recommended to the Council and membership for approval; the motion was seconded and approved with one dissent.

State Committee Liaison Reports

Board members reported on the state committee meetings that they attended. The Personal Financial Planning Committee brought a motion to the board that CalCPA and related entities adopt a policy to consider whenever reasonably practical the selection of CPAs who are knowledgeable and provide advice in service areas that include: group employee benefit plans, retirement plan consultation and personal financial planning advice to employees, and oversight of investment assets and specific investment advice. There was discussion and the motion failed. Chris Yahng discussed the Professional Conduct Committee's request for CalCPA to recommend to the CBA that the ethics course requirement be more frequent than every six years. Steve Wimmers replied that since this request was not in writing it would be tabled for the next board meeting. Susan Waters reminded board members that any state committee can request an item be added to the agenda, but that board member liaisons are not a short cut through this process.

Pension Audits and CalCPA Activity

Susan Waters reported that the Department of Labor will produce a report next year on its statistical review of pension audits performed this year and the results do not appear to be favorable. We will be looking further into this matter.

Member Relations and Membership Update

Donna Lekosy reviewed the membership report. CalCPA terminated 300 more members this year as compared to last year for a total of 1,753 members. Students and retirees accounted for the largest termination categories. In total CalCPA has exactly 300 more members than last

year. Lekosky added that CalCPA is working with its sister organizations to increase membership and reduce duplicative efforts. John Angelo stated that the majority of chapters are seeing an increase in attendance. We have just hired a new member relationship associate director, Gary Hammond, who will be responsible for the Central Coast, Bakersfield, Channel Counties, and Inland Empire chapters.

GIT Follow-up from May Meeting

GIT presented in the packet a written reply to issues raised at the May board meeting and addressed at the July Council meeting.

Articles of Incorporation Revision

Linda McCrone asked for the board's recommendation to council and the membership to approve the articles of incorporation change in the name of the organization from The California Society of Certified Public Accountants to California Society of Certified Accountants. Also, the address of the organization will be deleted and the articles of incorporation will refer to the bylaws for determination of the number of council members. The motion was seconded and approved.

Adjourned at 4:20 p.m.