

CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

COUNCIL MEETING

**Friday-Saturday
July 11-12, 2003**

**The Beverly Hilton
Beverly Hills, CA**

Council Members

Steve Wimmers, Chair

Joan Alleckson
Timothy Anderson
Susan Bathroy
Dale Bender
Susan Bradley
Joseph Bunker
Ellyn Carlson
Janice Carr
Gale Case
David Cieslak
S. Thomas Cleveland
Robert Cote
Thomas Dalton
Mark Dauberman
Ronald Dill
Wayne Dill
Curtis Eakin
Maria Ebersbacher
Robert Eichel
Michael Eisenberg
James Fastovsky
Perry Forschino
Mary Kay Foss
Mitchell Freedman
David George
Timothy Good
Karen Goodfriend
Brewster Gray
Donald Gursey
Marcia Hein
Linda Heineman
Paul Herrerias
Peggy Hesse
Vanessa Hill
Robert Jones
Eduardo Jordan
Pamela Kelty
James Kennedy
John Kennerson

Michael Klarin
Steven Kramer
Joseph Lanza
Henry Levy
Howard Loomis
Stephen Lozano
James Lutz
Teresa Mason
John McWilliams
Ted Mitchell
Daniel Morris
Andrew Newman
Jerry Nightingale
Robert Nilssen
Daniel O'Hare
D. Paul Regan
Marylou Robken
Stuart Robken
Patrick Rogan
Barbara Rosenbaum
J. Russell Roy
Florence Rust
Larry Russell
Jerry Sample
Diana Sanderson
Harold Schultz
Martin Seiden
Jeanne Shannon
Roger Stroud
Pamela Thompson
David Tuttle
Micheal Ueltzen
Lammert Van Laar
Michelle Walters
Kendall Wheeler
Nancy Wheeler-Chandler
Gregg Wind
Leonard Wright
Christopher Yahng

Past Chairs Present-Voting

Dennis Brach
Gale Case
S. Thomas Cleveland
David Geroge
Donald Gursey

Diana Sanderson
Harold Schultz
Michael Ueltzen
Nancy Wheeler-Chandler

Past Chairs Present-Non Voting

Louis Barbich
Robert Ford
James Kuhn
Don Nelson

AICPA California Delegation Present

Janice Carr
Loretta Doon
David George
Donald Gursey
Harold Schultz

Anthony Teng
Nancy Wheeler-Chandler
Steve Wimmers
Gregg Wind

Education Foundation Trustees Present:

Beverly Brautigam
Loretta Doon
Melissa Fortune

Zafar Iqbal
Marc Parkinson
Lou Savett

Parliamentarian

Diana Sanderson

Staff Present:

Susan Waters
Bruce Allen
John Angelo
Vince Chin
Sara Cleary
John Dunleavy
Judy Graziani
Art Korn
Donna Lekosky

Linda McCrone
Lisa McTaggart
Maria Nazario
Bobbie Nochenson
John Phillips
Clar Rosso
William Spaniel
Sarah St. Charles
Jeannie Tindel

Guests Present:

Gary Barnhart
Thomas Campbell
Daniel Cashier
Patricia Crelan

Mike Gray
Ted Humphreville
Kenny Lee
Bret Mansfield

Peter Novakovic
James O'Malley

Jessie Powell
David Wilson

Actions

- Council passed a motion to approve the consent agenda.
- Motion passed unanimously to approve all state committee chair appointees.
- Council unanimously approved the treasurer's report which included the FY04 budget.
- Unanimously passed motion from peer review to appoint David Vaughn and Perry Henderson to the peer review administrative committee.
- Unanimously approved Motion to approve audited financial statements for years ended 4/30/02-4/30/03.
- Passed a motion to nominate Gale L. Case, James A. Malone, John B. Phillips and Nancy Wheeler-Chandler to be named on the 2003 Group Insurance Trustee election ballot as CalCPA nominees for the three-year term commencing on Jan. 1, 2004.
- A motion passed to appoint Gilbert Associates as CalCPA's auditor for the upcoming year.

Nominations for Council Representatives to Board of Directors

Steve Wimmers reviewed the procedures related to nominations and voting for council representatives to the board of directors.

Consent agenda

Steve Wimmers reviewed the consent agenda, including the January 2003 meeting minutes and the meeting schedule for the coming year. The council approved the consent agenda.

Chair Report

Steve Wimmers reviewed with council the motion to approve all state committee chair appointments. He noted that job descriptions for council members, board members, officers and the CEO are included in the packet along with CalCPA's reimbursement policy.

Treasurer's Report

Jessie Powell gave the treasurer's report. Powell noted that CalCPA's membership is aging and a new Dues Task Force is looking at how to restructure CalCPA dues to deal with this fact. She reviewed the year-end financial statements, noting the change in net assets and the excess contingency funds that were available at year-end. She also reported that CalCPA has fewer employees as a result of reorganization, but the remaining staff is working more efficiently. Powell then reviewed the current year financials. She reported that although dues notices were mailed two weeks later than usual, 87 percent of members had renewed by the week of the council meeting. Powell discussed revenues and expenses and noted that they are comparable to prior years. She also reviewed the process by which net asset targets are analyzed.

Powell reviewed budget guidelines and staffing changes for FY04. She also presented the budget overview, and capital budget, noting that we are in a wait and see mode re the national database. Powell explained the rationale behind developing a 15-month budget. Council approved the treasurer's report including the 15-month budget.

Peer Review Report

Jim Kennedy gave the peer review report and reviewed the committee's agenda for the next two years. He noted that the committee will work closely with the California Board of Accountancy as a CBA task force reviews the peer review program in California. Kennedy reported that there is a

real need to bring up the next generation of peer reviewers. Council approved a motion to appoint David Vaughn and Perry Henderson to the Peer Review Administrative Committee.

Audit Committee Report

Dave Wilson gave the Audit Committee report. Wilson noted minor changes to the draft auditor's report, mainly related to VP revenue and pension expense for foundation. He reviewed audit process and timeline. Wilson reported that the auditors issued an unqualified opinion, had no recommendations to management, and found no reportable conditions or material weaknesses. He said that the Audit Committee will initiate an RFP process for 2004-05. Council passed a motion to approve audited financial statements.

CEO Goals and Performance

Nancy Wheeler-Chandler reported that the CEO Goals and Performance Committee met, reviewed Susan Waters's performance and renewed her contract for three more years.

Group Insurance Trust

Gale Case presented the GIT report. He provided background on the Trust, reviewed the plans they offer and described how committee members move from the committee to nomination as a board trustee. Case reported that the 2003 trustee nominees had been approved by the board in May.

The council passed the following motion: Be it resolved that CalCPA nominates Gale L. Case, James A. Malone, John B. Phillips and Nancy Wheeler-Chandler to be named on the 2003 Group Insurance Trustee election ballot as CalCPA nominees for the three-year term commencing on Jan. 1, 2004.

GIT Executive Director John Phillips presented the 2002 operating results and noted that the trust is a MEWA trust operated under US Department of Labor and California Department of Insurance regulation. Phillips reviewed premium income for ProtectPlus, and noted that the two premium increases in 2002 will hopefully be an exception, not a rule. Phillips said that the trust will begin sending the annual report to council members. Currently the annual report is sent to plan members.

Facilities Task Force Report

Paul Regan presented the facilities task force report. He reviewed why the task force was created. Regan reported that the task force met May 14 and reviewed current and historical lease asking prices in San Mateo County and compared it to CalCPA's lease obligation. He also reported on the status of the various entities as it relates to moving and that the task force does not recommend relocating at this time. The task force will continue to report on an annual basis.

Board Nominees

Steve Wimmers announced the nominees for council representatives to the CalCPA Board of Directors: Janice Carr, Michael Eisenberg, Eduardo Jordan, Steve Kramer and Kendall Wheeler.

Saturday, July 12, 2003

8:36 a.m. meeting resumed

Steve Wimmers presented the council with a motion to appoint Gilbert Associates as the CalCPA auditor for the upcoming year. The motion passed.

California CPA Education Foundation Instructor Awards

Tony Teng presented the California CPA Education Foundation instructor awards. Honorees included Robert “Chris” Province, award for instructor excellence; Jacqueline Patterson, outstanding course materials; Wayne Borkowski, outstanding course materials; and Bill Simpson, outstanding conference volunteer.

CEO Report

Susan Waters gave her CEO report. She made a presentation called “A Profession at the Crossroads.” The presentation reviewed the events of the past two years that have shaped the current state of the accounting profession and discussed where the profession needs to be headed.

Member Relations and Development

John Angelo presented the member relations report. He recognized the new council members. Angelo reported on the favorable impact of the Education Foundation’s free CPE class for each chapter, noting that last year it helped raise more than \$78,000 in scholarship funds. He added that in FY03, CalCPA distributed \$129,000 in scholarships throughout California. Angelo drew member’s attention to the list in the council packet that shows how various chapters spent their leadership development funds in FY03. He reported on the state committee chair breakfast, and noted that the state committee application and appointment process has gone entirely electronic. Angelo updated the group on CalCPA’s interactions with Beta Alpha Psi chapters in California, noting that CalCPA is a state associate of BAP. He reported that the Personal Financial Planning and Estate Planning committees have been involved in a research project called the “CA Professional Advisors Research Initiative” that is looking at how financial advisors counsel their clients about philanthropy and charitable giving. The results will be reported soon on this project that began almost a year ago. . Angelo noted that they have worked with the Education Foundation to provide members with listings of local Foundation CPE in chapter bulletins. He reminded the group that the MAP Survey is underway and that the Foundation is helping to fund CalCPA member’s participation in the survey.

Angelo next presented the membership report. He described the reorganization that took place in April and announced that CalCPA had recently hired Terry McVeigh as the new associate director of membership and introduced him to the Council. Donna Lekosky reported on membership trends. She noted that while membership continues to increase, some of the biggest increases are in the lowest dues paying categories, such as students. Clar Rosso presented council members with a member recruiting toolkit. She pointed out various elements of the toolkit and told members they would receive a follow up mailing with additional materials to help them recruit new members.

John Angelo also presented a CAE lapel pin to Maria Nazario in recognition of her certification.

Council Representatives to the Board

Steve Wimmers reported on the results of the election for council representatives to the board. The newly elected representatives are Michael Eisenberg and Kendall Wheeler.

Government Relations Report

Hal Schultz, Michael Ueltzen and Bruce Allen presented the government relations report.

Hal Schultz reported on regulatory issues. He reviewed the make up of the California Board of Accountancy and major items on its agenda. Schultz then reported on regulatory changes in the

areas of audit documentation, restatement reporting and reportable events. Schultz also reviewed changes proposed by the CBA's EPOC, which include giving the CBA the ability to impose penalties of up to \$3 million, seek cost recovery for all violations, increase license fees and increase enforcement staff by 4 investigators. Schultz reported that the CBA peer review task force is studying: who should do peer reviews, what should be reported to CBA, oversight issues, should separate peer review be required for firms that are reviewed by PCAOB; and should peer review be mandatory. The task force's report has been delayed to 2004. Schultz noted that mandatory peer review is scheduled for 2006, but the date might be extended.

Michael Ueltzen provided the legislative update. He noted that as an association, CalCPA opposes abusive tax shelters, however that our stance has always been that California tax legislation should conform to federal. He noted that two bills regarding abusive tax shelters are currently before the Legislature and that CalCPA is in a dialogue with the authors of SB 614 (Cedillo) and AB 1601 (Frommer). Other bills that Ueltzen updated the group on included AB 827 (Correa), which would create new public member requirements for all regulatory boards; and AB 95 and SB 122, which related to unfair competition.

Bruce Allen reported that mandatory e-filing has reemerged in SBX 7 and AB 1756. The proposal would require individuals who file more than 100 tax returns for which they are paid and who use tax prep software to e-file. Allen noted however that there are opt-out provisions including client refusal to e-file in writing or forms not being available electronically. The noncompliance penalty would be \$50/form not filed. Allen then updated the group on the political climate in Sacramento.

Guest Tom Campbell, Dean of the Haas School of Business at U.C. Berkeley spoke to the group about California's economy.

An Open Forum followed and the meeting adjourned at 11:45 a.m.

California CPA Education Foundation
Annual Meeting
July 11, 2003

Marc Parkinson opened the Foundation Annual Meeting with a review of the Foundation's accomplishments and financial results for 2002-2003. A partial list of accomplishments includes:

- The Web took over as our number one registration source--taking 42% of all event registrations. (Call in is 38%). Web processed 22,700 event registrations (compared to 16,000 from prior year).
- Launched 2002 version of Online Courses (with 3 titles). Total sales to date: \$40,000/500 users). New system designed for ability to add more courses easily and inexpensively.
- Launched Online Grading service through the Web. Sales to date: \$13,000/500 users).
- Conference department added 32 new planning committee volunteers and 135 new speakers.
- Four new conferences *Succession Planning for the CPA Firm, Bankruptcy, Retirement Planning, and Real Estate*, brought in 1,199 registrations.
- Attendance this year was 47,007, 3.4% more than budgeted.
- Improved the overall attendee evaluation score for courses and conferences from 4.1 to 4.3.
- Had a 54% return on investment of all self-study products, that contributes to the rapid recovery of the purchase price of Western Schools.
- Continued program to allow each CalCPA chapter to put on one CPE event to contribute proceeds to chapter scholarship funds
- Brought in \$71,500 revenue from sponsorships of conferences and CE Weeks (compared to \$43,500 prior year).

The Foundation ended the year with an excess of revenue of \$82,500 and had an overall contribution margin of 42.8%.

David Cieslak presented the Foundation's nomination report and the following officers and trustees were elected:

2003-2004

President:	Loretta Doon
First Vice President:	Louis Savett
Vice President:	Thad Scott
Treasurer:	Beverly Brautigam

Trustees (2003-2005): Patricia Cochran
Elliott Kajan
David Primes
Anthony Teng
Kathleen Wright

Marc Parkinson turned the meeting over to Loretta Doon who conducted the nomination process to appoint a council member to serve on the Foundation's Nomination and Leadership Development Committee for a two-year period. Michael Klarin, OC/LB Chapter, was selected.

Saturday, July 12, 2003

Tony Teng presented the instructor and speaker awards for 2002-2003.

The awards are:

Instructor Excellence: Robert (Chris) Province
Meritorious Service: Kathleen K. Wright
Outstanding Course Materials: Jacqueline Patterson & Wayne Borkowski
Outstanding Conference Speaker: Joseph Stemach & Ron Klein
Outstanding Conference Volunteer: William E. Simpson
Trustees Special Service Award: Norman S. Solomon

Loretta outlined her main goals and priorities for the coming year. A partial list includes:

- Continue to provide free 8-hour CPE classes for chapters as a scholarship fund- raiser
- Offer free 8-hour class to all new CalCPA members
- Continue Foundation event sponsorship program to help offset cost of programs
- Work closely with Society to reduce redundant costs and identify sources of new revenue
- Add 30 new course titles
- Partner with on-line providers to offer an array of programs of interest to Industry members
- Add Chapter CPE to on-line CPE tracking system
- Foundation is also "on the hunt" for new instructors or speakers

Loretta thanked Marc Parkinson for his great leadership and contribution to the Foundation in his role as President for the past year.



**Date: 07/11/03 – Board Action Request –
Consent Agenda**

Action Requested By:	Action Requested:	Why Action is Requested:
Orange County/Long Beach Chapter	Appointment of Susan A. Bathory as chapter council representative for 2003-04	<i>Ms. Bathory will fill the un-expired balance of a two year term held by Michelle Walters who was elected to the Board of Directors and by virtue of serving on the Board also is a Council member</i>
San Francisco Chapter	Appointment of Robert R. Cote as chapter council representative for 2003-04	<i>Mr. Cote will fill the un-expired balance of a two year term held by Teresa Mason who was elected to the Board of Directors and by virtue of serving on the Board also is a Council member.</i>
San Francisco Chapter	Appointment of Paul K. Herrerias as chapter council representative for 2003-04.	<i>Mr. Herrerias will fill the un-expired balance of a two year term held by Ted Mitchell who was appointed to the Board of Directors and by virtue of serving on the Board also is a Council member.</i>
East Bay Chapter	Appointment of Robert J. Healy as chapter council representative for 2003-04.	<i>Mr. Healy will fill the one - year term held by Robert H. Jones who was elected to the Board of Directors and by virtue of serving on the Board also is a Council member.</i>
Los Angeles Chapter	Appointment of Gregg R. Wind as chapter council representative for 2003-05.	<i>Mr. Wind will serve in the two-year term that Lori Hoffman was elected to, but subsequently became unable to fulfill.</i>

Approved as part of the consent agenda

COUNCIL REPRESENTATIVES TO THE
2003 – 2004(5) BOARD OF DIRECTORS



Election Results

Michael Eisenberg – Los Angeles Chapter

Kendall Wheeler – Fresno Chapter

Congratulations!

Date: 7-12-02



Motion Form

Date: 07/11-12/03

I (we) move (amend),

Motion:

WHAT ACTION IS REQUESTED:

Appointment of David Vaughn and Perry Henderson to the Peer Review Administrative Committee

ISSUES SUMMARY:

Please see Tab 12 for more information on the individuals chosen for the proposed appointments to the Peer Review Administrative Committee for the 2003-2005 term.

Motion Passed

Maker: Peer Review Committee

Second: From Committee - Not Necessary



Motion Form

Date: July 11, 2003

Motion: We move that the audited financial statements for the years ended April 30, 2003 and 2002 recommended by the Audit Committee be approved.

Approved July 11, 2003

*Maker: Audit Committee
Second: N/A*



Motion Form

Date: July 11, 2003

Motion: We move that the 15 month budget for the period May 1, 2003 through July 31, 2004 and FY04 capital budget recommended by the Finance Committee be adopted.

Approved July 11, 2003

*Maker: Finance Committee
Second: N/A*



Requested Resolution

Be it Resolved that CalCPA nominates Gale L. Case, James A. Malone, John B. Phillips and Nancy Wheeler-Chandler to be named on the 2003 Group Insurance Trustee election ballot as CalCPA nominees for the three year term commencing on January 1, 2004.

Approved 7/11/03



Motion Form

Date: 7/12/03

I (we) move (amend),

Motion

:

WHAT ACTION IS REQUESTED:

We move that Gilbert Associates, Inc. be appointed as auditors for FY 04 as recommended by the Audit Committee

ISSUES SUMMARY:

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Motion Passed 7/12/2003

Maker: Audit Committee

Second: From Committee - Not Necessary