

# NASBA

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

# SHAPING THE FUTURE

ANNUAL REPORT 2017



# SHAPING THE FUTURE

Founded in 1908, NASBA serves as a forum for the nation's 55 State Boards of Accountancy, which administer the Uniform CPA Examination, license more than 650,000 Certified Public Accountants and regulate the practice of public accountancy in the United States.

NASBA accomplishes its mission of enhancing the effectiveness and advancing the common interests of the Boards of Accountancy by creating innovative avenues for accounting regulators, educators and practitioners alike to address emerging issues relevant to the viability of the accounting profession. NASBA also makes available to member boards a rich portfolio of products and services – all designed to effectively aid Boards of Accountancy in their mission of ensuring public protection.

As an extension of NASBA's core mission, the NASBA Center for the Public Trust (CPT) continues to provide a platform for corporate America, academia and the accounting profession to explore, promote and advance ethical behavior through business and leadership.

This annual report illustrates the numerous ways in which NASBA continues to support Boards of Accountancy and shape the future of the accounting profession. The report also provides stakeholders with insights into NASBA's leadership, member involvement, products and services and fiscal management.

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*The future depends on what we do in the present.*  
— Mahatma Gandhi



# LETTER FROM NASBA LEADERSHIP

The year 2017 has been a year of successes, challenges and opportunities. We were successful in meeting our strategic goals and measurable performance benchmarks while also exceeding expectations for our budget and revenue. We will end the year on a high note as NASBA is in the best financial position in our history, which will ensure we continue to have the capacity and capability to provide services and resources to State Boards of Accountancy. NASBA continued to invest millions of dollars in infrastructure, particularly in the areas of information technology and software, that benefit Boards of Accountancy, licensees and examination candidates. Later this year and throughout 2018, we will begin to launch and utilize these products and services.

At last year's Annual Meeting, we talked about the rapidly changing use and reliance on technology in accounting and auditing. It is imperative that NASBA and Boards of Accountancy are prepared and able to effectively regulate processes that become more and more technology-driven. NASBA is committed to making sure Boards of Accountancy have the knowledge, tools and resources to effectively protect the public. The theme and focus of this year's Annual Meeting, *"Shaping the Future,"* signifies the importance of not only being prepared, but that Boards of Accountancy must participate in the process of change.

There have been challenges this year, some of which were unprecedented. As the largest professional association transitioned from a singular focus on Certified Public Accountants to new organizational names and titles, prioritization and employment relationships, it has caused confusion, tension and even distrust within Boards of Accountancy and other relevant stakeholders. NASBA staff and leadership have been trying to respectfully navigate through processes of addressing legal and public policy concerns, perceptions and differences of opinion while maintaining positive working relationships. This informal process was unable to rectify the valid concerns and issues being raised. As a result, NASBA leadership recently created a task force to address these matters with the expectation of developing a clear understanding of the issues of concern, identifying any potential legal and contractual matters, and seeking resolution and concurrence as to outcomes and expectations. It is our belief that all parties should seek acceptable remedies and solutions.

NASBA remains steadfastly focused on our mission: *"To enhance the effectiveness and advance the common interests of the Boards of Accountancy."* Historically, the means to that end has been to provide tools and resources. This year, we have continued to witness the attempted arbitrary consolidation of boards into regimes that weaken the ability of the Boards of Accountancy to adequately protect the public. NASBA is dedicated to providing legislative and political support to individual Boards of Accountancy facing this challenge, offering national education and research materials demonstrating the importance of a strong and viable state board regulatory system for the public practice of accounting. NASBA has been successful in helping states fend off impractical and damaging proposed reorganization, particularly when there has been a strong alignment between the Board of Accountancy and the State CPA Society.

NASBA continues to be a focused and effective force because of highly-qualified volunteers working with our staff on governance, committees, task forces and outside appointments. Without the countless hours of skills, knowledge and professional guidance provided by the men and women volunteers, NASBA could not achieve the tremendous successes and accomplishments we have seen this year.

At this year's Annual Meeting, attendees will witness the signing and celebration of both new and renewed Mutual Recognition Agreements (MRAs), which have resulted from the culmination of many years of work by the International Qualifications Appraisal Board (IQAB). These redesigned, more intuitive and transparent agreements are demonstrative of the strong and trusting international relationships that NASBA fosters with professional bodies around the world. More importantly, these negotiations and processes are key in making other countries aware of the unique Board of Accountancy certification and licensing system of the United States.

NASBA's ethics arm, the Center for the Public Trust (CPT), has enjoyed continued growth in the number of student chapters and represented colleges and universities. CPT Ethics training has become a valuable resource for colleges and universities and, more recently, for use by Boards of Accountancy. NASBA leadership is proud of the great work being done by CPT.

NASBA is ending 2017 as a financially stronger, more relevant and internationally-recognized organization. As always, thank you for the continued support and trust you have placed in our leadership, volunteers and staff.



Telford A. Lodden, CPA  
Chair, 2016-2017



Ken L. Bishop  
President & Chief Executive Officer



Colleen K. Conrad, CPA  
Executive Vice President &  
Chief Operating Officer





From left to right: Colleen K. Conrad, CPA, Telford A. Lodden, CPA, and Ken L. Bishop



# 2016 - 2017 BOARD OF DIRECTORS

## OFFICERS

Telford A. Loden, CPA (IA)  
Chair

Theodore W. Long, Jr., CPA (OH)  
Vice Chair

Donald H. Burkett, CPA (SC)  
Past Chair

Janice L. Gray, CPA (OK)  
Secretary

A. Carlos Barrera, CPA (TX)  
Treasurer

## DIRECTORS-AT-LARGE

Jimmy E. Burkes, CPA (MS)  
Director-at-Large

John F. Dailey, Jr., CPA (NJ)  
Director-at-Large

Tyrone E. Dickerson, CPA (VA)  
Director-at-Large

Raymond N. Johnson, CPA, Ph.D. (OR)  
Director-at-Large

Richard N. Reisig, CPA (MT)  
Director-at-Large

E. Kent Smoll, CPA, PFS, CWS (KS)  
Director-at-Large

Laurie J. Tish, CPA (WA)  
Director-at-Large

## REGIONAL DIRECTORS

Catherine R. Allen, CPA (NY)  
Northeast Regional Director

J. Coalter Baker, CPA (TX)  
Southwest Regional Director

Maria E. Caldwell, CPA (FL)  
Southeast Regional Director

Sheldon P. Holzman, CPA (IL)  
Great Lakes Regional Director

Sharon A. Jensen, CPA (MN)  
Central Regional Director

Edwin G. Jolicoeur, CPA (WA)  
Pacific Regional Director

Nicola Neilon, CPA (NV)  
Mountain Regional Director

Stephanie S. Saunders, CPA (VA)  
Middle Atlantic Regional Director

## EXECUTIVE DIRECTORS' LIAISON

Wade A. Jewell (VA)

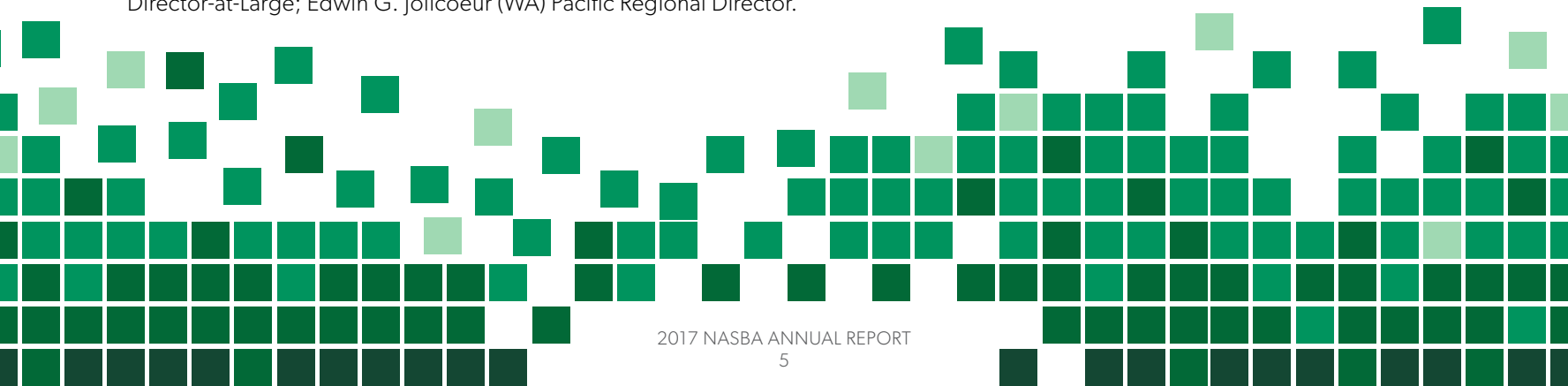
## PRESIDENT & CEO

Ken L. Bishop





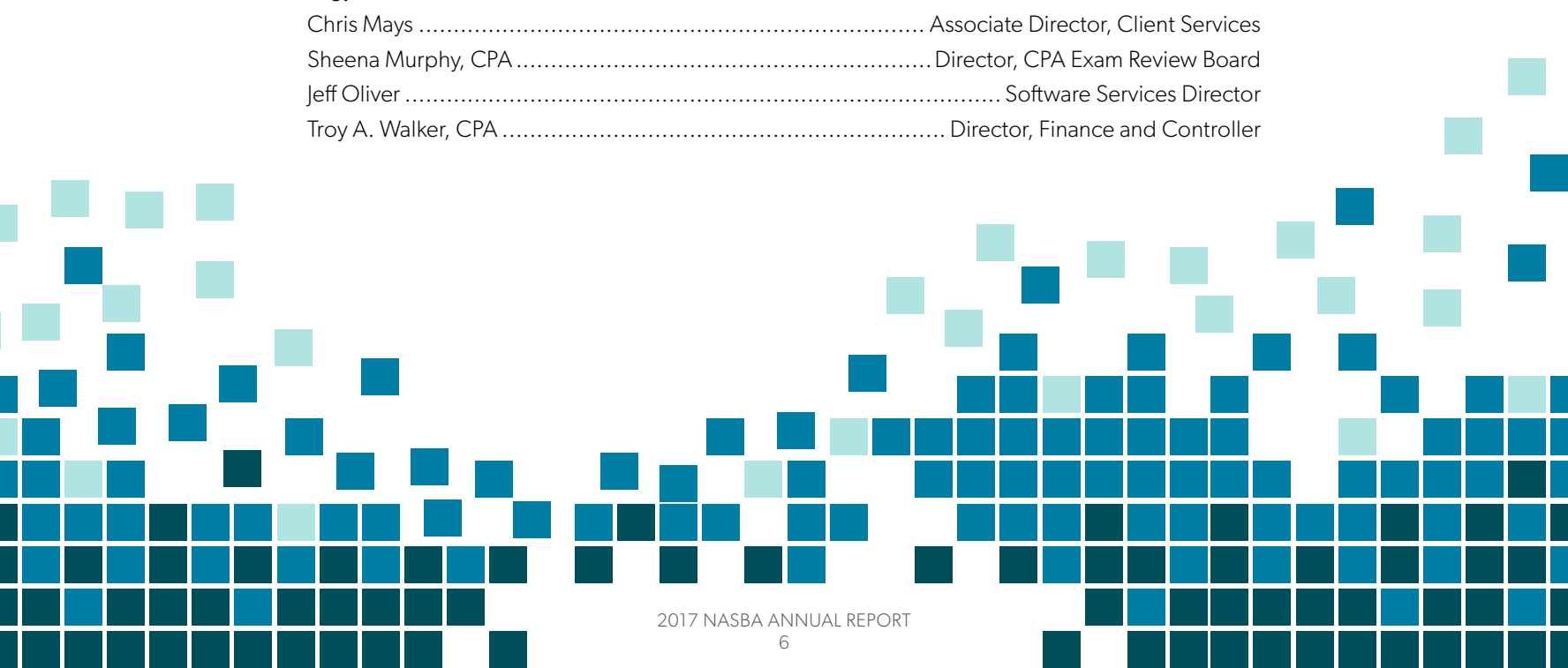
NASBA BOARD OF DIRECTORS 2016-17 – Bottom row (left to right): Sharon A. Jensen (MN) Central Regional Director; Jimmy E. Burkes (MS) Director-at-Large; Janice L. Gray (OK) Secretary; Donald H. Burkett (SC) Past Chair; Ken L. Bishop, President & CEO; Telford A. Lodden (IA) Chair; Theodore W. Long, Jr. (OH) Vice Chair; Colleen K. Conrad, Executive Vice President & COO; John F. Dailey, Jr. (NJ) Director-at-Large; Maria E. Caldwell (FL) Southeast Regional Director; Stephanie S. Saunders (VA) Middle Atlantic Regional Director; Top row (left to right): Noel L. Allen (NC) Outside Legal Counsel; Catherine R. Allen (NY) Northeast Regional Director; Sheldon P. Holzman (IL) Great Lakes Regional Director; A. Carlos Barrera (TX) Treasurer; J. Coalter Baker (TX) Southwest Regional Director; E. Kent Smoll (KS) Director-at-Large; Richard N. Reisig (MT) Director-at-Large; Nicola Neilon (NV) Mountain Regional Director; Wade A. Jewell (VA) Executive Directors' Liaison; Tyrone E. Dickerson (VA) Director-at-Large; Laurie J. Tish (WA) Director-at-Large; Edwin G. Jolicoeur (WA) Pacific Regional Director.





## STAFF DIRECTORS

Alfonzo Alexander.....	Chief Relationship Officer & CPT President
Ed Barnicott.....	Vice President, Strategic Planning & Program Management
Michael R. Bryant, CPA.....	Senior Vice President & Chief Financial Officer
Maria-Lisa Caldwell, Esq.....	Chief Legal Officer and Director, Compliance Services
Chris Clark .....	Infrastructure Services Director
Colleen K. Conrad, CPA.....	Executive Vice President & Chief Operating Officer
Lisa Dampf .....	Chief Human Resources Officer
Sandra Davidson, CPA .....	Chief Financial Officer, NASBA Center for the Public Trust
Louise Dratler Haberman.....	Vice President, Information & Research
Daniel J. Dustin, CPA.....	Vice President, State Board Relations
Cheryl Farrar.....	Chief Information Officer
Rebecca Gebhardt .....	Associate Director, Regulatory Compliance Programs
Roy Hall .....	Chief Information Security Officer
Patricia Hartman.....	Director, Client Services
Brentni Henderson .....	Associate Director, Business Development & Research
Ryan Hirsch .....	CPT Operations Director
Shawn Jackson, CPA .....	Associate Director, CPA Exam Review Board
John Johnson .....	Director, Legislative & Governmental Affairs
Thomas Kenny .....	Director, Communications
Jessica Luttrull, CPA.....	Associate Director, National Registry
Nigyar Mamedova, CPA.....	Director, Technical Research
Chris Mays .....	Associate Director, Client Services
Sheena Murphy, CPA.....	Director, CPA Exam Review Board
Jeff Oliver .....	Software Services Director
Troy A. Walker, CPA .....	Director, Finance and Controller



# VOICES IN THE ACCOUNTING WORLD

## 2016 - 2017

### NASBA REPRESENTATIVES

SERVING ON REGULATORY BODIES &  
PROFESSIONAL ACCOUNTING ORGANIZATIONS

#### **AICPA Accounting and Review Services Committee**

Jimmy Burkes

#### **AICPA Auditing Standards Board**

Elizabeth Gantnier

Gaylen Hansen

Tracy Harding

Alan Long

Richard Reisig

Chad Singletary

#### **AICPA Board of Examiners**

Michael Daggett (Chair)

Barry Berkowitz

Allan Cohen

Jeanne Dee

Sheldon Holzman

Roberta Newhouse

Ola Smith

Dan Sweetwood

Michael Watts

Thomas Weirich

#### **AICPA Board of Examiners Content Subcommittees**

Jeanne Dee

Faye Miller

Ken Odom

Michael Watts

Thomas Weirich

#### **AICPA Board of Examiners State Board Committee**

Roberta Newhouse (Chair)

Jim Abbott

David deSilva

James Gottfried

Pamela Ivey

Nicole Kasin

Veloria Kelly

Michael Rollage

Ying Sa

#### **AICPA National Peer Review Committee**

Mark Hobbs

Arthur Sparks

#### **AICPA Peer Review Board**

Elizabeth Gantnier

#### **AICPA Professional Ethics Executive Committee**

A. Carlos Barrera

J. Coalter Baker

Janice Gray

Laurie Tish

#### **Financial Accounting Foundation**

Diane Rubin

#### **FASB Private Company Council**

Richard Reisig

#### **IAASB Consultative Advisory Group**

Gaylen Hansen

#### **IEASB Consultative Advisory Group**

Dr. Raymond Johnson

#### **IESBA Consultative Advisory Group**

Gaylen Hansen



# COMMITTEES

Regarded as a cornerstone of support within the organization, NASBA appoints more than 30 committees and task forces annually. Through the work of these committees, NASBA volunteers and staff address current and emerging issues affecting State Boards of Accountancy. Topics range from ethics, education and global regulation in accounting principles to the development of model rules for the member boards' consideration. On the following pages, the committees provide reports from their work during 2016-17.

Accountancy Licensee Database/CPAverify Committee  
Administration and Finance Committee  
Audit Committee  
Awards Committee  
Bylaws Committee  
CBT Administration Committee  
Communications Committee  
Compliance Assurance Committee  
Continuing Professional Education (CPE) Committee  
CPA Examination Review Board  
Diversity Committee  
Education Committee  
Enforcement Resources Committee  
Ethics Committee  
Executive Directors Committee  
International Qualifications Appraisal Board  
Legislative Support Committee  
Nominating Committee  
Past Chair Advisory Council  
Regulatory Response Committee  
Relations with Member Boards Committee  
Standard-Setting Advisory Committee  
State Society Relations Committee  
Uniform Accountancy Act Committee



- ▶ **Participates**
- ▶ **Underway**
- ▶ **Working Toward**
- ▶ **No Plans**

There are 51 Boards of Accountancy that continue to participate in sending licensee data feeds to the ALD and *CPAverify.org*.

## ACCOUNTANCY LICENSEE DATABASE/CPAVERIFY COMMITTEE

Serve as an advisory committee to support the ongoing operations of the Accountancy Licensee Database (ALD) and corresponding CPAverify resources and initiatives, as well as recommend additional appropriate uses of ALD/CPAverify data for state board consideration.

There are 51 Boards of Accountancy that continue to participate in sending licensee data feeds to the ALD and *CPAverify.org*. Of the remaining four, one board is underway, two are fully committed and working toward participation and one has no plans to participate in the near future. The Committee has continued to advise on decisions and guide new initiatives that support the Committee's vision and five-year strategy. This year's focus touched on the goals from their strategic plan listed below.

### Maximize Data Integrity

Encouraging participating boards to enhance their data feeds by adding firm data, disciplinary data for both individuals and firms and including new data points for EIN and Peer Review requirements.

### Protect Use of Data

Reviewing data query requests following data use policies and the approval process developed for new requests. One major request vetted by the Committee and ultimately escalated to BOAs at the Regional Meetings was a report of individuals and firms that have an address within a state where no registration exists.

### Optimize User Experience

Planning for the future of ALD and *CPAverify.org* and a possible rebuild of both systems.

### Increase Responsiveness to Boards

1. A major effort to assist boards in complying with California's Mobility requirements by publishing disciplinary data in the ALD and on *CPAverify.org* in the absence of such data being published on board websites. Nine boards were successfully assisted with this effort, bringing all boards within compliance.
2. Working toward a mechanism for displaying disciplinary actions that have been taken by boards against licensees practicing in their states under Mobility provisions.

### Heighten Public Protection

Collaborating with Federal agencies to assist in identifying CPAs with disciplinary history and verifying license registrations.

#### Chair:

Laurie J. Tish (WA)

#### Members:

Ryan S. Cook (MO)  
Clifford Cooks (DC)  
R. Garth Ferrell (CO)  
Ross T. Johnson (TX)  
Michael E. Mixon (GA)  
Brenda Turley (WV)  
Andy L. Wright (MS)

#### Staff Liaisons:

Rebecca Gebhardt  
Jill Gordon

## AUDIT COMMITTEE

The Audit Committee shall oversee the Association's annual financial statement audit and internal controls, and shall recommend to the Board of Directors the firm to perform the audit. The Audit Committee shall receive the annual audited financial statements and the auditor's report thereon, consider the items of internal accounting control that arise from the audit process, and make a recommendation regarding the annual audited financial statements and the auditor's report thereon, to the Board of Directors.

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### Chair:

Jimmy E. Burkes (MS)

### Members:

C. Larry Elmore (TN)  
James R. Ladd (WA)  
Faye D. Miller (ND)  
James R. Mintert (MO)  
M. Chad Singletary (AL)

### Staff Liaisons:

Michael R. Bryant  
Troy A. Walker

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***The Report of the Audit Committee, found on page 54, summarizes the activities of the Committee in discharging this responsibility.***

## ADMINISTRATION AND FINANCE COMMITTEE

Oversee and monitor the fiscal operations and investments of the Association.

The Administration and Finance Committee monitors and provides oversight of the fiscal operations of NASBA, Aequo International and the NASBA Center for the Public Trust (CPT). Aequo International is a wholly-owned, for profit subsidiary, which began operations in fiscal 2015. The NASBA Center for the Public Trust is a 501(c)(3) nonprofit entity, of which NASBA is the sole member, and functions as an integral part of NASBA's ethics activities related to its mission. A. Carlos Barrera, CPA, NASBA Treasurer, is serving his first year as chair of the Committee. The Board of Directors relies on the Administration and Finance Committee in fulfilling its fiduciary responsibility to review the financial performance from operations and the use of resources for mission-focused activities. The Committee works with management and volunteer leadership to review financial policies, monitor financial performance and assess enterprise risk.

The Investment Committee, a subcommittee of the Administration and Finance Committee, reviews the return and risk characteristics of NASBA's short-term and long-term investments, evaluates the investment advisors' performance in managing the invested funds, and monitors compliance with the board-approved investment policy.

Operational and capital budgets, as approved by the Board of Directors for fiscal 2017, were discussed by the Committee with management at quarterly meetings. Through this process, the Committee analyzed variances from the budgets, reviewed Management's Discussion and Analysis of the differences, and ascertained that fiscal activities were on track and appropriately managed. During fiscal 2017, the Administration and Finance Committee received updates on two facility projects: the build-out of a portion of NASBA's Nashville office space that was vacated by a subtenant in May of 2017 and the relocation of NASBA's Guam Testing and Call Center. Finally, the Committee provided oversight of the budget preparation process and had in-depth discussions with management pertaining to operational budgets, software development projects and other capital investment plans for fiscal 2018.

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### Chair:

A. Carlos Barrera (TX)

### Members:

Lori J. Druse (NE)  
Rocky L. Duckworth (TX)  
W. Michael Fritz (OH)  
Theodore W. Long, Jr. (OH)  
Thomas G. Prothro (TX)  
E. Kent Smoll (KS)

### Staff Liaisons:

Michael R. Bryant  
Troy A. Walker

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### Facility Update

Two new facility projects began in Fiscal 2017.

*During fiscal 2017, the Administration and Finance Committee received updates on two facility projects: the build-out of a portion of NASBA's Nashville office space that was vacated by a subtenant in May of 2017 and the relocation of NASBA's Guam Testing and Call Center.*



## AWARDS COMMITTEE

Recommend to the Board of Directors recipients of the Distinguished Service Award, William H. Van Rensselaer Public Service Award, and Lorraine P. Sachs Standard of Excellence Award.

Chair:  
Walter C. Davenport (NC)

Members:  
Jim Abbott (ND)  
Bobby R. Creech (SC)  
Wanda W. Goodson (GA)  
Richard Isserman (NY)  
Harry O. Parsons (NV)

Staff Liaison:  
Cassandra Gray

The NASBA Awards Committee hosted its 2017 Call for Award Nominations April 18 through June 30, 2017. The Committee met on July 18, 2017, to review the nominations and make recommendations to the NASBA Board of Directors for the William H. Van Rensselaer Public Service Award, the NASBA Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award.

The 2017 award recipients are: Thomas J. Sadler, CPA, of Washington (William H. Van Rensselaer Public Service Award), E. Kent Smoll, CPA, of Kansas (NASBA Distinguished Service Award) and Nicole Kasin of South Dakota (Lorraine P. Sachs Standard of Excellence Award).

NASBA will recognize each of these recipients during the 110th Annual Meeting in New York, NY, October 29 - November 1, 2017.



Thomas Sadler



Kent Smoll



Nicole Kasin

## BYLAWS COMMITTEE

Review and consider best practices from various sources and recommend amendments to the Board of Directors for approval and subsequent vote by member boards. Board of Directors for approval and subsequent vote by member boards.

The Bylaws Committee's activities primarily included a review of the existing Bylaws and consideration of the prior year Committee's recommendation for an amendment addressing concerns regarding 1) NASBA's future ability to maintain a majority of delegate Board of Directors members and 2) limited opportunities for NASBA leadership involvement that may be afforded to potential candidates from states with relatively short terms on their state boards. Specifically, the Committee looked at the issue based on concerns expressed from some states where the statutory term limits of state board members disadvantage potential candidates.

After evaluating various alternatives, the Committee proposed to amend Bylaws Section 4.5.7 by inserting language that the immediate past chair shall be a delegate or associate, but shall not be included in calculation of a majority.

The effect of the proposed amendment is to reduce the minimum required number for a delegate majority on the Board of Directors by one, from 11 to 10. Of the 20 voting Board members, at least 10 would need to be delegates within six months of election under the proposed amendment. The Committee believes this change will expand NASBA leadership opportunities, particularly for qualified and experienced associate members, while maintaining NASBA's strong commitment to keeping close ties to our Boards of Accountancy.

The recommended Bylaws amendment was unanimously approved by NASBA's Board of Directors and will be voted upon by the full membership at the NASBA Annual Business Meeting.

Chair:  
Edwin G. Jolicoeur (WA)

Members:  
James J. Carroll (OH)  
Richard G. David (MI)  
Sara J. Mikuta (IL)  
John B. Peace (AR)  
Michele M. Stromp (NE)

Staff Liaison:  
John W. Johnson

Legal Advisor:  
Noel L. Allen



# CBT ADMINISTRATION COMMITTEE

Promote effective and efficient administration and operation of the Uniform CPA Examination.

## Chair:

Richard N. Reisig (MT)

## Members:

Kent Absec (ID)

Robert N. Brooks (NC)

C. Jack Emmons (NM)

Russ Friedewald (IL)

M.A. "Maggie" Houston (OH)

Nicole Kasin (SD)

Dannell R. Lyne (CT)

M. Francis D. L. Quinto Baba (GU)

Leslie Schmitz (AK)

Mark Silverman (CA)

Susan L. Somers (KS)

## Staff Liaisons:

Ed Barnicott

Patricia Hartman

Committee members met with members of the AICPA Examination Team and NASBA staff on May 10, 2017. A variety of topics were discussed, including testing reports and issues, Uniform CPA Examination updates, Examination security, and the status of the redesigned gateway/national candidate database. The AICPA presented on 17Q2 Early Data Summary. Based on preliminary data, there was adequate candidate volume in 17Q2 for all required analyses. The percentage of candidates not completing the Exam and using all time available was similar or lower than the previous version of the Exam. Candidate performance showed similar ability level to 11Q1 and the new task-based simulations are performing well. The Committee reviewed information for multiple re-testers, low performers and candidates who only test once, as these are potential risks to the security of the Examination. Based on an increase of candidates timing out in the introductory screens, failing to hit the break button on the off-the-clock break and accessing prohibited items during the break, the Committee is focused on ensuring candidates recognize their role in the Examination administration.

The candidate is responsible for remaining informed, protecting confidentiality of the Exam, following board and test center rules and maintaining professional behavior. This information will be communicated to candidates via presentations at universities, social media, videos, *The Candidate Bulletin* and *State Board Report*.

## CPA Exam Candidate Common Mistakes



### Timing Out During Introductory Screens

CPA Exam candidates should be aware that once the Launch Code is entered, the subsequent introductory Examination screens operate under a 5-minute time limit and you must move through the introductory screens quickly. If the 5-minute time limit is exceeded, the session will automatically terminate and it will not be possible to restart the Examination. In this case, the candidate must leave the test center, forfeit fees, reapply to test in the next test window, and receive a score of 0.



### Failing to Select the Break Button

CPA Exam candidates are offered a standardized, 15-minute break after the first task based simulation testlet. If the break is accepted, it not count against testing time. Candidates also have the option to take a break at the end of each testlet.

The testlet must be exited and the break option must be selected to be able to return to the testing room.

Test center staff confirms the testlet has been completed prior to the break.

The clock keeps running during the break except during the standardized break.



### Accessing Prohibited Items During the Break

CPA Exam candidates can not possess any prohibited item (whether or not in use) inside, or while entering or exiting the testing room.

Prohibited items are not allowed to be used during a break.

For a list of prohibited items, please reference the *Candidate Bulletin* on page 55.

# COMMUNICATIONS COMMITTEE

Promote effective and efficient communication among Boards of Accountancy, NASBA, and their respective stakeholders.

The Communications Committee, led by Chair Sheldon P. Holzman, continues to educate Boards of Accountancy on the various ways state boards can enhance their communication and outreach to licensees, CPA Examination candidates, academia, legislators, the public-at-large and other key stakeholder groups.

To foster dialogue and the exchange of best practices, the Committee hosted two successful Communications Breakfast Meetings during NASBA's June 2017 Regional Meetings. Committee members also participated in quarterly conference calls hosted by the NASBA regional directors to share Committee updates and to better assess the communications needs of each member board.

The Committee's Communications & Outreach program, which offers complimentary creative services to the Boards of Accountancy, continues to grow. Working in collaboration with NASBA's Communications Department, 38-member boards (a 35% increase from the previous year) now utilize the design and distribution services for newsletters, communication campaigns, video, custom infographics as well as social media consultation. Additionally, this past year, more than 120 communications and outreach emails were disseminated on behalf of the 38 boards.

Chair:  
Sheldon P. Holzman (IL)

Members:  
D. Brian Carson (VA)  
Regina D. Hunter (MA)  
James G. Kelley (IL)  
Robert M. McAdams (TX)  
David Sanford (GU)  
Darla M. Saux (LA)  
Judy A. Thomas (CO)  
Viki A. Windfeldt (NV)

Staff Liaisons:  
Cassandra Gray  
Thomas G. Kenny

120+

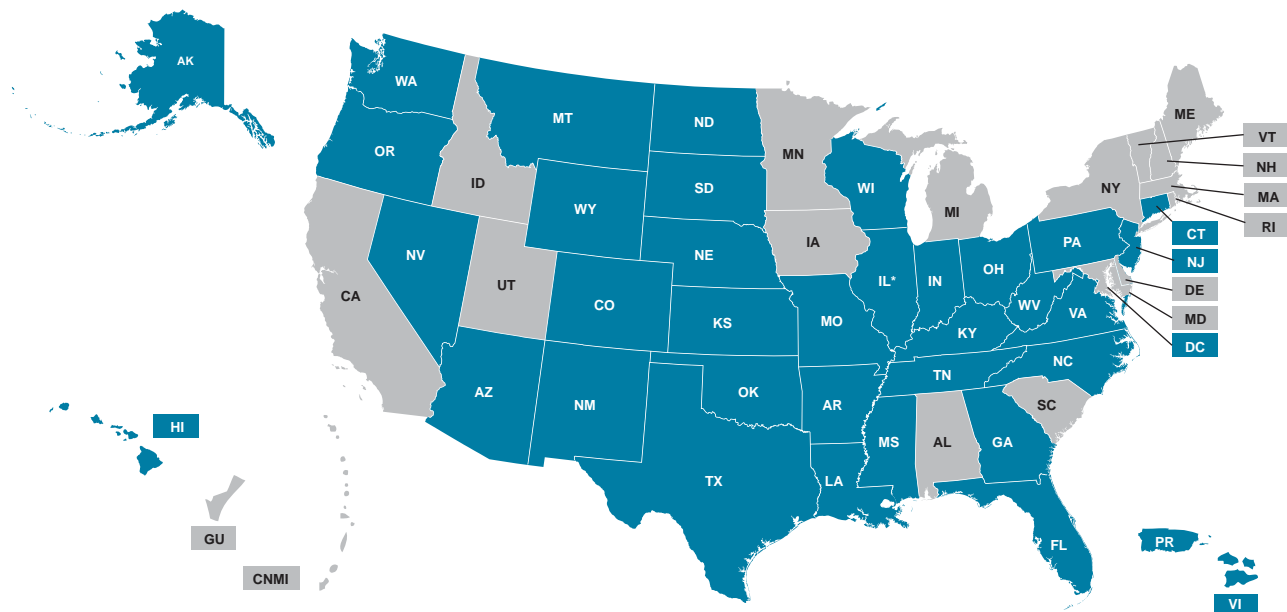
Total Number of Emails Sent  
By NASBA on  
Behalf of the State Boards

50%

Average Open  
Rate Percentage for  
Emails Sent on Behalf  
of the State Boards

38

Total Number of  
State Boards Working  
with NASBA's  
Outreach Services



\*Includes the Illinois Board of Examiners and the Illinois Department of Financial and Professional Regulation

# COMPLIANCE ASSURANCE COMMITTEE

Promote effective oversight of compliance with professional standards by CPAs and their firms.

## Chair:

John F. Dailey, Jr. (NJ)

## Members:

Jim Abbott (ND)

Ellen K. Adkins (SC)

Frederick G. Briggs, Jr. (NH)

Sherry L. Chesser (AR)

Elizabeth Gantnier (MD)

James P. Gero (OH)

Mark T. Hobbs (SC)

Stephen F. Langowski (NY)

G. Alan Long (KY)

Michael S. McClure (NE)

John H. Schuyler (CT)

Arthur L. Sparks, Jr. (TN)

Lori Dawn Warden (KY)

Lawrence A. Wojcik (IL)

## Staff Liaison:

Leona Johnson

The Compliance Assurance Committee (CAC) accomplished the following items during the 2016-17 committee cycle:

- Held a kick-off conference call meeting on December 16, 2016, to introduce new members and bring them up-to-speed on the work of the CAC, with a focus on the Proposed Evolution of Peer Review Administration.
- Held a conference call on February 27, 2017, to discuss the Revised Evolution of Peer Review Administration paper released on January 4, 2017. The Committee compared their original six areas of comment, discussed how the paper changed from an input proposal to an output proposal – from a consistency issue to quality issue, and formulated a strategy to collect BOA input to formulate a collective NASBA response.
- Presented at NASBA's 2017 Executive Directors & Board Staff and Legal Counsel Conferences, held March 14-16 in New Orleans; There, liaisons reported updates on behalf of the CAC highlighting the work of the CAC regarding Peer Review Administration and Oversight – including an update on CAC activities related to the Proposed Evolution and how board PROCs may be affected.
- Held a face-to-face meeting on March 27, 2017, that included a closed web conference with Board of Accountancy executive directors to gain their comments and input on the Revised Evolution of Peer Review Administration proposal.
- Conducted conference call of the CAC Task Force on April 21, 2017, to begin exploring the idea of peer review oversight by NASBA.
- Participated in the ERC/ALD/CAC Task Force conference call, held on May 9, 2017.
- Hosted the fifth bi-annual PROC/CAC conference call on May 19, 2017, with 24+ in attendance. The next PROC/CAC conference call is scheduled for November 2017.
- Held two break-out sessions, led by Committee Chair Jack Dailey and Jim Brackens of the AICPA, at each of the June 2017 NASBA Regional Meetings regarding the Proposed Evolution of Peer Review Administration and the CAC/NASBA draft response.
- Responded to the AICPA Proposed Administration of Peer Review Administration on June 30, 2017.
- Held a conference call on July 10, 2017, to review and discuss the Task Force draft concept paper on oversight by NASBA.
- Held a conference call with the AICPA Peer Review Board (PRB) on July 28, 2017, for updates on the Proposed Evolution and NASBA's response, and to share ideas about benchmarks.
- Held a conference call on August 1, 2017, regarding the peer review oversight by NASBA's concept paper and Chair Jack Dailey updated on the NASBA Board of Directors meeting.
- Attended the AICPA Peer Review Conference in Nashville, August 14-16, 2017.
- Held the annual face-to-face CAC meeting on August 17, 2017.
- Attended the AICPA PRB quarterly meetings on November 14, 2016, January 31, May 12, and August 17, 2017 (by CAC Peer Review Board (PRB) representative).

# CONTINUING PROFESSIONAL EDUCATION (CPE) COMMITTEE

Oversee the CPE Working Group and related Statement on Standards for Continuing Professional Education (CPE) Programs.

Also, develop and promote uniform rules and requirements for continuing professional education among the jurisdictions.

The revised Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*) became effective on September 1, 2016. Among the most significant changes to the *Standards* is the addition of the two new instructional delivery methods: nano learning and blended learning. The *Standards* reference the NASBA Fields of Study document, which was also reviewed and revised. The changes to the Fields of Study document focus on providing categories and descriptions that are more current and relevant than the previous version.

Concurrent with the effective date of the revised *Standards*, on September 1, 2016, the National Registry of CPE Sponsors began accepting applications for the nano learning and blended learning instructional delivery methods. To date, a number of CPE providers have been approved on the National Registry for the nano learning and blended learning delivery methods.

In January 2017, the NASBA Board of Directors approved and the AICPA Board of Directors took a position of support for exposure of revised Model Rules covering continued professional education. Unlike the *Standards*, which are directed to CPE program providers, the Model Rules are directed to licensees and are provided as a set of rules that prescribe baseline standards for use by Boards of Accountancy in state rules and laws. The CPE Model Rules were reviewed and revised due to increased interest in the development of uniformity in rules and requirements for CPE among the jurisdictions. The public comment period closed on June 30, 2017, and the submitted comments are currently being considered.

The National Registry Summit was held September 26-27, 2017, in Nashville, TN. The Summit, themed "The Tempo of Change," featured educational experts on topics to assist in the implementation of the revised *Standards*. The Summit also provided opportunities for knowledge sharing and networking.

Chair:

Maria E. Caldwell (FL)

Members:

Barton W. Baldwin (NC)

Terry M. Bayless, Sr. (ID)

Jon W. Cain, Sr. (WV)

Gerald E. Denor (WI)

James Gottfried (OH)

James M. Holland (VA)

Donna J. Hugly (TX)

Nicholas J. Langley (LA)

Roxanne P. Ostlund (WY)

Joshua W. Partlow (VT)

Thomas T. Ueno (HI)

Jeremy Watson (AR)

Kathleen K. Wright (CA)

Staff Liaison:

Jessica Luttrull



## What is nano learning?

A tutorial program designed to permit a participant to learn a given subject in a 10-minute time frame through the use of electronic media (including technology applications and processes and computer-based or web-based technology) and without interaction with a real-time instructor. A nano learning program differs from a self study program in that it is typically focused on a single learning objective and is not paper-based. A nano learning program is not a group program. Nano learning is not a substitute for comprehensive programs addressing complex issues.



## What is a blended learning program?

An educational program incorporating multiple learning formats.







## CPA EXAMINATION REVIEW BOARD

Review, evaluate and report on the appropriateness of the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and other examinations in general use by Boards of Accountancy for the licensing of certified public accountants; examine such records, and make observations, inspections, and inquiries as it deems necessary; and report annually to the Boards of Accountancy.

Chair:

Barbara Ley (OK)

Members:

Ruben A. Davila (CA)

Wendy S. Perez (CA)

Douglas W. Skiles (NE)

Consultants:

Michael W. Harnish (WA)

Suzanne Lane (PA)

Staff Liaison:

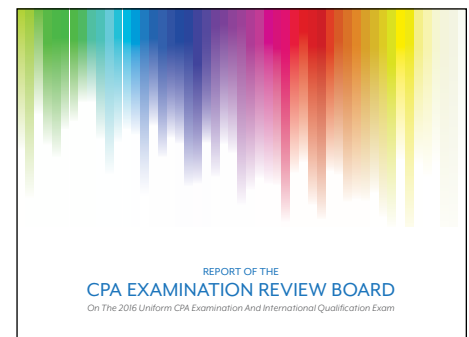
Sheena Murphy

The The CPA Examination Review Board (ERB) reviewed and evaluated the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and the International Qualification Examination for the year ended December 31, 2016.

The ERB's review and evaluations were conducted for the purpose of determining the appropriateness of those policies and procedures for reliance by the Boards of Accountancy of the 55 U.S. jurisdictions in discharging their responsibility to test the qualifications of candidates for licensure as Certified Public Accountants.

The ERB issued its Annual Report to the Boards of Accountancy of the 55 U.S. jurisdictions at the NASBA Regional Meetings in June 2017 for the work performed during the 2016 calendar year. The ERB stated the results of the 2016 review in its report: "Based on our review and evaluations, we believe that the Boards of Accountancy may rely on the Uniform CPA Examination and the International Qualification Examination in carrying out their licensing responsibilities for the year ended December 31, 2016."

Additionally, the ERB presented a comprehensive management letter to the chairman and Board of Directors of NASBA and the management of NASBA, AICPA and Prometric, which included recommendations that could enhance future examinations.



# DIVERSITY COMMITTEE

Develop a diversity program that ensures that NASBA provides opportunities, encouragement and support to people of color (African-Americans and Hispanics/Latinos) and women to participate in NASBA service and leadership roles.

The Diversity Committee met in person on May 8, 2017, in Nashville, TN. During the committee year, the Committee has:

1. Continued to strengthen its relationship with the National Association of Black Accountants (NABA) by participating in their annual conference,
2. Discussed, encouraged and supported efforts of State CPA Societies to be intentional about recommending diverse members for Board of Accountancy membership,
3. Encouraged staff and volunteer leadership to make presentations and do interviews about diversity and inclusion in the profession,
4. Worked with NASBA's Communications Department to develop promotional pieces (brochure and video in development) that encourage diversity among the Boards of Accountancy and in the profession, and
5. Conducted the 2017 Diversity Survey of the Boards of Accountancy.

Chair:

Tyrone E. Dickerson (VA)

Members:

Walter C. Davenport (NC)

Linda E. Harris (MT)

Andrea M. Kilmer (VA)

Chandra Lalvani (PA)

Leonard R. Sanchez (NM)

Willie B. Sims, Jr. (MS)

Staff Liaisons:

Alfonzo Alexander

Ed Barnicott



## EDUCATION COMMITTEE

Support the Boards of Accountancy by representing NASBA in the academic community and serving as an advisory resource to NASBA's chair on education matters related to the accounting profession.

### Chair:

Raymond N. Johnson (OR)

### Members:

Margaret Combs (KY)

Susan Quaintance Ferguson (VA)

Kevin M. Fountain (RI)

Daniel L. Fulks (KY)

David T. Greenwell (OK)

Carlos E. Johnson (OK)

Rhonda Kodjayan (IL)

Jody M. Manning (OK)

Marianne Mickelson (IA)

Angela L. Pannell (MS)

John J. Sheehan (MO)

Charlene Parnell Spiceland (MA)

Michael M. Watts (AR)

### Staff Liaisons:

Alfonzo Alexander

Brentni Henderson

The Education Committee continued to address several key indicatives during the 2016/2017 session. The Committee worked in conjunction with the joint AICPA/NASBA Accreditation Task Force to understand evolving educational delivery methodologies and the accreditation process of these methodologies. A heavy focus was also placed on the International Accounting Education Standards Board (IAESB) recommendations regarding CPA Pipeline Pathways.

The Committee is charged with continuing the accreditation work of the joint task force. Volunteers and staff have met with programmatic and specialized accreditors in an effort to better understand the accreditation process. The accreditors are open to discussion and willing to work towards student learning outcomes and related accounting practitioner issues, while identifying areas of opportunity for the groups to work collaboratively to involve the accounting profession.

The Committee worked diligently to increase awareness and the number of research grant proposals submitted for consideration. This year's research grant recipients included the following:

- Kimberly Swanson Church, Ph.D., of the University of Missouri – Kansas City and Gail Hoover King, Ph.D., of Purdue University: *"The Landscape of High School Accounting Education and the Impact on the Future of the Accounting Profession."*
- Brandis Philipps, Ph.D., of North Carolina A&T State University: *"Stereotype Threat and Mindset Orientation: Psychological Barriers to the Accounting Profession."*
- Reza Espahbodi, Ph.D., CPA, of Washburn University and G. Thomas White, Ph.D., CPA, of George of William and Mary: *"Is Success on the CPA Exam All About Opportunity?"*

### Accounting Education Research Grant Awards

# \$25,000

Total Awards for 2017 Accounting Education Research Grants

# \$150,000

Total Grants Awarded Since the Program's Launch in 2011

# 27

U.S. Institutions Represented by Academic Research Winners

# 7

Total Years NASBA Awarded Grants

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## Enforcement Tools Available



- Investigator Training Series
- Federal Agency Series
- Enforcement Newsletter
- PTIN lists
- Quarterly Enforcement Reports
- Enforcement Resources Guide

*Boards and federal agencies are encouraged to provide EINs, PTINs, and other data in their ALD feed to improve digital cross-referencing among agencies.*

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## ENFORCEMENT RESOURCES COMMITTEE

Promote effective, efficient, and, where appropriate, uniform enforcement of professional standards by Boards of Accountancy.

The Enforcement Resources Committee, under the leadership of Chair E. Kent Smoll, continues to promote effective, efficient and uniform enforcement of professional standards by Boards of Accountancy. Distribution of the Quarterly Enforcement Report, now with an enhanced format that allows users to easily view and sort the data by source, is one way in which the Committee furthers these goals.

The Enforcement Tools accessible at [nasba.org](http://nasba.org) help Boards of Accountancy achieve consumer protection goals by providing them valuable resources. The Tools include the Investigator Training Series, the Federal Agency Series, the *Enforcement Newsletter*, PTIN lists, Quarterly Enforcement Reports, and the Enforcement Resources Guide. New this year, is online access to PTIN lists by jurisdiction, accessible through the NASBA and Internal Revenue Service (IRS) websites. Boards and federal agencies are encouraged to provide EINs, PTINs, and other data in their ALD feed to improve digital cross-referencing among agencies.

As part of the California Mobility Enforcement project, NASBA worked with several boards that did not have a disciplinary marker available online. This effort was a focus this year and NASBA helped boards gather disciplinary data for inclusion in their licensee records in the Accountancy Licensee Database (ALD)/CPAverify. This effort was completed in July 2017 with all 55 boards now including a disciplinary marker online via CPAverify or the board's own website. The resulting transparency better protects the public across all jurisdictions by identifying licensees with disciplinary actions on record.

The Committee is also working with the AICPA to create a consent process to obtain a licensee's permission to allow the AICPA to share its investigatory files with Boards on matters referred to boards and the AICPA by the Department of Labor (DOL). The new consent process was presented at the Annual Legal Counsel Conference in March 2017. The presentation included methods of obtaining acknowledgements from licensees to allow boards to take disciplinary action based on the findings of other agencies, and will be the source for developing new tools on the Enforcement Tools webpage.

### Chair:

E. Kent Smoll (KS)

### Members:

D. Boyd Busby (AL)

Michael M. Guinigundo (OH)

D. Jae Hallett (ID)

Robert J. Helm (MO)

John W. Roberts (HI)

Emily R. Rollins (WA)

Katrina Salazar (CA)

Dan Sweetwood (NE)

Patrick M. Thorne (NV)

Brian Wallace (NV)

Michael Weinschel (CT)

Michael H. Womble (NC)

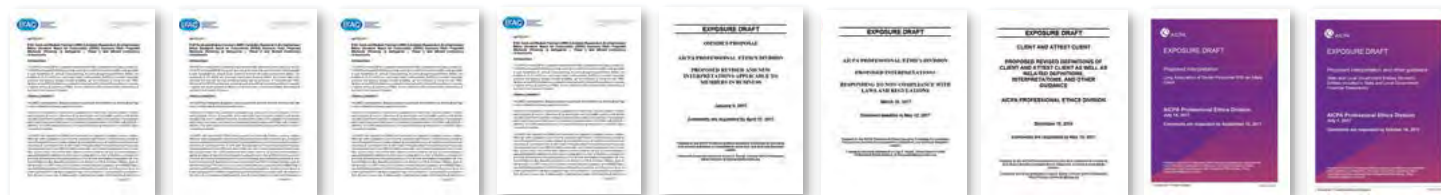
### Staff Liaisons:

Maria L. Caldwell

Suzanne Wasner



## The Number of Exposure Drafts Responded



## ETHICS COMMITTEE

Promote the development and maintenance of high-quality standards of ethical practice to protect the public interest.

Chair:

Janice L. Gray (OK)

Members:

Catherine R. Allen (NY)

Barry M. Berkowitz (PA)

Robert F. Fay (OH)

John McManus (DE)

Roselyn E. Morris (TX)

Thomas G. Neill (WA)

Michael L. Nickerson (ME)

Kenneth R. Odom (AL)

Michael Schmitz (ND)

Richard Silverman (NH)

Lydia M. Washington (NY)

Michael D. Weatherwax (CO)

Judy C. Wetherbee (TN)

Alan Wilensky (MN)

Staff Liaison:

Ed Barnicott

The Ethics Committee has been focused on responding to exposure drafts released by the AICPA's Professional Ethics Executive Committee (PEEC) and IFAC's International Ethics Standards Board for Accountants (IESBA) to ensure changes to the standards are appropriate from a regulatory prospective.

### Exposure Drafts Addressed During 2017

Source	Exposure Draft	Date Due
IESBA	Proposed Revisions Pertaining to Safeguards in the Code—Phase 2 and Related Conforming Amendments (Safeguards ED-2)	4/25/17
	Proposed Revisions to Clarify the Applicability of Provisions in Part C of the Extant Code to Professional Accountants in Public Practice	4/25/17
	Improving the Structure of the Code of Ethics for Professional Accountants—Phase 2 With Certain Proposed Conforming Amendments Arising from the Safeguards Project	5/25/17
	Proposed Application Material Relating to: (a) Professional Skepticism – Linkage with the Fundamental Principles; and (b) Professional Judgment – Emphasis on Understanding Facts and Circumstances	7/25/17
PEEC	Proposed Revised and New Interpretations Applicable to Members in Business	4/17/17
	Responding to Non-Compliance With Laws and Regulations (NOCLAR)	5/12/17
	Proposed Revised Definitions of Client and Attest Client as well as Related Definitions, Interpretations, and Other Guidance	5/15/17
	Long Association of Senior Personnel With an Attest Client	9/15/17
	State and Local Government Entities (formerly Entities Included in State and Local Government Financial Statements)	10/16/17

## EXECUTIVE DIRECTORS COMMITTEE

Support executive directors in their roles with Boards of Accountancy.

The Executive Directors Committee represents the executive directors of the 55 Boards of Accountancy and serves as a means of outreach to the executive directors. The Committee was responsible for coordinating the 35th Annual Conference for Executive Directors and Board Staff, which was held in New Orleans, LA, in March 2017. In continuing efforts to build relationships and in conjunction with the State Society Relations Committee, joint sessions were held with State CPA Society CEOs and presidents. The conference held discussion on the following topics:

- the CPA Pipeline – Building the Profession
- Peer Review Administration
- Legislation Updates
- Education and Accreditation
- Legal Cases and Other Development Impacting the Profession
- Uniform CPA Examination Updates
- NASBA Update on CPE Audit Tool and Gateway
- Ethical Leadership
- CPE Compliance and Reciprocity
- Test Security
- Use of Exam Data and Analytics
- Communications and Outreach

The Committee met via conference call in December 2016 and January 2017, as part of conference planning. The Committee met in New Orleans prior to and following the conference, to discuss topics for breakout sessions and to review feedback from conference attendees.

Committee Chair Jewell met with executive directors during the NASBA Regional Meetings to discuss Use of Titles, Evolution of Peer Review Administration, Extensions of Credit Expiration Dates Due to Score Delay, and other issues boards are facing.

The Committee met in Newport, RI, in June 2017, to begin planning for the 36th Annual Conference for Executive Directors and Board Staff and to discuss feedback from NASBA's Regional Meetings.

### Chair:

Wade A. Jewell (VA)

### Members:

Richard C. Carroll (KY)

James Corley (AR)

Thomas DeGroodt (MO)

Pam Ivey (WY)

Martin Pittioni (OR)

Randall Ross (OK)

Jennifer Winters (NY)

### Staff Liaisons:

Daniel J. Dustin

Patricia Hartman

# INTERNATIONAL QUALIFICATIONS APPRAISAL BOARD

As directed by the Executive Committee, survey and assess professional practice standards and qualifications in specified countries and recommend the feasibility of recognition of credentialed, non-U.S. professionals to the Board of Directors.

## Chair:

Sharon A. Jensen (MN)

## Members:

Donald H. Burkett (SC)

Howard S. Engle (IL)

Kathleen J. Smith (NE)

William Treacy (TX)

Jeffrey J. Truitt (NC)

## Staff Liaisons:

Louise Dratler Haberman

Patricia Hartman

This year, the NASBA/AICPA International Qualifications Appraisal Board (IQAB) was extremely busy reviewing materials to renew mutual recognition agreements (MRA) with CPA Canada, Instituto Mexicano de Contadores Públicos, Chartered Accountants Australia/New Zealand, Chartered Accountants Ireland and CPA Australia. Not all of these renewals are completed as of this date, but are anticipated to be completed by the end of 2017. IQAB has adopted a new format for the mutual recognition agreements, which provides more specific details on what each party expects, and these details have necessitated more negotiation and review. Also complicating some of these agreements, was the merger of the professional bodies since the original MRAs were signed. In particular, CPA Canada resulted from the merger of three professional bodies and IQAB only previously worked through an agreement with one. Chartered Accountants Australia/New Zealand brought together two institutes, but in that case IQAB had agreements with each of them previously.

The renewal with Chartered Accountants Ireland was completed and signed in August 2017. It is anticipated the renewal with CPA Canada and the Instituto Mexicano de Contadores Públicos will be signed at the 2017 NASBA Annual Meeting. A new mutual recognition agreement with the Institute of Chartered Accountants of Scotland, one that has been under consideration for more than a decade, may also be signed at the Annual Meeting.

At their July meeting, the NASBA Board approved a resolution presented by IQAB Chair Sharon Jensen that permits the NASBA chair and president to approve the renewals of agreements, leaving the approval of original agreements to the NASBA Board. AICPA had previously passed a similar resolution. This change in procedure is intended to speed the renewal process.

Early in the year, IQAB approved the REG section of the revised Uniform CPA Examination to be used as the IQEX (the International Qualifying Examination) for international professionals.

# 5

## The Number of MRAs Reviewed by IQAB

CPA Canada



Instituto Mexicano  
de Contadores  
Públicos



Chartered Accountants  
Australia/New Zealand



Chartered Accountants  
Ireland



CPA Australia

# LEGISLATIVE SUPPORT COMMITTEE

Develop legislative support strategies and tactics to assist the director of Legislative and Governmental Affairs in supporting Boards of Accountancy on legislative matters.

The Department of Legislative and Governmental Affairs identifies and monitors legislation through NASBA's Legislative Tracking System. The Legislative Tracking System enhances NASBA's ability to fulfill its public protection responsibilities. The Legislative Support Committee regards the legislative bill tracking program as an important tool in furthering the effectiveness and advancing the common interests of the Boards of Accountancy. This system allows boards and NASBA to become more readily aware of key pieces of legislation, in their jurisdictions and around the country, which could greatly impact their regulatory capacity.

Through the use of bill tracking protocols, programmed with search queries, NASBA is able to monitor legislation affecting the accounting profession within the 50 states, Puerto Rico, the District of Columbia, and the U.S. Congress. During the 2017 legislative sessions, 2,104 Board of Accountancy-related bills were identified and monitored. Of those, 462 were classified as "direct impact," meaning legislation that may have significant repercussions on the regulation of the accounting profession.

In addition to remaining current on legislation, it is equally important to establish a strong internal network program that can proactively and positively influence governmental affairs, in general, and if/when important legislation is identified. To accomplish this task, NASBA's Department of Legislative and Governmental Affairs has established a Key Person Contact (KPC) Program, which serves as a nexus for transmitting information to legislators and reporting information about proposed or pending legislation to NASBA. The Committee believes that identifying and cultivating these relationships is essential, and has developed a plan to ensure each member who has a personal and/or professional relationship with elected members of legislative and executive branches of government can be engaged to the benefit of the profession.

Legislative bill tracking allows NASBA to monitor the fallout in highly specific ways, and the KPC Program mobilized key members in shaping the impact to the profession's advantage.

The Legislative Support Committee believes awareness is pivotal in our efforts at supporting or combating bills that impact the professions. That's why NASBA's Department of Legislative and Governmental Affairs issued its inaugural edition of *Legislative E-news* on January 3, 2017. This publication allows NASBA to present a unified voice for Boards of Accountancy, and to engage governments at all levels, to ensure the public protection mandate of all boards is carried out. By regularly informing boards on issues impacting the profession, we stand a greater chance at carrying out the mission of public protection.

Due to NASBA's broader and deeper engagement in legislative affairs, the Committee was able to provide a number of tools following this decision that members readily enlisted, including:

- A white paper to educate the profession about the impact this decision could have on State Boards of Accountancy
- A webpage on [nasba.org](http://nasba.org) devoted to the North Carolina Dental Case
- A coalition with representatives from other national professional licensing board associations to respond to the North Carolina Dental Board case
- Several webinars to further educate and answer questions about the court's decision
- A collaborative, state-by-state approach to ensure that each Board of Accountancy has state-imposed Immunity and Indemnification

Chair:

Nicola Neilon (NV)

Members:

Julian I. Deal (GA)

Joseph S. Drew (DC)

Keri A. Ellis (PA)

Jeffrey L. Johnson (AK)

Martin C. Levin (PA)

Mark S. Robinson (MA)

Layne R. Simmons (AZ)

Staff Liaison:

John W. Johnson





# NOMINATING COMMITTEE

Nominate officers and directors, in accordance with NASBA's Bylaws.

Chair:  
Donny H. Burkett (SC)

Members:  
Michele M. Stomp (NE)  
Barry Berkowitz (PA)  
Marc Moyers (VA)  
Karen Forrest Turner (CO)  
Michael Weinshel (CT)  
Ruben A. Davila (CA)  
Willie Sims (MS)  
Barbara Ley (OK)

Alternates:  
Holly Brunick (SD)  
Frederick G. Briggs, Jr. (NH)  
James Gero (OH)  
Barton Baldwin (NC)  
Thomas T. Ueno (HI)  
Cheryl Guiddy (ID)  
David Dennis (FL)  
Thomas G. Prothro (TX)

Staff Liaisons:  
Ken L. Bishop  
Anita Holt

The Nominating Committee first met in Nashville, TN, in February 2017, to review current processes and how these processes can be enhanced. The Committee then met on March 29, 2017, to make their recommendation for vice chair. Committee members conducted one-on-one interviews with the interested candidates who provided the Committee with their interest to serve NASBA.

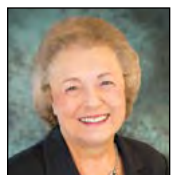
Committee members were encouraged to attend both the Western and Eastern Regionals where they hosted a *Meet & Greet* for attendees interested in learning more about future leadership roles within NASBA.

On Thursday, June 29, 2017, in Newport, RI, at the Eastern Regional Meeting, Committee members convened and selected three directors-at-large to a three-year term, and eight regional directors were also selected to represent their respective regions for a one-year term.

In accordance with the Bylaws, the Committee has submitted its report to Chair Burkett and the majority vote of member boards represented during the Business Session at the Annual Meeting shall constitute an election.

---

## Janice Gray - Vice Chair Nominee



Janice Gray

Janice L. Gray, CPA (OK) was selected on March 29 as the Nominating Committee's candidate for NASBA vice chair 2017-2018, to stand for election at the 110th NASBA Annual Meeting, October 29 - November 1, 2017. If elected vice chair by the member State Boards of Accountancy, Ms. Gray will automatically accede to NASBA chair 2018-2019. Currently NASBA secretary, director-at-large and chair of the Ethics Committee, Ms. Gray previously served as chair of the Compliance Assurance Committee and Southwest regional director. She was a member of the Oklahoma Accountancy Board for ten years, including two terms as Board chair. In 2001, she was inducted into the Oklahoma Accounting Hall of Fame. Ms. Gray is the managing member of Gray, Blodgett and Company, PLLC, in Norman, OK.

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# PAST CHAIR ADVISORY COUNCIL

Provide background and counsel on current issues framed with a historical perspective.

The Past Chair Advisory Council met in Austin, TX, in conjunction with NASBA's 2016 Annual Meeting. Discussions included domestic and international initiatives and activities of interest, including CPA candidate pipeline and diversity efforts, the upcoming launch of the next version of the CPA Examination, and accreditation concerns. In addition, trending issues related to legislative and UAA activity, enforcement efforts and peer review changes were discussed. The Council also received a financial update and a virtual tour of NASBA's recently renovated office space in Nashville, TN. Past chairs currently serving in national and international standard-setting roles provided brief updates on relevant activities.

Chair:  
Donald H. Burkett (SC)

Members:  
Billy M. Atkinson (TX)  
Barton W. Baldwin (NC)  
Milton Brown (NJ)  
K. Michael Conaway (DC)  
Samuel K. Cotterell (ID)  
Michael T. Daggett (AZ)  
Walter C. Davenport (NC)  
Albert J. Derbes, III (LA)  
Robert C. Ellyson (FL)  
Welling W. Fruehauf (PA)  
Nathan T. Garrett (NC)  
John M. Greene (SC)  
Gaylen R. Hansen (CO)

Mark P. Harris (LA)  
Thomas Iino (CA)  
Carlos E. Johnson (OK)  
Wesley P. Johnson (NM)  
Andrew P. Marincovich (CA)  
John B. Peace (AR)  
Diane M. Rubin (CA)  
Ronnie Rudd (TX)  
Thomas J. Sadler (WA)  
Jerome A. Schine (FL)  
Dennis P. Spackman (UT)  
Sandra A. Suran (OR)  
David A. Vaudt (CT)  
Michael D. Weatherwax (CO)

Staff Liaison:  
Colleen K. Conrad



ANDREW F. MARINCOVICH, CPA  
Chairman  
Chairman 2007-2010



ROBERT C. ELLYSON, CPA  
Florida  
Chairman 1982 - 1983



SANDRA A. SURAN, CPA  
Florida  
Chairman 1984 - 1985



THOMAS IINO, CPA  
California  
Chairman 1987 - 1988



ALBERT J. DERBES, III, CPA, ESQ.  
Louisiana  
Chairman 1989 - 1990



JEROME A. SCHINE, CPA  
Florida  
Chairman 1991 - 1993



IATHAN T. GARRETT, ESQ., CPA  
North Carolina  
Chairman 1994 - 2002



WELLING W. FRUEHAUF, CPA  
Pennsylvania  
Chairman 1995 - 1996



RONNIE RUDD, CPA  
Texas  
Chairman 1997 - 1998



JOHN M. GREENE, CPA  
South Carolina  
Chairman 1999 - 1999



MILTON BROWN, PA  
New Jersey  
Chairman 1999 - 2000



DENNIS P. SPACKMAN, CPA  
Utah  
Chairman 2000 - 2002



JOHN B. PEACE, CPA, ESQ.  
Arkansas  
Chairman 2003 - 2004



BARTON W. BALDWIN, CPA  
North Carolina  
Chairman 2005-2010



K. MICHAEL CONAWAY, CPA  
Texas  
Chairman 2005 - 2007



DAVID A. VAUDT, CPA  
Connecticut  
Chairman 1999 - 2004



MICHAEL D. WEATHERWAX, CPA  
Colorado  
Chairman 2004-2005



DIANE M. RUBIN, CPA  
California  
Chairman 2001 - 2004



WESLEY P. JOHNSON, CPA  
New Mexico  
Chairman 2004 - 2005



SAMUEL K. COTTERELL, CPA  
Idaho  
Chairman 2004 - 2006



THOMAS J. SADLER, CPA  
Washington  
Chairman 2004 - 2006



BILLY M. ATKINSON, CPA  
Texas  
Chairman 2009-2010



MICHAEL T. DAGGETT, CPA  
Arizona  
Chairman 2010 - 2011



MARK P. HARRIS, CPA  
Louisiana  
Chairman 2011 - 2012



GAYLEN R. HANSEN, CPA  
Colorado  
Chairman 2012 - 2013



CARLOS E. JOHNSON, CPA  
Oklahoma  
Chairman 2014 - 2014



WALTER C. DAVENPORT, CPA  
North Carolina  
Chairman 2014 - 2015



DONALD H. BURKETT, CPA  
South Carolina  
Chairman 2015 - 2016

## Response Letters Sent in 2017



## REGULATORY RESPONSE COMMITTEE

Provide timely proposed responses on professional practice developments by either developing responses or reviewing the suggested responses from other NASBA committees.

This year, the Regulatory Response Committee drafted several letters and worked in conjunction with the Ethics Committee and the Compliance Assurance Committee (CAC) on other drafts in response to exposure drafts of importance to accounting regulators. Committee Chair Mike Fritz invited regional directors to participate in Committee calls (as needed) to ensure they would be ready to comment on the letters if called upon by Chair Telford Lodden and President Ken Bishop.

NASBA response letters, as finalized by the Regulatory Response Committee and reviewed and signed by Chair Lodden and President Bishop, were sent in response to:

- February 2, 2017 – IAASB – Exploring the Growing Use of Technology in the Audit
- March 17, 2017 – IAASB – Exploring the Demand for Agreed-Upon Procedures
- April 24, 2017 – IESBA – Revisions to Safeguards in the Code (in conjunction with the Ethics Committee)
- May 9, 2017 – AICPA PEEC – Responding to Non-Compliance with Laws and Regulations
- June 30, 2017 – AICPA – Proposed Evolution of Peer Review Administration (in conjunction with the Compliance Assurance Committee)
- July 5, 2017 – GAO – Government Auditing Standards
- August 1, 2017 – IAASB – Revised – Auditing Accounting Estimates
- August 18, 2017 – AICPA ASB – Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA
- August 29, 2017 – Long Association of Senior Personnel with an Attest Client (in conjunction with the Ethics Committee)
- August 30, 2017 – PCAOB – Proposed Auditing Standard Auditing Accounting Estimates, Including Fair Value Measurements and Proposed Amendments to PCAOB Auditing Standards
- August 30, 2017 – PCAOB – Proposed Amendments to Auditing Standards for Auditor's Use of Specialists

These letters can be found on [nasba.org](http://nasba.org).

### Chair:

W. Michael Fritz (OH)

### Members:

Alan R. Augenstein (AZ)

Kevin Collins (CO)

David D. Duree (TX)

Gaylen R. Hansen (CO)

Tracy Harding (ME)

Matthew J. Howell (MI)

Richard Isserman (NY)

Ronald E. Nielsen (IA)

Jose Ramon Rodriguez (NC)

Carleton L. Williams (HI)

### Staff Liaisons:

Louise Dratler Haberman

Nigyar Mamedova

## RELATIONS WITH MEMBER BOARDS COMMITTEE

Provide reciprocal communication between Boards of Accountancy and NASBA Board of Directors.

Chair:  
Stephanie S. Saunders (VA)

Members:  
Sharon A. Jensen (MN)  
Sheldon P. Holzman (IL)  
Nicola Neilon (NV)  
Catherine R. Allen (NY)  
Edwin G. Jolicoeur (WA)  
Maria E. Caldwell (FL)  
J. Coalter Baker (TX)

Executive Directors' Liaison  
Wade A. Jewell (VA)

Staff Liaisons:  
Daniel J. Dustin  
Louise Dratler Haberman

Besides speaking with their Regions during the Annual and Regional Meetings, the regional directors actively reached out to their states through conference calls during the year, as well as attending some state board meetings with Vice President, State Board Relations, Daniel J. Dustin.

The state boards' responses to Focus Questions developed by the Committee have assisted in not only alerting the regional directors and NASBA staff to issues being raised in the states, but also in planning for upcoming meetings.

During the year, state boards were asked to voice their opinions on new Model Rules for continuing professional education and the use of management accountant titles by non-licensees. The Committee members have encouraged the boards to submit their comments in writing and have provided background information for boards who requested it.

At all four of the Committee's meetings, reports on legislative activity in the states have been received from Legislative & Governmental Affairs Director John Johnson and/or Vice President Dustin. This has enabled the regional directors to stay current with their states' laws. At all of their meetings, they have also met with the Executive Committee, to bring their states' concerns directly to leadership.

Some retooling of the New Board Member Orientation Program was done this year and the Committee continues to strive to make the program more interactive. As in past years, the program and the Regional Meetings were well rated by participants.

## STANDARD-SETTING ADVISORY COMMITTEE

Monitor and objectively evaluate processes of standard setters on behalf of Boards of Accountancy, recommending improvements when warranted. Proactively advise boards and NASBA leadership regarding these activities.

The Committee held panel discussions at the Regional Conferences on technology developments with W. Michael Fritz and professors from the Rutgers/AICPA RADAR program; provided feedback to the Auditing Standards Board and Accounting and Review Services Committee on their protocol documents; discussed changes to the standard-setting matrix; and are monitoring important developments in the profession such as audit data analytics, artificial intelligence, blockchain, cybersecurity, sustainability and non-GAAP reporting. Further discussions with Rutgers will take place in October 2017.

Chair:  
Catherine R. Allen (NY)

Members:  
Matthew P. Boshier (VA)  
Scott Dockins (ID)  
Timothy F. Egan (CT)  
Gaylen R. Hansen (CO)  
Michael P. Rollage (PA)

Staff Liaisons:  
Colleen K. Conrad  
Louise Dratler Haberman

# STATE SOCIETY RELATIONS COMMITTEE

Provide state societies a platform to inform boards and NASBA about issues of importance to the regulation of the profession, and enhancing board relations with state societies.

## Chair:

Ralph Albert Thomas (NJ)

## Vice Chair:

Stephanie Peters (VA)

## Members:

Joanne S. Barry (NY)

Mike Colgan (PA)

Loretta Doon (CA)

Penny Gold (KY)

Mary E. Medley (CO)

James T. O'Hallaron (MO)

Susan A. Speirs (UT)

## Staff Liaison:

John W. Johnson

NASBA believes that fostering greater dialogue and collaboration between Boards of Accountancy, State CPA Societies and NASBA is essential to ensuring effective relations and advancing the common interests of the public and the profession. In working toward that goal, the State Society Relations Committee focused on the following initiatives in 2017:

- **Joint State Society CEO/State Board Executive Directors Conference** – NASBA's Executive Directors Committee invited the State CPA Society CEOs to attend two, half-day joint sessions during its 35th Annual Conference for Executive Directors and Board Staff. The 2017 conference brought together, for the third year in a row, state board executive directors and society CEOs to participate in more than 10 sessions that covered matters of mutual interest/concern, future opportunities for collaboration and enhanced communications. In anticipation of the conference, NASBA's State Society Relations Committee worked closely with NASBA's Executive Directors Committee to develop an exciting agenda. Presentation and discussion topics included, but were not limited to: CPA Pipeline – Building the Profession, Legal Cases Impacting the Profession, Peer Review Administration, Joint NASBA/AICPA Legislative Update, Education and Accreditation, and Uniform CPA Examination Update, among others. The joint conference attracted 37 Board of Accountancy executive directors and 27 State CPA Society CEOs.
- **Diversity** – The Committee continued to collaborate with NASBA's Diversity Committee and those responsible for making board appointments to ensure that appointments include not only women and minorities, but also individuals with diverse skill sets, from a range of firm sizes, to individuals who hail from various geographic locations within their jurisdiction, and other components that foster a multicultural board.
- **CPA Pipeline** – NASBA leadership sees the CPA Pipeline as having a strong public protection nexus and has begun the process of working with State CPA Societies to strengthen the pipeline – both in number of CPAs entering the profession and the diversity represented by them.
- **CPT Ethics CPE Resources Program** – The Committee gained a better understanding of how the NASBA Center for the Public Trust - Ethics CPE Resources Program is developing original, innovative and informative ethics-related resources for State CPA Societies to exclusively use as a supplement to their current ethics CPE materials.
- **Use of Titles** – The Committee and NASBA worked to gain a better understanding of how the "use of titles" UAA language, and current laws implemented in many jurisdictions, impact how the use of designations/titles/credentials by non-licensees may contribute to consumer confusion in the marketplace.

Overall, the work accomplished by the Committee and the work to come will not only foster greater collaboration between Boards of Accountancy, State CPA Societies and NASBA, but it will also assist John Johnson, Director, Legislative & Governmental Affairs, when consulting with Boards of Accountancy regarding their legislative strategies.



# UNIFORM ACCOUNTANCY ACT COMMITTEE

Oversee the Uniform Accountancy Act and related Model Rules and recommend amendments to the Board of Directors.

In November 2016, the NASBA Board approved a change to UAA Section 6(g) to permit unilateral recognition of international professionals and changes to Model Rules Article 5, in support of the revised Uniform CPA Examination that was released in April 2017.

After careful consideration by a UAA Committee task force working with representatives of the CPE Committee, the UAA Committee recommended the proposed Model Rules for CPE be released for comment in January. The comment period was extended until June 30, 2017, to give interested parties ample time to respond. On July 17, the NASBA/AICPA UAA Committee held a conference call to review the comments received and determined a task force needed to go back and consider the proposed Rules in light of those comments. On September 6, the joint task force met in Nashville, TN, and is bringing their suggestions to the joint UAA Committee, so that a final version can be prepared and presented to the NASBA Board for their approval.

Comments were also requested by June 30 on updating changes to be made to the next edition of the UAA.

Acting upon the UAA Committee's request for exposure for comment, the Board of Directors approved, in April, the distribution of proposed language amending Section (14q) to permit the use of management accountant titles by non-licensees. The comment period extended until September 30, 2017. The NASBA/AICPA UAA Committee will meet to consider those comments and propose action to the NASBA and AICPA Boards of Directors.

Future projects include consideration of how a CPA can respond to a client's non-compliance with laws and regulations, peer review administration and education accreditors.

Chair:

J. Coalter Baker (TX)

Members:

David L. Dennis (FL)

David de Silva (NY)

Andrew L. DuBoff (NJ)

Marc Moyers (VA)

John E. Patterson (OH)

Donovan W. Rulien (AK)

Stephanie S. Saunders (VA)

Kim Tredinnick (MN)

Dan Vuckovich (MT)

Staff Liaisons:

Daniel J. Dustin

Louise Dratler Haberman

## UAA Timeline of Events

**November 2016**

NASBA Board approves changes to UAA Section 6(g) and Model Rules Article 5.



**January 2017**

Model Rules for CPE released for comment.



**June 2017**

Comment period ends on the Model Rules for CPE.



**June 2017**

Comment period ends on the changes to the next edition of the UAA.



**July 2017**

Conference call held to review comments on the Model Rules for CPE. It is determined a task force is needed to consider the proposed Rules.



**September 2017**

Comments due on proposed amendment to UAA Section 14(q) on titles.



# NASBA Center for the Public Trust

## GROWTH IN 2017

Over the last year, the NASBA Center for the Public Trust (CPT) has continued to focus on educating, empowering and promoting ethical leaders. Working alongside NASBA leadership and members, CPT Board members and other partners, the CPT enhanced the quality and quantity of StudentCPT chapters, increased participation in the 7th Annual StudentCPT Leadership Conference, held its first golf tournament, co-hosted the Business with Purpose Awards and updated its student and professional ethics education offerings. The CPT also continued collaborating with organizations that promote ethical business leadership, integrity and trust.



## ETHICAL LEADERSHIP TRAINING PROGRAM

As a part of the CPT's goal, to shape ethical leadership among professionals, a partnership has been formed with the Missouri State Board of Accountancy to incorporate the Ethical Leadership Training program as a part of its disciplinary action process. More than 100 Missouri professionals successfully completed the training program in 2017.

This CPT program is aimed at enhancing the ethical decision-making skills of professionals and can be customized to fit the needs of any Board of Accountancy. The CPT is expanding the program to Kansas and Oklahoma Boards of Accountancy, and is also in talks with several other states about the program.

## ETHICS CPE RESOURCES FOR STATE CPA SOCIETIES

The CPT continues to partner with State CPA Societies to help develop engaging CPE programs for CPAs. In 2017, the CPT expanded its Ethics CPE Resource Program offerings, by adding additional content delivering live CPE for State CPA Societies.

An exciting partnership developed this year between the CPT and the Kentucky Society of CPAs. The CPT developed and delivered eight ethics CPE workshops for the Society and its members. With an innovative approach, the CPT delivered half of the sessions in person and the other half virtually. The sessions received tremendous reviews. The CPT looks to partner more with Kentucky and other State CPA Societies to implement new programs.

### Over the past year, new student chapters were established at:

- Auburn University
- Fisk University
- Mississippi State University
- Truman State University
- University of Alabama – Birmingham
- University of Delaware
- University of Mount Olive
- University of the Virgin Islands
- Valdosta State University
- Western Kentucky University

## STUDENTCPT CHAPTERS

The Student Center for the Public Trust (StudentCPT) Chapter Program is shaping the ethical compass of future business leaders by teaching college students that engaging in ethical business practices is the most sustainable strategy for career advancement. With the vision of becoming the largest network of ethical leaders on college campuses, the StudentCPT continues to grow and now connects students in 39 chapters across 19 states and the U.S. Virgin Islands.

The CPT is currently working with students and professionals to establish new chapters at Minnesota State University – Mankato, St. John's University, Temple University, University of Texas at Dallas, and several other institutions across the country.

## STUDENT ETHICAL LEADERSHIP CERTIFICATION PROGRAM

As the CPT continues to shape the ethical values and principles of college students, the CPT enrolled more than 2,000 college students in the Ethical Leadership Certification Program for the second consecutive year. Some of the program growth was fueled by the CPT's partnership with Beta Gamma Sigma (BGS), the premier honor society for business students at AACSB accredited schools. Through this partnership, BGS student members can take a customized version of the certification program with some added content unique to them.

The CPT experienced this success, while also upgrading to a new learning management system. The new system utilizes mobile optimization for course delivery, engages learners through gamification elements, and provides professors with enhanced class reporting features. The CPT remains committed to utilizing cutting edge technology to educate and empower ethical leaders.

**2,000+**Students enrolled  
in Ethical Leadership  
Certification Program**37**Number of  
StudentCPT  
Chapters**19**Jurisdictions with  
StudentCPT  
ChaptersMissouri Professionals  
completed the  
Ethical Leadership  
Training Program

## SEVENTH ANNUAL STUDENTCPT LEADERSHIP CONFERENCE

The annual StudentCPT Leadership Conference brings together students from across the country who are expected to serve as leaders of existing and future StudentCPT chapters. This year's conference was held in Newport, RI, and included 70 students, representing 37 colleges and universities. This is the highest number of conference attendees in CPT history.

The conference allows students to learn more about ethical leadership, accountability and integrity, while also enhancing their conflict management and networking abilities.

Attendees learned how to utilize their strengths, improve the operation of their StudentCPT chapters, and enhance their ethical decision-making abilities by interacting with subject-matter experts, including outside professional presenters, CPT Board members and staff. Students also had the opportunity to network with the NASBA Regional Meeting attendees during luncheons and dinners.

Through the generosity of our supporters, the CPT raised approximately \$30,000 to help offset the cost of hosting the conference. The CPT staff and Board members continue to be very grateful to the donors who continue to support the conference and other CPT programmatic activity.



***This year's conference was held in Newport, RI, and included 70 students, representing 37 colleges and universities.***

## ETHICS IN ACTION STUDENT VIDEO COMPETITION

The 2017 *Ethics in Action* Student Video Competition continues to help spread the importance of ethical decision-making through the creativity of college students. Sponsored by the Dean Institute for Corporate Governance and Integrity, the national competition allows students to share their views on ethics and accountability in business.

After receiving 35 submissions in 2015 and 66 submissions in 2016, the competition continued its growth with a record high of 71 videos in 2017. These videos received 7,000 views online. The competition continues to be an effective tool to teach business ethics to students in a way that is fun, memorable and effective. This year's winning teams represented Adams State University, Colorado State University, Loyola University - New Orleans, Maryville University, Ohio University, Oklahoma State University, Oral Roberts University, University of Northern Colorado and the University of the Virgin Islands.

## 2016-17 BOARD OF DIRECTORS

DAVID A. COSTELLO, CPA  
CPT Chair  
Retired President & CEO, NASBA & NASBA CPT

LARRY W. BRIDGESMITH, ESQ.  
CPT Life Director  
Chief Innovation Engineer, Lean2Law

MILTON BROWN, PA  
CPT Life Director  
President & Owner,  
Accounting Offices of Milton Brown, LLC

JANET BUCHANAN, Ph.D.  
President, Buchanan Consulting, LLC

JIMMY E. BURKES, CPA  
CPT Secretary  
Consultant, Haddox Reid Eubank Betts PLLC

CYNTHIA COOPER  
CEO, The CooperGroup, LLC

LINDA FERRELL, Ph.D.  
Professor and Chair, Marketing Department at Raymond J.  
Harbert College of Business, Auburn University

O.C. FERRELL, Ph.D.  
James T. Pursell Eminent Scholar in Ethics and Director of  
the Center for Organizational Ethical Cultures at Raymond  
J. Harbert College of Business, Auburn University

BILL FOWLER, CPA  
Senior VP, Scholarship Program, Daniels Fund

LAWRENCE W. HAMILTON, MPA, ED.S.  
Consultant

MELVIN J. MALONE, ESQ.  
Practice Group Leader, Butler Snow

SEAN P. MCVEY, CPA  
Partner, Regulatory & Public Policy Group, Deloitte

VICKY PETETE, CPA  
Executive VP & CFO, Vision Bank

JOSEPH PETITO, ESQ.  
Principal – Public Policy, Pricewaterhouse Coopers LLP  
(Retired)

LOUIS UPKINS, JR.  
President & CEO, Upkins & Co.

## EXECUTIVE STAFF

KEN BISHOP  
CEO, NASBA CPT

ALFONZO ALEXANDER  
President, NASBA CPT

SANDRA DAVIDSON  
CFO, NASBA CPT



# YEAR IN REVIEW



All 55 Boards of Accountancy were represented at NASBA's 109th Annual Meeting, held in Austin, TX, October 30 – November 2, 2016.



Telford Lodden was elected NASBA Chair at the 2017 Annual Meeting.



With the assistance of the PhD Project, 20 new business professors were recognized this year at the 22nd Annual PhD Project Conference, held in the Hyatt Regency O'Hare, November 16-18. NASBA has been a sponsor of the PhD Project since 2014, with NASBA CEO & President Ken Bishop serving on its Board of Directors.



Representatives from the Accounting and Auditing Board of Ethiopia (AABE) came to meet with NASBA President and CEO Ken L. Bishop and other staff members on December 16 at the New York City NASBA office.

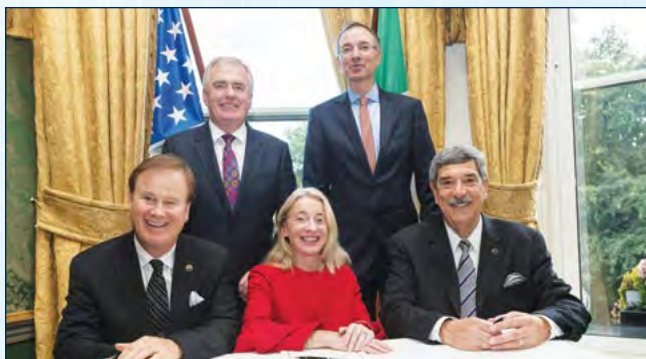


New Orleans was the site of NASBA's 35th Annual Conference for Executive Directors and Board Staff and 22nd Annual Conference for Board of Accountancy Legal Counsel, March 14-17.





The Western Regional Meeting gathered 198 attendees in Coeur d'Alene, ID. The Eastern Regional Meeting gathered 236 attendees in Newport, RI.



The first mutual recognition agreement renewal using a new, more transparent format was signed by representatives of Chartered Accountants Ireland, NASBA and the AICPA on August 10, 2017.



The National Registry Summit, held September 26-27 in Nashville, hosted 170 National Registry Sponsors.



Speaking with W. Michael Fritz and Catherine R. Allen during a panel session at the Western Regional Meeting, Dr. Miklos Vasarhelyi explained that data analytics improves the way auditors are assuring a measurement that someone else has given them. In every stage of the audit process there can be visualization that clearly shows the outliers.



Members of the Montana State Board of Accountancy joined NASBA Board of Directors at their July 2017 meeting. From left to right: Ted Lodden, Kathleen VanDyke, Ken Bishop, Mike Huotte, Linda Harris and Ranetta Jones meet in Montana.



The CPT welcomed 70 student leaders from across the country to participate in its Student Leadership Conference.



### **October 2016**

Following the theme, "Evolve," the 109th Annual Meeting was held in Austin, TX, attracting representatives from all Boards of Accountancy. Texas Secretary of State Carlos H. Cascos welcomed attendees.

NASBA Board approves change to UAA Section 6(g) allowing unilateral pathway for international recognition.

### **December 2016**

NASBA attends PCAOB's International Institute on Audit Regulation with representatives from 36 non-U.S. audit regulators.

Representatives of the Accounting and Auditing Board of Ethiopia consult with President Bishop.

NASBA leaders meet with UK Financial Reporting Council representatives.

American Accounting Association holds conference with NASBA, AICPA, academicians, IMA and accrediting bodies to focus on importance of accreditation of accounting education.

### **February 2017**

NASBA creates webpage dedicated to the next version of the Uniform CPA Examination.



### **November 2016**

Baruch College and NASBA CPT co-sponsor "Annual Auditing Conference: Ensuring Integrity" in New York on November 29.

### **January 2017**

CPE Model Rules designed for use of licensees released for comment.

NASBA launches monthly newsletter *Legislative E-news*.

AICPA releases its revised "Evolution of Peer Review Administration" proposal.

### **March 2017**

Conference for Executive Directors and Board Staff and Conference for State Board Legal Counsel held in New Orleans, March 14-16.

NASBA representatives meet with PCAOB on March 18.



### **April 2017**

Board approves exposing for comment amendment to Section 14(q) that would allow management accountant titles to be used by non-CPAs in restricted circumstances.

"The Report of the AICPA/NASBA Accreditation Task Force: Exploring Opportunities to Enhance the Candidate Pipeline and Improve the Quality of Education" was unanimously accepted by the NASBA Board.

New version of the Uniform CPA Examination launched.

Indiana enacts law that allows competency-based continuing professional education to qualify for CPA license renewal.



### **May 2017**

Texas Board of Public Accountancy conducts survey on public's understanding of the title "accountant" or "auditor."

### **June 2017**

Regional Meetings held June 6-8 in Coeur d'Alene, ID, and June 27-29 in Newport, RI.

Comments on Model Rules for continuing professional education deadline.

Comments on AICPA proposal for peer review administration due. Twenty-six boards respond.

### **July 2017**

California Board of Accountancy decides if individual boards' enforcement practices are meeting NASBA standards.

### **August 2017**

Guam Testing Center moves closer to airport.

Restructuring of eighth floor of Nashville headquarters begins.

Renewal of mutual recognition agreement with Chartered Accountants Ireland signed.

As of August, 49 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam have implemented the CPA mobility provision found in the UAA.

### **September 2017**

Comments due on proposed amendment to UAA Section 14(q) on titles.

"Tempo of Change" is focus of National Registry Summit held September 26-27 in Nashville.

# PRODUCTS AND SERVICES

NASBA takes an innovative approach to addressing the needs of the Boards of Accountancy, current and prospective CPAs and the public by offering an array of products and services designed to support every stage of the CPA life cycle. From CPA Examination administration, to licensure, to education, these high-quality products and services are shaping the future of the profession.

Member services include, but are not limited to, association meetings, evaluation of international coursework and credentials, score reporting and legislative tracking. NASBA's consumer products span from licensing application assistance to continuing professional education (CPE) and compliance management services.

As the profession advances, products and services have also been developed to ensure the public's protection and reaffirm NASBA's position as a trusted resource for additional stakeholders including CPE providers, State CPA Societies, academic institutions and accounting firms of all sizes. The following pages detail more about the various products, services and complementary offerings available through NASBA.



# CPA Examination Services

As NASBA's flagship program, CPA Examination Services (CPAES) provides a comprehensive array of services related to the Uniform CPA Examination. A few of these services include application processing, credential evaluations and score reporting. Outsourcing these services to the experienced and reliable professionals at NASBA enables Boards of Accountancy to provide candidates with a positive examination experience while remaining focused on other critical regulatory functions – like enforcement and rule making.



CPA Central is NASBA's headquarters for the Uniform CPA Examination, serving those who wish to take the Exam in a jurisdiction supported by CPA Examination Services (CPAES), NASBA's flagship program. In addition to the user-friendly online application for first-time, re-examination and pre-evaluation (where available) candidates, CPA Central gives Exam takers everything they need in one place, including online score retrieval, Notice to Schedule reprints, application status and history, and quick links that provide useful information on a variety of Exam-related topics, from how the Exam is scored to testing in international locations.



NASBA's concierge service, CredentialNet, assists with completing the application process for licenses/permits. NASBA manages this process from start to finish, allowing licensees and firms the opportunity to focus on day-to-day business.

## GUAM TESTING CENTER

NASBA's Guam Testing Center administers the Uniform CPA Examination and other miscellaneous exams including admissions exams, certificate exams and the Graduate Record Examination (GRE) to international candidates (primarily from Korea and China). Because of the center's prime location, international candidates find it an advantageous destination for taking these exams.



## CANDIDATE CARE

Candidate Care provides personal assistance to candidates who experience difficulties related to taking the CPA Examination. Assistance is also provided to Boards of Accountancy by monitoring center problem reports, Examination exit surveys, and candidate issues to identify potential trends and issues that may warrant further investigation.



## TESTING ACCOMMODATIONS AND ADA COMPLIANCE

NASBA's Testing Accommodations team responds to complex legal and clinical testing accommodation requests. While maintaining the integrity of the CPA Examination, trained and qualified personnel evaluate individual eligibility and negotiate and implement testing accommodations in accordance with the Americans with Disabilities Act (ADA).







With the proper capabilities and resources, NASBA has made the licensing process more efficient for Boards of Accountancy and candidates for over 25 years. NASBA Licensing Services include application processing, eligibility determination, score reporting and education evaluation. NASBA also provides excellent and reliable customer service to candidates throughout the licensing process.

## NATIONAL CANDIDATE DATABASE

The National Candidate Database (NCD) is a database of CPA candidate information created to help NASBA, Boards of Accountancy, the American Institute of Certified Public Accountants (AICPA) and testing centers protect the personal data provided by candidates during application and examination processes. As a central repository for all CPA Examination candidate information, the NCD is a global tracking system for CPA Examination candidates. With the ability to track a candidate's history, from initial application to grading of the Examination, the NCD is a powerful tool for managing testing information.

# NASBAstore

NASBAstore.org is a marketplace of CPA Exam products and services, including score transfers and license verifications, available for use by all Boards of Accountancy. The NASBAstore serves many of the needs of today's accounting professionals. It is also the home of NASBA's Wall Certificate Service, offering creative, professional design options to enhance the appearance of licensing certificates and license cards. The Wall Certificate Service offers state-of-the-art printing, timely processing and distribution of plastic license cards and decorative wall certificates. The NASBAstore also offers custom framing options, CPA-branded cuff links, mugs, mouse pads and pens to show off the pride that comes with being a CPA.



NASBA offers the International Qualification Examination (IQEX) to qualifying candidates to help facilitate the U.S. CPA qualification process for accounting professionals from other countries whose professional bodies have entered into mutual recognition agreements developed by NASBA and the American Institute of Certified Public Accountants (AICPA). These agreements have been established with the Canadian Institute of Chartered Accountants (CICA), Instituto Mexicano de Contadores Publicos (IMCP), Institute of Chartered Accountants in Australia (ICAA), New Zealand Institute of Chartered Accountants (NZIA), Chartered Accountants Ireland (CAI) and the Hong Kong Institute of Certified Public Accountants (HKICPA).

NASBA U is a one-day training and networking event available exclusively to Board of Accountancy executive directors. Held at NASBA's headquarters in Nashville, TN, participants are introduced to a variety of tools and services available to assist board staff in their various roles. Additionally, attendees have an opportunity to network with fellow Board of Accountancy representatives, meet key members of NASBA staff and tour the NASBA facilities.



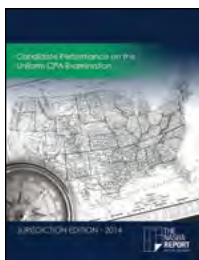
### **LEGISLATIVE TRACKING**

NASBA's Legislative Tracking System was created and calibrated specifically for Boards of Accountancy to monitor legislation and amendments (in real time) that affect the regulation of the profession. By allowing boards to become more readily aware and to share knowledge concerning key pieces of legislation that could greatly impact their regulatory responsibility, the tracking system provides an important and unprecedented step toward enhancing the effectiveness and advancing the common interests of all Boards of Accountancy and the profession as a whole.



### **KEY PERSON CONTACT**

To develop strong relationships with elected members of state and federal legislative and executive branches of government, in every jurisdiction, NASBA has developed a Key Person Contact (KPC) program. NASBA's KPC program was established to educate elected members of legislative and executive branches of government on issues affecting the CPA profession. Key Person Contacts are NASBA members who recognize the difference individuals can make in the legislative process. In this role, members serve as liaisons between NASBA and lawmakers, creating a line of communication to relay technical and general information regarding legislative issues that impact the profession.



### Ranking by Institutions by Pass Rate for Sections Taken: First-Time, All Programs

Rank	State	Institution	Percent Pass
1	NC	WAKE FOREST UNIV	89.5%
2	IL	NORTHWESTERN UNIV	88.9%
3	FL	UNIV WEST FL	87.1%
4	IL	IL INST TECH	85.7%
5	IA	NORTHWESTERN COLL	85.0%
6	WI	UNIV WI MADISON	84.7%
7	FL	UNIV FL	84.6%
8	UT	BRIGHAM YOUNG UNIV	84.6%
9	IA	DORDT COLL	84.1%
10	PA	MESSIAH COLL	83.8%

The NASBA Report on the Uniform CPA Examination is your go-to resource for annual statistics and trends of candidates taking the CPA Examination. The reports were redesigned in 2016 to include content area breakdowns and detailed cohort tracking. Annual University Briefs were introduced to assist faculty with the year-over-year tracking of student performance and to aid in satisfying accreditation standards. This information, available only from NASBA, offers the best overview of CPA Examination trends from around the world, regionally, and at the university level.



Now providing service to over 50 jurisdictions, NASBA International Evaluation Services (NIES) is dedicated to the professional and standardized evaluation of international coursework and credentials for candidates applying for the Uniform CPA Examination and licensure.



NASBA's CPA Examination Services (CPAES) and International Evaluation Services (NIES) have partnered to offer guidance to accounting students with the Advisory Evaluation. This comprehensive report explains how a candidate's current education is viewed by the U.S. Boards of Accountancy, and lists the deficiencies that must be satisfied before they will be eligible to sit for the Uniform CPA Examination in their chosen jurisdiction.



Aequo International was founded in 2014 to provide universities and other professional boards with the same high standard of international evaluations that NASBA is able to offer the Boards of Accountancy. Aequo International is dedicated to performing accurate domestic and international education evaluations, identifying fraudulent documents and protecting the public.







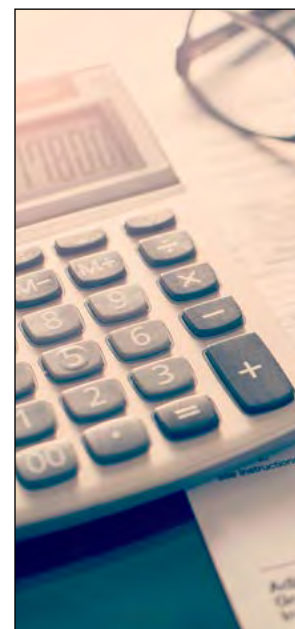
Given the ever-changing regulatory environment and adoption of mobility legislation in most states, it is a challenge to remain up-to-date on the various CPA and firm licensing laws and rules among all Boards of Accountancy. The Accountancy Licensing Library (ALL) helps remove the complexity from the CPA license and firm registration process for busy accounting professionals. This valuable resource contains comprehensive and accurate information for the different types of CPA licenses (initial, reciprocal, mobility/practice privilege and firm registration). Access to ALL is available for purchase by the public and CPA firms and is free to Boards of Accountancy and academic advisors at colleges and universities.



The NASBA Experience Verification service was launched in 2016 in response to the accounting profession's increasing need for a coherent and standardized experience validation and verification process for international and domestic CPA licensure applicants. With the careful guidance of a NASBA client manager, applicants are led through the process and interviewed by a NASBA CPA. Additionally, their work experience is verified. The client managers liaise with both the Board of Accountancy and the applicant to ensure that all requirements are met before the licensure application is sent out for board review.



Created to assist Boards of Accountancy with their regulatory mission, the Accountancy Licensee Database (ALD) is a central repository of current licensee and firm information. With 51 jurisdictions currently participating and the remaining four boards working toward implementation, NASBA's goal for the ALD - to include current and accurate licensing and disciplinary information for individual CPAs and firms from each of the 55 jurisdictions - is becoming a reality. The ALD is hosted by NASBA and access to the system is free to Boards of Accountancy.



## CPAmobility.org

With statutes approved in 54 of the 55 U.S. jurisdictions, individual mobility has become a reality for CPAs from coast to coast. Mobility is a practice privilege that generally permits licensed CPAs in good standing, from a substantially equivalent state, to practice outside of their principal place of business without obtaining another license. With *CPAmobility.org*, CPAs can learn whether mobility applies to their specific situation and whether firm registration or other paperwork is required – all within four clicks. Desktop and mobile access to *CPAmobility.org* provides a wealth of information at your fingertips.



*CPAverify.org* is a CPA license search tool populated by official, publicly available, CPA licensing data sent from Boards of Accountancy to a central database. With 51 jurisdictions participating, *CPAverify.org* is the only official, free, single-source national database of licensed CPAs available to the public. Whether verifying that your CPA is actively licensed and in good standing or checking the professional history of a potential employee, *CPAverify.org* provides individuals and organizations alike a convenient and credible way to research a CPA without having to search each Board of Accountancy's website individually.



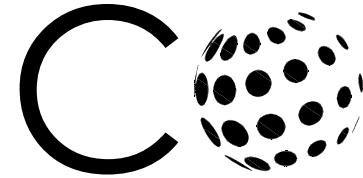
The National Registry of CPE Sponsors was created to help recognize CPE program sponsors who make a commitment to meeting the highest CPE program standards. Only learning providers who are committed to offering high-quality continuing education programs, that improve a CPA's professional competence, are listed on the Registry, and NASBA is proud to have over 2,200 currently approved. The National Registry of CPE Sponsors' logo is the seal of approval for CPE and when you see it, you can trust that the continuing education you receive will be of the highest quality.

## NASBAREGISTRY.ORG

Looking for CPE to meet your requirements? Find CPE courses anywhere in the country by visiting *NASBAregistry.org* and searching through more than 16,300 courses to find just what you need. Searches can be narrowed by date, location, subject area, number of credit hours, CPE provider, delivery method, and more. *NASBAregistry.org* makes finding the exact CPE course faster and easier and is a comprehensive resource for learning providers listed on the National Registry of CPE Sponsors. Video tutorials, newsletters, sample forms, best practices and online applications are all part of the site.

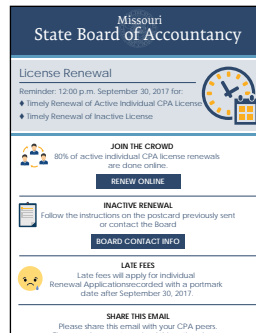
## CPE AUDIT SERVICE

NASBA's CPE Audit Service offers a platform designed to assist Boards of Accountancy with conducting periodic audits for compliance with continuing professional education requirements. The service allows CPAs to electronically report CPE hours and documentation to the board. It offers a turnkey solution for Boards of Accountancy to more efficiently and effectively manage their overall CPE audit process. The service is complimentary and available for use by boards participating in the Accountancy Licensee Database (ALD) with licensee data records that link with other records across state lines.



## COMMUNICATIONS & OUTREACH

NASBA's Communications Department offers complimentary creative services to Boards of Accountancy that are attractive, relevant and audience-driven. Services include editorial and social media consultation, video production and design for newsletters, brochures, mass emails, infographics and annual reports.



## ETHICS CPE RESOURCE PROJECT

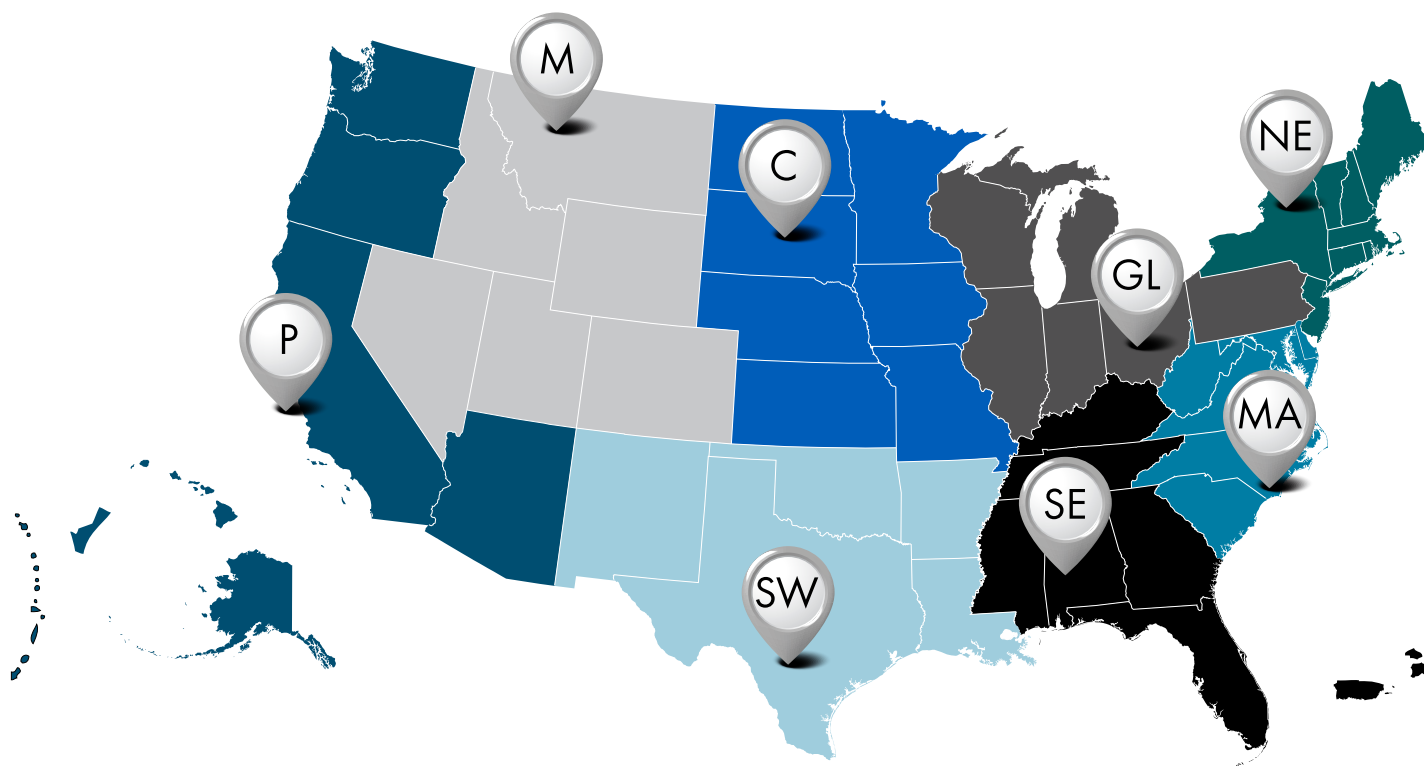
The Ethics CPE Resource Project is designed to provide continuing education providers with original, innovative and informative ethics related resources. Since State CPA Societies serve as the primary source of Ethics CPE courses for CPAs across the country, State CPA Societies are the initial recipients of the resources available through this program.



Boards of Accountancy can now use the Ethical Leadership Training & Certification Program to reinforce the ethical decision-making skills that are needed for the Board's licensees. This online training program can be assigned as part of a disciplinary action for CPAs, with ethics infractions, in the board's jurisdiction. In these cases, training participants do not receive continuing professional education credit; they complete the program solely to meet the requirements of the board's ruling.

The NASBA Center for the Public Trust (CPT) also offers a separate version of this training and certification program, which is geared toward college students. Professors use this online training as a class assignment, which helps equip students with tools to understand how to make the best possible decisions upon entering their careers, even if they involve choosing between competing values like loyalty, honesty and confidentiality. These certification programs use interactive presentations, videos and thought provoking questions to break down the causes, effects and solutions of real-world ethical dilemmas.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY



<b>PACIFIC</b> Alaska Arizona California CNMI Guam Hawaii Oregon Washington	<b>MOUNTAIN</b> Colorado Idaho Montana Nevada Utah Wyoming	<b>SOUTHWEST</b> Arkansas Louisiana New Mexico Oklahoma Texas	<b>CENTRAL</b> Iowa Kansas Minnesota Missouri Nebraska North Dakota South Dakota
<b>GREAT LAKES</b> Illinois Indiana Michigan Ohio Pennsylvania Wisconsin	<b>SOUTHEAST</b> Alabama Florida Georgia Kentucky Mississippi Puerto Rico Tennessee Virgin Islands	<b>MIDDLE ATLANTIC</b> Delaware District of Columbia Maryland North Carolina South Carolina Virginia West Virginia	<b>NORTHEAST</b> Connecticut Maine Massachusetts New Hampshire New Jersey New York Rhode Island Vermont



# **FINANCIAL STATEMENTS**

National Association of State Boards  
of Accountancy, Inc.

Independent Auditors' Report and Consolidated Financial Statements

July 31, 2017 and 2016



National Association of State Boards of Accountancy

150 Fourth Avenue North, Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax: 615/880-4290 ♦ [www.nasba.org](http://www.nasba.org)

**REPORT OF PRESIDENT & CHIEF EXECUTIVE OFFICER  
AND OF SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER**

**September 21, 2017**

We, Ken L. Bishop, President & Chief Executive Officer and Michael R. Bryant, CPA, Senior Vice President & Chief Financial Officer, of the National Association of State Boards of Accountancy, Inc. ("NASBA"), jointly and severally, do hereby state and attest that:

To the best of our knowledge and belief, based upon a review of the consolidated financial statements of the National Association of State Boards of Accountancy, Inc. and subsidiaries at and for the years ended July 31, 2017 and 2016, including the notes thereto, as reported on by NASBA's independent auditors, LBMC, PC, such financial statements do not contain an untrue statement of a material fact as of the date hereof nor do such financial statements fail to state a material fact necessary to make the financial statements, in light of the circumstances under which they were prepared, not misleading.

We have reviewed the contents of this statement with the Chair of the Audit Committee of NASBA.

Ken L. Bishop  
President & Chief Executive Officer

Michael R. Bryant, CPA  
Senior Vice President & Chief Financial Officer





National Association of State Boards of Accountancy

150 Fourth Avenue North, Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax: 615/880-4290 ♦ [www.nasba.org](http://www.nasba.org)

**REPORT OF MANAGEMENT**

**September 21, 2017**

The management of the National Association of State Boards of Accountancy, Inc. and subsidiaries is responsible for the preparation, integrity and objectivity of the consolidated financial statements included in this annual report. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applied on a consistent basis and present fairly in all material respects the Association's financial position, changes in net assets and cash flows.

Management has established and maintains internal controls designed to give reasonable assurance of the integrity and objectivity of financial reporting, that assets are safeguarded, and that transactions are executed in accordance with appropriate authorizations and recorded properly. Internal controls include the careful selection of employees and members of the management team, the proper segregation of duties, and the communication and application of formal policies and procedures that are consistent with high standards of accounting and administrative practices. The concept of reasonable assurance is based on the premise that the cost of internal controls should not exceed the benefits derived.

The Board of Directors, through its Audit and Administration and Finance Committees, reviews financial and accounting policies, practices and reports, and monitors the system of accounting and internal controls and the competence of persons performing those functions. The Audit Committee also oversees the scope and results of independent audits and any comments on the adequacy of internal controls and quality of financial reporting. The independent auditors render an objective, independent opinion on management's financial statements, and have direct access to the Audit Committee with and without the presence of management.

The Board of Directors also has adopted and monitors personnel policies designed to ensure that employees of the National Association of State Boards of Accountancy, Inc. and subsidiaries are free of any conflicts of interest.

Ken L. Bishop  
President & Chief Executive Officer

Colleen K. Conrad, CPA  
Executive Vice President & Chief Operating Officer

Michael R. Bryant, CPA  
Senior Vice President & Chief Financial Officer

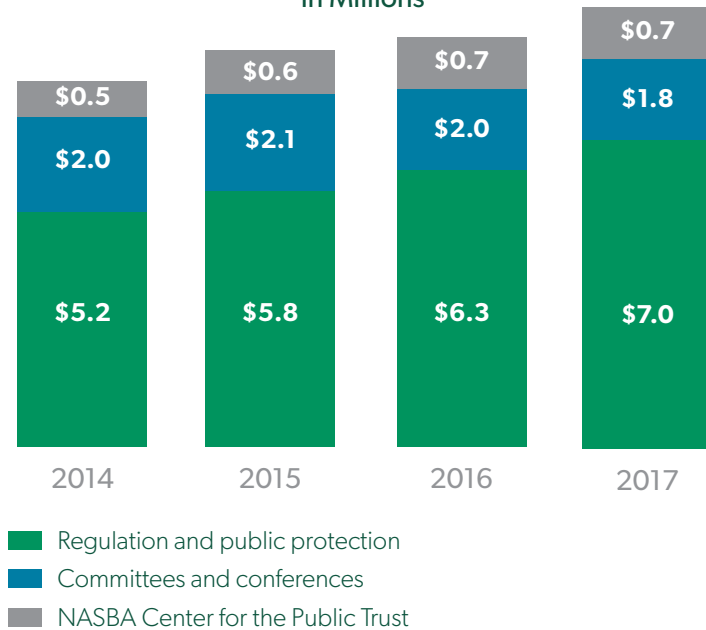
Troy A. Walker, CPA  
Director, Finance & Controller

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2017

The National Association of State Boards of Accountancy, Inc. (NASBA) believes that an effective regulatory framework strengthens the profession and, ultimately, safeguards the public interest. NASBA strives to increase the efficacy of the framework through its mission of enhancing the effectiveness and advancing the common interests of the Boards of Accountancy (Boards). The fulfillment of the mission is realized through activities such as providing advocacy to Boards in their authority to regulate, monitor and respond to regulatory and legislative issues. Other mission objectives include enhancing enforcement capabilities of the Boards, monitoring emerging issues that affect the regulation of Certified Public Accountants (CPAs), upholding the CPA license in its role of ensuring public protection, promoting diversity in the profession, and using technology to enhance Board regulatory capabilities. In addition, NASBA fosters ethical leadership in the profession through one of its subsidiaries, the NASBA Center for the Public Trust (CPT). CPT provides an avenue for the CPA profession, American business, and higher education to explore, promote and advance ethical business leadership.

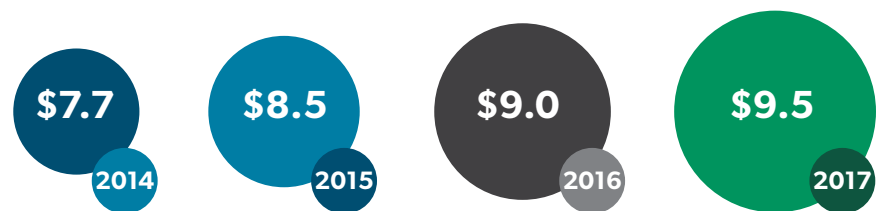
The fifty-five member Boards of NASBA are comprised of the fifty U.S. states, the District of Columbia and the U.S. territories of Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands. NASBA provides resources to Boards to assist in the day to day activities of regulation and support in the Boards' role of public protection. These resources sustain services which include the Accountancy Licensee Database (ALD), Accountancy Licensing Library (ALL), CPE Audit Services, Board relations, legislative and governmental support, enforcement and peer review assistance, conferences and various committees which support the role of Boards.

## MISSION-RELATED MEMBER SERVICES EXPENDITURES In Millions



*Direct support spent on Boards which is shown as Member services in the Consolidated Statements of Activities has increased in each of the past four fiscal years.*

## TOTAL MISSION SPENDING FY 2014 - 2017 In Millions



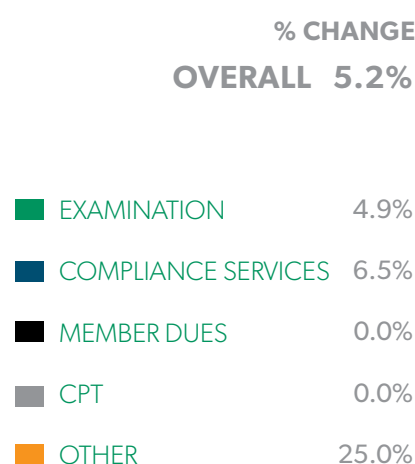
# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2017

## PROGRAM REVENUE

### Examination, Licensing and Related Services

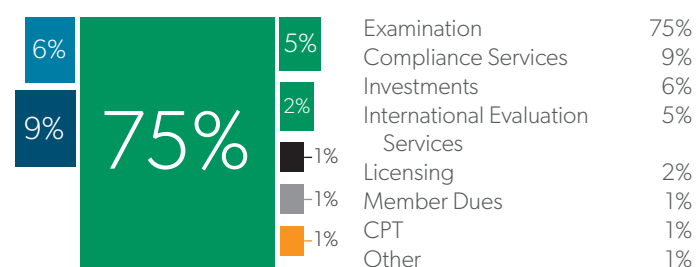
Mission spending is funded through various program revenues of NASBA. In fiscal 2017, NASBA's consolidated revenue increased 5.2% from the prior fiscal year. As shown in the chart that follows, this growth in revenue is primarily related to examination-related operations. This is a similar outcome to what began in fiscal 2016 when volume rose as candidates reacted to an upcoming change in the CPA Examination in April 2017. Although candidate volume was slightly lower in fiscal 2017 as compared to fiscal 2016, other examination-related revenue sources besides application and National Candidate Database fees drove the year-over-year increases in revenue.

### PROGRAM REVENUE



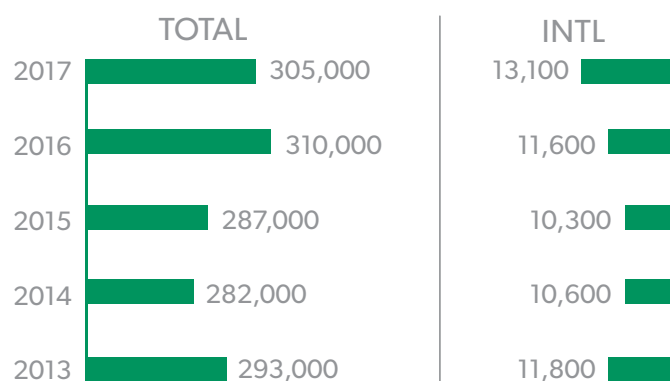
In addition to the revenue directly related to the processing of candidates into the CPA Examination channel, NASBA has examination revenue related to academic evaluation services for CPA Examination and licensure candidates who have completed education outside of the U.S. NASBA also provides licensing services on behalf of Boards including eligibility determination, education evaluation, and application processing. Other services, which generate a minimal amount of revenue, are provided to assist Boards in their examination and licensing regulatory roles as well.

### REVENUE AND INVESTMENTS BY ACTIVITY



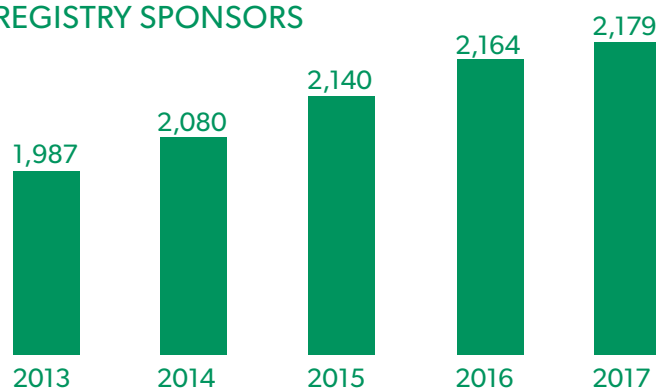
In fiscal 2017, 305,000 examination sections were processed through the National Candidate Database, the central repository and global tracking system for all CPA Examination candidates. Included in this total are 13,100 sections for candidates who chose to test at international locations.

### NATIONAL CANDIDATE DATABASE SECTIONS



In the Consolidated Statements of Activities, Examination, licensing and related services includes Compliance services. Compliance services is comprised primarily of the National Registry of CPE Sponsors (Registry) and is shown separately in the Program Revenue chart to the left. The Registry recognizes CPE program sponsors who commit to meeting the highest CPE program standards. To be listed on the Registry, learning providers must demonstrate that professional competence of a participating CPA is enhanced by the programs offered. As a part of the services offered by the Registry, the National Registry Summit is held annually which focuses on continuing professional education standards, improved delivery methods and increased learning effectiveness.

### REGISTRY SPONSORS



### Member Services, Dues and Other Revenue

Member services, dues and other revenue in the Consolidated Statements of Activities includes Board dues, conference fees and CPT contributions and program service revenue.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2017

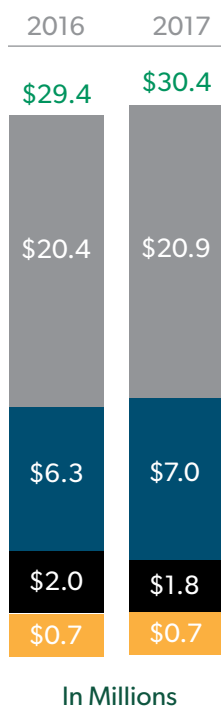
### PROGRAM EXPENSES

Total consolidated program expenses increased by 3.4% from \$29.4 million in fiscal 2016 to \$30.4 million in fiscal 2017.

#### PROGRAM EXPENSES

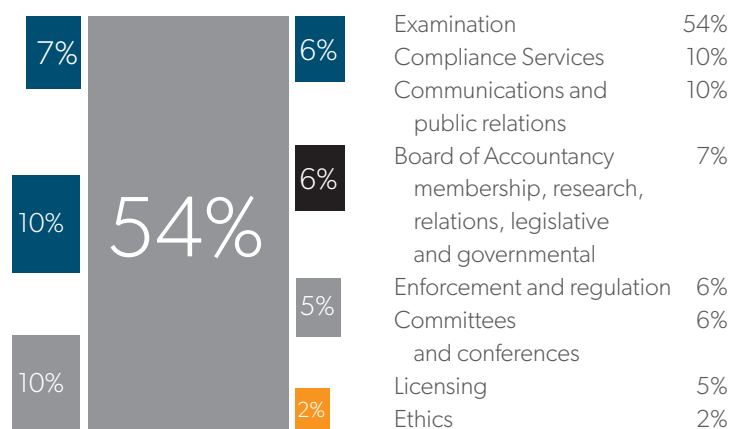
**% CHANGE**  
**OVERALL 3.4%**

■	EXAMINATION, LICENSING AND RELATED SERVICES	2.5%
■	REGULATION AND PUBLIC PROTECTION	11.1%
■	COMMITTEES AND CONFERENCES	-10.0%
■	OTHER	0.0%



One-half of the increase in expense was related to Examination, licensing and related services. The increase in these expenses are primarily from credit card fees and other examination administration costs, payroll costs, information technology, and professional services. The increase in Member services expenses are related to regulation and public protection activities along with program-related expenses for CPT. The \$0.5 million increase in Member services in the Consolidated Statements of Activities is primarily from payroll costs and information technology expenses. Overall, total operating expenses for NASBA during fiscal 2017 were incurred in the following programs and services:

#### EXPENSES BY ACTIVITY



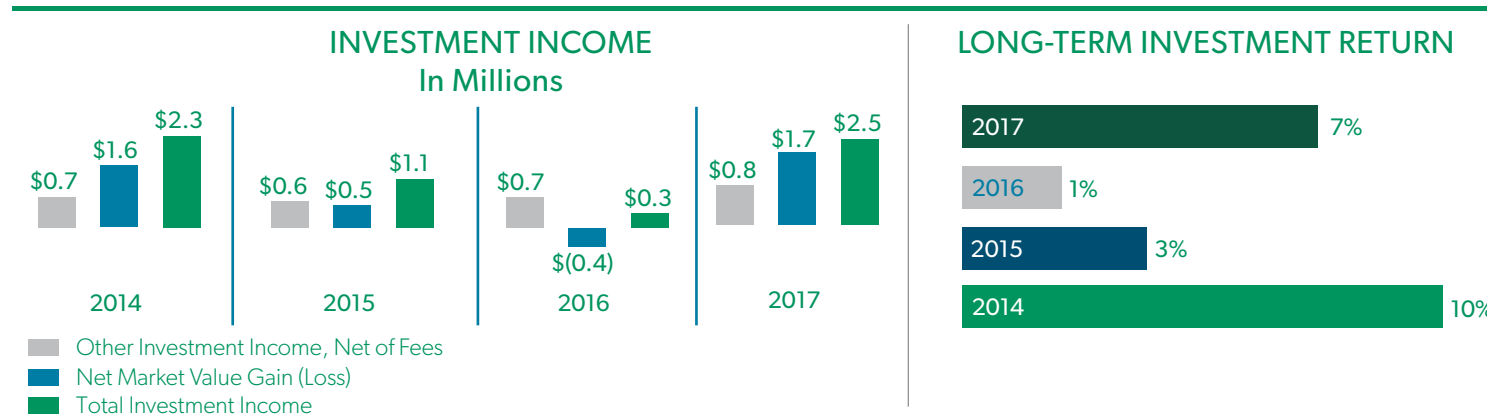
### TECHNOLOGY

Software development costs increased by \$2.6 million in fiscal 2017. This increase relates to two continuing software development projects. Of the net change of \$2.6 million, 92% relates to one of the software development projects. The current phase of this software project is planned to be launched in early calendar year 2018. In addition to the costs incurred, NASBA has been reimbursed for certain capitalizable and operating development costs related to the second in-progress software development project resulting in a relatively minimal amount of capitalized software development costs in fiscal 2017. This software project is now anticipated to be completed near the end of calendar 2018. In addition to these two software development projects, non-capitalizable software development costs were incurred for a redesign of NASBA's website during fiscal 2017 with plans for further development during fiscal 2018.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2017

## INVESTMENTS

NASBA has long-term investment securities which provide capability for NASBA to sustain its activities in the event of significant economic disruption or other unanticipated events. These investment securities are managed under a board-approved investment policy in which the long-term investments are directed at the discretion of investment advisors who are under the oversight of the NASBA Investment Committee. Since the early part of fiscal 2015, approximately one half of the investment securities balance has been invested in lower-risk investment securities such as federally-insured certificates of deposit, U.S. Treasury and Federal Agency securities, corporate bonds with a rating of investment grade or better, and other fixed income mutual funds. The return on the long-term fund in fiscal 2017 of 7% compared favorably to the return in the prior two fiscal years.



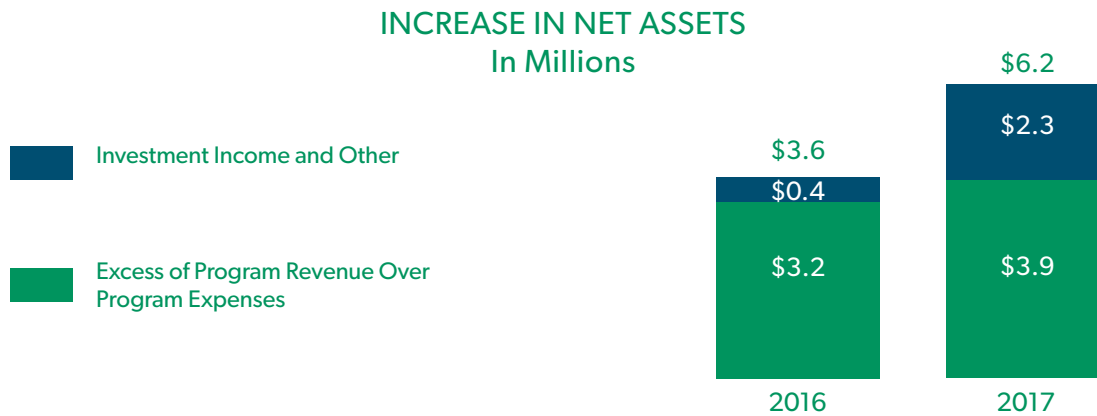
## CASH FLOW AND FINANCIAL POSITION

During fiscal 2017, cash and cash equivalents decreased by \$2.6 million. This includes \$3.6 million in cash paid for capitalized software development costs of which a portion was accrued in fiscal 2016. In addition, a net \$2.8 million was invested in long-term securities through both investment purchases and dividend reinvestments. Other capital expenditures include \$0.5 million in property and equipment additions. As an offset to these cash outflows, operating activities provided \$3.8 million of cash inflow in fiscal 2017. In fiscal 2017, \$0.5 million of principal related to the note receivable was collected. As of July 31, 2017, the note receivable had been collected in full. As discussed in Note 9 to the Consolidated Financial Statements, at July 31, 2017, receivables include an amount related to a software development project. Payment was received at the beginning of fiscal 2018.

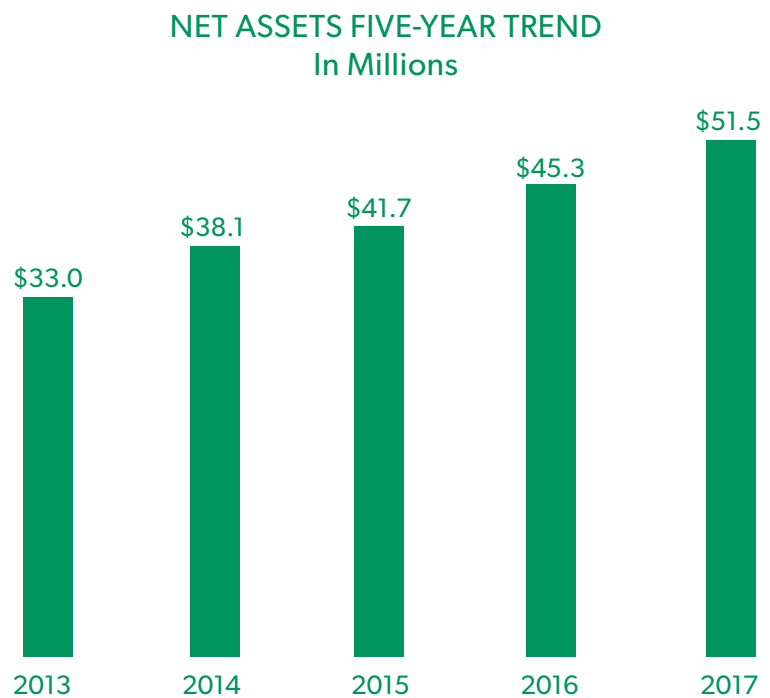
# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2017

## NET ASSETS

The total increase in net assets is \$6.2 million for fiscal 2017 compared to an increase of \$3.6 million in fiscal 2016. This increase from the prior year is primarily attributable to additional examination-related revenue in fiscal 2017 and a greater return on long-term investments.



NASBA has continued to prepare for the future by investing in technological tools and programs to assist Boards. This is evidenced by the continued increase in direct support to Boards through spending on Member services. NASBA reached the \$50 million net assets milestone during fiscal 2017. Net assets at the end of fiscal 2017 are \$51.5 million. NASBA is honored to serve its member Boards in ways that enhance their effectiveness and advance their common interests. NASBA has strengthened its technology and infrastructure to address the continually changing nature of the CPA profession and how it can serve Boards and their constituents. The focus is on an effective regulatory environment and monitoring the legislative activity that impacts that arena. NASBA remains committed to relevancy and its mission through activities providing better technology to facilitate candidates and Boards in the examination channel, as well as through development of services that create a model pathway to assure licensees comply with state requirements. Management believes NASBA has the financial ability and resources to meet its short-term needs and to strengthen the Boards' role in shaping the future of the profession and serving the public interest over the long-term.





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National Association of State Boards of Accountancy

150 Fourth Avenue North, Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4200 ♦ Fax: 615/880-4290 ♦ [www.nasba.org](http://www.nasba.org)

**REPORT OF AUDIT COMMITTEE**

**September 21, 2017**

To the Board of Directors of  
The National Association of State Boards of Accountancy, Inc.

The Audit Committee (the "Committee") of the National Association of State Boards of Accountancy, Inc. for the year ended July 31, 2017, was charged by the Board of Directors with the responsibility for oversight of the annual independent audit of the consolidated financial statements.

In connection with the discharge of its responsibility,

- Prior to commencement of the year-end audit work, the Committee met with the independent auditors to discuss (1) the overall scope and specific plans for the conduct of the audit and (2) the accounting, reporting and internal control processes and procedures of the National Association of State Boards of Accountancy, Inc.;
- The Committee reviewed the Audit Committee Charter (the "Charter"), which governs the Committee's scope of responsibilities and actions, and recommended several Charter changes to the Board of Directors;
- The Committee utilized a compliance tool to self-assess the execution of its responsibilities as specified in the Charter and reviewed its own performance during the year;
- The Committee received a presentation from the Chief Information Security Officer summarizing the security program in place for the National Association of State Boards of Accountancy, Inc. and had a presentation made to the Board of Directors;
- After the completion of the audit, the Committee, along with members of senior management, met with the independent auditors to discuss the results of the audit and, without senior management present, the Committee discussed privately with the independent auditors any matters of concern of the independent auditors; and
- The Committee met privately with senior management to discuss and consider the credentials and performance of the independent auditors and will make a recommendation to the Board of Directors as to the appointment of an independent audit firm for the year ending July 31, 2018.

Based on the above, the Committee believes that the annual independent audit was properly completed, management has maintained adequate systems and controls and followed the appropriate procedures related to financial accounting and reporting, and the Committee has fulfilled its duties in accordance with the Charter for the year ended July 31, 2017.

Respectfully submitted,

The Audit Committee  
National Association of State Boards of Accountancy, Inc.

By: Jimmy E. Burkes, CPA, Chair

Other Members of the Committee

C. Larry Elmore, CPA  
James R. Ladd, CPA  
Faye D. Miller, CPA  
James R. Mintert, CPA  
M. Chad Singletary, CPA



MAKE A GOOD  
BUSINESS BETTER

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
The National Association of State Boards of Accountancy, Inc.

We have audited the accompanying consolidated financial statements of the National Association of State Boards of Accountancy, Inc. and subsidiaries, which comprise the consolidated statements of activities for the years ended July 31, 2017 and 2016, and the related consolidated statements of financial position as of July 31, 2017 and 2016, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated changes in the net assets of the National Association of State Boards of Accountancy, Inc. and subsidiaries for the years ended July 31, 2017 and 2016, financial position as of July 31, 2017 and 2016 and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*LBMC, PC*

Brentwood, Tennessee  
September 21, 2017

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
For Years Ended July 31,  
In Thousands

	2017	2016
<b>Program Revenue</b>		
Examination, licensing and related services	\$ 33,124	\$ 31,508
Member services, dues and other revenue	1,186	1,077
Total program revenue	<u>34,310</u>	<u>32,585</u>
<b>Program Expenses</b>		
Examination, licensing and related services	20,902	20,426
Member services:		
Regulation and public protection	6,995	6,337
Committees and conferences	1,806	1,958
Other	720	646
Total program expenses	<u>30,423</u>	<u>29,367</u>
<b>Excess of Program Revenue Over Program Expenses</b>	3,887	3,218
<b>Net Assets Released from Restriction</b>	7	88
<b>Investment Income</b>	2,539	337
<b>Loss from Investment in Affiliate</b>	<u>(254)</u>	<u>(12)</u>
<b>Increase in Unrestricted Net Assets</b>	<u>6,179</u>	<u>3,631</u>
<b>Change in Temporarily Restricted Net Assets</b>		
Temporarily restricted contributions and investment income	50	34
Net assets released from restriction	<u>(5)</u>	<u>(88)</u>
<b>Increase (Decrease) in Temporarily Restricted Net Assets</b>	<u>45</u>	<u>(54)</u>
<b>Decrease in Permanently Restricted Net Assets</b>		
Net assets released from restriction	<u>(2)</u>	<u>-</u>
<b>Decrease in Permanently Restricted Net Assets</b>	<u>(2)</u>	<u>-</u>
<b>Increase in Net Assets</b>	6,222	3,577
<b>Net Assets, Beginning of Year</b>	<u>45,299</u>	<u>41,722</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 51,521</u></u>	<u><u>\$ 45,299</u></u>

See Accompanying Notes to Consolidated Financial Statements

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

July 31,  
In Thousands

	2017	2016
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 7,420	\$ 10,006
Receivables	3,912	1,832
Note receivable	-	528
Prepaid expenses	826	789
Total current assets	12,158	13,155
Investments and Other Assets		
Investment securities, at fair value	36,863	32,222
Investment in affiliate	530	784
Other assets	242	248
Total investments and other assets	37,635	33,254
Property and Equipment	8,235	7,911
Less accumulated depreciation and amortization	3,567	2,869
Net property and equipment	4,668	5,042
Software Development Costs	9,768	7,156
Less accumulated amortization	4,917	4,777
Net software development costs	4,851	2,379
Total assets	\$ 59,312	\$ 53,830
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,325	\$ 6,036
Deferred revenues	231	221
Capital lease, current	10	10
Other current liabilities	128	125
Total current liabilities	5,694	6,392
Long-term Liabilities		
Capital lease, non-current	12	22
Other long-term liabilities	2,085	2,117
Total long-term liabilities	2,097	2,139
Total liabilities	7,791	8,531
Net Assets		
Unrestricted	51,338	45,159
Temporarily restricted	90	45
Permanently restricted	93	95
Total net assets	51,521	45,299
Total liabilities and net assets	\$ 59,312	\$ 53,830

See Accompanying Notes to Consolidated Financial Statements



**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For Years Ended July 31,**  
**In Thousands**

	2017	2016
<b>Operating Activities</b>		
Cash received for services	\$ 36,449	\$ 34,211
Cash received for membership dues	309	295
Cash received from donors to NASBA Center for the Public Trust	238	284
Cash received for tenant improvements	-	1,293
Interest and dividends received	826	798
Cash paid to employees, vendors and others	(33,784)	(30,035)
Cash received from examination candidates for examination partners	53,973	53,573
Cash paid to escrow accounts for examination partners	(54,238)	(52,924)
Interest paid	(1)	(2)
Net cash provided by operating activities	3,772	7,493
<b>Investing Activities</b>		
Property and equipment additions	(481)	(4,354)
Proceeds from property and equipment disposals	1	6
Capitalized software development costs	(3,594)	(1,758)
Principal payments received on note receivable	528	529
Purchases of investment securities	(12,736)	(10,432)
Proceeds from sale of investment securities	9,936	7,567
Capital contribution to affiliate	-	(500)
Other	(4)	(4)
Net cash used by investing activities	(6,350)	(8,946)
<b>Financing Activities</b>		
Principal payments on capital leases	(10)	(10)
Cash contributions restricted for endowment	2	1
Net cash used by financing activities	(8)	(9)
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,586)	(1,462)
<b>Cash and Cash Equivalents, Beginning of Year</b>	10,006	11,468
<b>Cash and Cash Equivalents, End of Year</b>	\$ 7,420	\$ 10,006

See Accompanying Notes to Consolidated Financial Statements

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED**  
**For Years Ended July 31,**  
**In Thousands**

	<u>2017</u>	<u>2016</u>
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 6,222	\$ 3,577
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	702	703
Amortization of software development costs	155	211
(Gains) losses on investment securities	(1,841)	374
Loss from investment in affiliate	254	12
Recognition of deferred rent credit	(119)	(108)
Loss on disposals of property and equipment	3	8
(Gains) losses on endowment fund investment securities	(8)	4
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(1,267)	3
Prepaid expenses and other assets	(21)	(118)
Increase (decrease) in:		
Accounts payable, accrued and other liabilities	(318)	2,849
Deferred revenues	10	(22)
Net cash provided by operating activities	<u>\$ 3,772</u>	<u>\$ 7,493</u>
Non-cash Investing and Financing Activities		
Accrued costs for property and equipment additions	<u>\$ 6</u>	<u>\$ 155</u>
Accrued capitalized software development costs	<u>\$ 311</u>	<u>\$ 465</u>
Receivable for recovery of capitalized software development costs	<u>\$ 813</u>	<u>\$ -</u>

See Accompanying Notes to Consolidated Financial Statements

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Organization and Nature of Operations

The National Association of State Boards of Accountancy, Inc. (the "Association") is a nonprofit, voluntary membership association of the Boards of Accountancy in the fifty states of the United States of America, the District of Columbia, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands.

The Association provides examination, licensing and related services including programs and activities which facilitate or assist Boards of Accountancy in fulfilling their responsibilities related to the qualifying of candidates for the Certified Public Accountant ("CPA") license. In addition, the Association assists Boards of Accountancy and licensees with the ongoing maintenance of licenses. Services to Boards of Accountancy and licensees include identifying quality continuing professional education providers that meet nationally accepted standards for development, presentation, measurement and reporting of educational programs. The Association also provides a public forum to facilitate discussion and provide information and support to Boards of Accountancy in their regulatory and enforcement roles.

The Association is the sole member of the NASBA Center for the Public Trust, Inc. ("CPT"), a subsidiary nonprofit, public benefit corporation. The Association is also the sole member of Aequo International, LLC ("Aequo"), a Delaware single-member limited liability company.

### Note 2. Significant Accounting Policies

#### Basis of presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### Principles of consolidation

Included in these consolidated financial statements are the accounts of CPT and Aequo. All inter-entity accounts and transactions of the Association and its subsidiaries (collectively "NASBA") are eliminated in consolidation.

#### Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash equivalents include investments in money market funds and U.S. Government obligations with original maturities, or remaining maturities when acquired, of 90 days or less. Cash and cash equivalents are maintained at a level to meet anticipated operating needs in financial institutions which management believes are financially strong. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to

certain limits. From time to time, cash and cash equivalents exceed FDIC limits. At July 31, 2017, the portion of the balance exceeding the FDIC insurance limits was \$700,000.

#### Receivables, note receivable and credit policies

Receivables are generally uncollateralized obligations arising from various contractual agreements for examination services. Collection is anticipated within 30 days unless otherwise specified. Receivables also include unconditional written promises to contribute to CPT ("pledges") which are recorded in the year the promise is made. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discussed more fully in Note 3.

Interest income related to the note receivable is accrued and included in investment income. The note receivable is discussed more fully in Note 6.

The carrying amount of all receivables is evaluated and reduced by a valuation allowance, if necessary. The need for an allowance is determined based on management's knowledge of its customers, contributors, the note payor, historical loss experience and existing economic conditions. Management has determined that no allowance is required at July 31, 2017 or 2016.

#### Prepaid expenses

Prepaid expenses consist primarily of prepaid insurance premiums, equipment maintenance contracts, subscription services, and travel and meeting costs.

#### Investment securities

NASBA generally invests all resources in excess of anticipated working capital requirements in U.S. Treasury and Federal Agency obligations, corporate obligations, certificates of deposit, fixed income and equity investment funds, and pooled accounts which may contain diversified investments. Investments are made in accordance with an investment policy approved by the Board of Directors. NASBA's investments are carried at fair value. These investments are discussed more fully in Note 4.

CPT's restricted endowment funds are invested in accordance with an investment policy approved by the CPT Board of Directors and are generally invested in fixed income and equity investment funds.

Securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with investment securities, it is reasonably possible that changes in their value will occur in the near term and that such changes could be material to the consolidated financial statements.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Significant Accounting Policies (Continued)

#### Investment in affiliate

NASBA's investment in an affiliate is accounted for under the equity method. The investment is carried at the initial fair value recorded, increased for additional capital contributions, and adjusted for the proportionate share of the investee's income, losses and distributions. The carrying value of the investment is assessed annually and if an indicator of a loss in value is present, an adjustment is made to record the loss if deemed other than a temporary decline. This investment is discussed more fully in Note 7.

#### Property and equipment

Property and equipment acquired are stated at cost. Assets are either depreciated using the straight-line method over their estimated useful lives or, in the case of leasehold improvements, amortized over the shorter of their useful life or the term of the lease. The cost of property and equipment is recorded in the consolidated statements of financial position until the asset is disposed. Repair and maintenance costs are expensed as incurred. Property and equipment are discussed more fully in Note 8.

#### Software development costs

Costs associated with the development of software for internal use are capitalized and amortized over the software's useful life. Amortization begins when the software is ready for its intended use. Software development costs are recorded in the consolidated statements of financial position until the software is no longer used. Software development costs are discussed more fully in Note 9.

#### Realization of long-lived assets

Long-lived assets are reviewed for impairment and, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, appropriate expense adjustments are made.

#### Net assets

Unrestricted net assets are available for use in general operations. Temporarily restricted net assets have donor-imposed restrictions which permit the use of the donated assets in accordance with the donor restriction. Temporarily restricted contributions and investment income used for the purpose specified by the donor in the same year as received are classified as increases in unrestricted net assets. Permanently restricted net assets have donor-imposed restrictions in which the principal will remain permanently invested. All restricted net assets are associated with CPT and are discussed more fully in Note 11.

#### Revenue recognition

Examination and licensing program fees are recognized as revenue when the services to which they relate have been completed. Fees for services provided over a period of time are recognized ratably during the period. Fees for conferences and meetings, and related expenses, are recognized when the event occurs. Fees received in advance for services that will be performed in future periods are included in deferred revenue. Unconditional contributions to CPT are recognized as revenue when the contribution or pledge is received.

#### Management and administrative costs

Management and administrative costs are allocated to program expenses based principally on the personnel devoted to the program.

#### Income taxes

The Association is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(6) and applicable state tax statutes. CPT is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state tax statutes. The Association and CPT are subject to tax on any income unrelated to their exempt purposes, unless that income is otherwise excluded by the Internal Revenue Code. Aequo has elected to be taxed as a corporation. Aequo accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to the estimated tax benefit of carryforwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In assessing the realization of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. Valuation allowances are provided if based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Income taxes are discussed more fully in Note 16.

#### Contributed services

Many individuals contribute significant amounts of time to NASBA's activities. The value of these individuals' services is not recorded in the consolidated financial statements because such services would typically not be purchased by NASBA if they had not been provided by contribution. Meeting and travel expenses for these individuals are reimbursed.

### Note 3. Contributions Receivable

Contributions receivable consist of the following pledges to CPT at July 31, 2017 and 2016:

(In thousands)	2017	2016
Amounts due in:		
Less than one year	\$ 31	\$ 35
One to five years	-	5
Present value of total contributions receivable	31	40
Less current contributions receivable	31	35
Non-current Contributions Receivable	\$ -	\$ 5

The current contributions receivable and non-current contributions receivable are included in receivables and other assets, respectively, in the consolidated statements of financial position.

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4. Investment Securities**

Investment securities owned by NASBA are required under the Board-approved investment policy to meet certain criteria as to allowable asset classes and the composition of investments within those classes. Risk characteristics of the portfolio are managed via three primary asset classes of equity, fixed income and diversified investments. The diversified asset class contains investments whose returns generally are not correlated with those of the equity and fixed income asset classes. The diversified asset class is intended to provide risk-versus-return characteristics that are beneficial to the portfolio. Additional information on the asset classes is disclosed in Note 5. At July 31, investment securities consisted of the following:

(In thousands)	2017	2016
Mutual funds	\$ 16,628	\$ 11,625
Exchange-traded funds	1,841	2,747
Separately managed accounts	3,260	3,619
U.S. Government and other debt obligations	12,521	12,708
Managed pool accounts	2,613	1,523
<b>Total Investment Securities</b>	<b>\$ 36,863</b>	<b>\$ 32,222</b>

Net investment income for the years ended July 31 consisted of the following:

(In thousands)	2017	2016
Interest and dividends	\$ 812	\$ 819
Realized and unrealized gains (losses) on investments	1,841	(374)
Investment fees and expenses	(114)	(108)
<b>Total Investment Income</b>	<b>\$ 2,539</b>	<b>\$ 337</b>

**Note 5. Fair Value Accounting**

Authoritative guidance clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures for fair value measurement. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to Level 1 inputs that represent unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are directly or indirectly observable inputs other than quoted prices included in Level 1. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs and have the lowest priority.

At July 31, 2017 and 2016, the valuation method used to determine fair value for Level 1 investment securities is the last reported sales price on the last business day of the fiscal year reported by the active markets in which the individual securities are traded. The valuation methods used for Level 2 investment securities are estimates using market-based measurements, such as quoted prices for similar assets, executed trades and yield curves, for U.S. Government and other debt obligations and, for managed pool accounts, the net asset value as reported by the investment company which is derived from the value of the underlying investments. The valuation method used for the Level 3 investment securities are estimates which include the discounted cash flow method and/or capitalization rates analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or assets, adjusted for differences between the investment and the referenced comparable, or options pricing models and other similar methods. There have been no changes in the valuation methods used.

Certain investments are measured at net asset value as a practical expedient to estimate fair value, and therefore, have not been classified in the fair value hierarchy. The fair value amounts presented in the following tables are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.



**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 5. Fair Value Accounting (Continued)**

The fair value of investment securities at July 31, 2017 is as follows:

(In thousands)	Level 1	Level 2	Level 3	Total
<b>Assets in the Fair Value Hierarchy:</b>				
<b>Mutual Funds</b>				
Equity securities	\$ 12,588	\$ -	\$ -	\$ 12,588
Fixed income securities	2,707	-	-	2,707
Diversified investments	1,333	-	-	1,333
<b>Exchange-traded Funds</b>				
Equity securities	1,841	-	-	1,841
<b>Separately Managed Accounts</b>				
Equity securities	1,903	-	-	1,903
Fixed income securities	1,357	-	-	1,357
<b>U.S. Government and Other Debt Obligations</b>				
Certificates of deposit	-	1,204	-	1,204
Treasury securities	-	2,500	-	2,500
Federal agency securities	-	3,494	-	3,494
Corporate bonds	-	5,323	-	5,323
<b>Managed Pool Accounts</b>				
Diversified investments	-	667	149	816
<b>Total assets in fair value hierarchy</b>	<b>21,729</b>	<b>13,188</b>	<b>149</b>	<b>35,066</b>
Investments measured at net asset value as a practical expedient	-	-	-	1,797
<b>Total Investment Securities</b>	<b>\$ 21,729</b>	<b>\$ 13,188</b>	<b>\$ 149</b>	<b>\$ 36,863</b>

The fair value of investment securities at July 31, 2016 is as follows:

(In thousands)	Level 1	Level 2	Level 3	Total
<b>Assets in the Fair Value Hierarchy:</b>				
<b>Mutual Funds</b>				
Equity securities	\$ 8,063	\$ -	\$ -	\$ 8,063
Fixed income securities	2,731	-	-	2,731
Diversified investments	831	-	-	831
<b>Exchange-traded Funds</b>				
Equity securities	2,662	-	-	2,662
Diversified investments	85	-	-	85
<b>Separately Managed Accounts</b>				
Equity securities	3,619	-	-	3,619
<b>U.S. Government and Other Debt Obligations</b>				
Certificates of deposit	-	1,905	-	1,905
Treasury securities	-	2,520	-	2,520
Federal agency securities	-	3,532	-	3,532
Corporate bonds	-	4,751	-	4,751
<b>Managed Pool Accounts</b>				
Diversified investments	-	632	5	637
<b>Total assets in fair value hierarchy</b>	<b>17,991</b>	<b>13,340</b>	<b>5</b>	<b>31,336</b>
Investments measured at net asset value as a practical expedient	-	-	-	886
<b>Total Investment Securities</b>	<b>\$ 17,991</b>	<b>\$ 13,340</b>	<b>\$ 5</b>	<b>\$ 32,222</b>

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 5. Fair Value Accounting (Continued)

During fiscal 2017 and 2016, NASBA committed to contribute a total of \$250,000 and \$500,000, respectively, to three separate investment funds which are Level 3 investment securities. At July 31, 2017, \$601,000 of the total \$750,000 commitment remains. The commitments expire at various times during the next four years ("commitment period"). These

funds have a strategy of investing in real estate, natural resources, power generation assets, financially distressed companies, and other private equity opportunities. Distributions will be made periodically over a period, including extensions, of up to approximately nine years from the end of the commitment period. The activity for Level 3 investment securities for fiscal 2017 is as follows:

(In thousands)	Fair Value at August 1, 2016	Purchases	Distributions	Gains (Losses)	Fair Value at July 31, 2017
Diversified investments	\$ 5	\$ 144	\$ (4)	\$ 4	\$ 149

The activity for Level 3 investment securities for fiscal 2016 is as follows:

(In thousands)	Fair Value at August 1, 2015	Purchases	Distributions	Gains (Losses)	Fair Value at July 31, 2016
Diversified investments	\$ -	\$ 5	\$ -	\$ -	\$ 5

There were no transfers into or out of Level 3 during fiscal 2017 and 2016.

The managed pool account included in Level 2 investments may be redeemed on a daily basis. The two investments measured at net asset value as a practical expedient at July 31, 2017 and 2016 were invested with investment companies in which redemption is typically either permitted on a quarterly basis with written notice no later than the 25th day of the month prior to the redemption date or on a monthly basis with written notice no later than the second to last business day of the month. The total amount of all requested redemptions for each period may be limited. For one of the investments, redemption prior to January 2018 will be given at 95% of the transaction price.

NASBA's nonfinancial assets include property, equipment and software development costs. If certain triggering events occur, a resulting asset impairment would require that the nonfinancial asset be recorded at fair value. During fiscal 2017 and 2016, NASBA did not measure any nonfinancial assets at fair value or recognize any amounts in the consolidated financial statements related to changes in fair value for nonfinancial assets.

### Note 6. Note Receivable

NASBA had a promissory note (the "note") from the affiliate's wholly-owned subsidiary which was fully paid at July 31, 2017. The note bore interest at the Wall Street Journal Prime Rate plus 1.75%. Interest payments on the note in the amounts of \$17,000 and \$43,000 were received during fiscal 2017 and 2016, respectively.

### Note 7. Investment in Affiliate

NASBA has a 20% interest in a limited liability company ("LLC"). During fiscal 2016, NASBA exercised its preemptive rights to maintain a 20% interest and made an additional capital contribution to the LLC in the amount of \$500,000. The balance of \$530,000 and \$784,000 at July 31, 2017 and 2016, respectively, represents the initial carrying value and the additional capital contribution reduced by NASBA's share of the affiliate's cumulative net losses and a writedown of the investment in fiscal 2014.

### Note 8. Property and Equipment

Property and equipment at July 31 consists of the following:

(In thousands)	2017	2016
Office and computer equipment	\$ 3,251	\$ 3,023
Furniture	1,457	1,380
Building and leasehold improvements	3,527	3,508
Total Property and Equipment	8,235	7,911
Accumulated depreciation and amortization	(3,567)	(2,869)
Net Property and Equipment	\$ 4,668	\$ 5,042

### Note 9. Software Development Costs

Net software development costs remaining to be amortized at July 31, 2017 are as follows in thousands:

Fiscal 2018	\$ 74
Fiscal 2019	31
Fiscal 2020	28
Fiscal 2021	16
Total Net Software Development Costs	\$ 149

In addition to the in-use software development costs in the above schedule, unamortized in-progress software development costs of approximately \$4,702,000 and \$2,087,000 were capitalized during fiscal 2017 and 2016, respectively. The software development projects to which these costs relate are generally anticipated to be completed during calendar 2018.

In July 2017, NASBA entered into an agreement with a vendor for the reimbursement of certain costs associated with an in-progress software development project. The total amount of \$1,500,000 is included in receivables in the consolidated statements of financial position at July 31, 2017. Of that amount, \$813,000 is for capitalized software development costs of which \$252,000 was capitalized in fiscal 2016. The remaining \$687,000 is for expenses incurred in fiscal 2017 and fiscal 2016 (\$571,000 and \$116,000, respectively) and has been recorded as a reduction of the related expense categories in fiscal 2017. The reimbursed amount was received in August 2017.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 10. Other Long-term Liabilities

Other long-term liabilities at July 31 consist of the following:

(In thousands)	2017	2016
Accrued rent payable	\$ 794	\$ 679
Deferred rent credit	1,053	1,172
Accumulated postretirement benefit obligation	238	266
<b>Total Other Long-term Liabilities</b>	<b>\$ 2,085</b>	<b>\$ 2,117</b>

### Note 11. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets at July 31 have donor-imposed restrictions as follows:

(In thousands)	2017	2016
Time-restricted		
Multi-year pledges	\$ -	\$ 1
Endowment investment income	14	3
Purpose-restricted	76	41
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 90</b>	<b>\$ 45</b>

Permanently restricted net assets at July 31 include:

(In thousands)	2017	2016
Endowment contributions receivable	\$ -	\$ 5
Endowment fund	93	90
<b>Total Permanently Restricted Net Assets</b>	<b>\$ 93</b>	<b>\$ 95</b>

In accordance with the Uniform Prudent Management of Institutional Funds Act, the contributions received for the endowment fund are included in permanently restricted net assets. In fiscal 2017, a pledge to the endowment fund of \$2,000 was released from permanently restricted net assets by the donor.

Unrestricted net assets include the unrestricted net assets (deficit) of CPT, which as of July 31, 2017 and 2016, respectively, are \$83,000 and \$(95,000).

### Note 12. Agreements to Provide Examination Services

Effective December 31, 2009, NASBA entered into an amended and restated agreement (the "Domestic Agreement") with Prometric, Inc. ("Prometric"), a company that provides technology-enabled testing services, and the American Institute of Certified Public Accountants ("AICPA") to jointly deliver a computerized uniform CPA examination (the "examination"). The Domestic Agreement currently expires on December 31, 2019 between NASBA, AICPA and Prometric and expires on December 31, 2024 between NASBA and AICPA. The initial term, number of renewal options and renewal terms for each party to the Domestic Agreement are as follows:

Partners to Agreement	Initial Term	Number of Renewal Options	Renewal Term
NASBA and AICPA	15 years	Unlimited	2 years
NASBA, AICPA and Prometric	5 years	2	5 years

Under the terms of the Domestic Agreement, NASBA operates and maintains a National Candidate Database which serves as a gateway for all examination candidates. The Domestic Agreement allows for NASBA to recover, through fees charged directly to CPA examination candidates, all National Candidate Database costs, including development, and the costs of providing grade reporting and examination review services.

Effective January 1, 2013, NASBA entered into an amended and restated agreement (the "International Agreement") with the AICPA to allow the examination to be delivered by Prometric in international locations. In addition, effective August 1, 2013, NASBA and AICPA entered into an agreement (the "CBT International Agreement") with Prometric for the delivery of the examination in certain international locations. Under the terms of the International Agreement and CBT International Agreement, NASBA provides similar services as provided in the Domestic Agreement. The International Agreement and the CBT International Agreement have the same term and renewals as the Domestic Agreement.

NASBA also collects the Prometric and AICPA fees from candidates related to the examination. These funds are held in escrow accounts and are disbursed when services are provided. At July 31, 2017 and 2016, these escrow funds amounted to \$24,000,000 and \$25,000,000, respectively. These funds are held in depository accounts and U.S. Treasury notes. At July 31, 2017, no portion of the escrow funds balance held in depository accounts exceeded FDIC insurance limits. Escrow funds and the related obligations are not reported in the consolidated financial statements because they do not represent assets or obligations of NASBA.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 13. Retirement Plan and Other Postretirement Benefits

NASBA maintains a 401(k) plan which allows employee and employer contributions for all full-time employees meeting specified requirements. Expenses related to NASBA's funding of the retirement plan amounted to \$846,000 and \$797,000 for fiscal 2017 and 2016, respectively. NASBA funds its obligation through annual contributions made after the end of the December 31 plan year and generally pays all fees related to the plan.

NASBA has made available limited postretirement medical benefits for certain management-level employees with five years of service and a minimum age of 60. At July 31, 2017 and 2016, the accumulated postretirement benefit obligation was determined by an independent actuarial valuation to be \$246,000 (\$238,000 noncurrent and \$8,000 current) and \$272,000 (\$266,000 noncurrent and \$6,000 current), respectively, and is included in the consolidated statements of financial position.

The following table sets forth the components of net periodic postretirement benefit cost (credit) and the change in the benefit obligation:

(In thousands)	2017	2016
Components of net periodic cost (credit):		
Service cost	\$ 24	\$ 19
Interest cost	7	8
Actuarial (gain) loss	(57)	33
Net periodic cost (credit)	(26)	60
Plan participants' contributions	-	14
Benefits paid	-	(27)
Net change in benefit obligation	(26)	47
Benefit obligation at beginning of year	272	225
Benefit Obligation at End of Year	\$ 246	\$ 272

The discount rate used to value the obligation was 3.21% in fiscal 2017 and 2.77% in fiscal 2016. The assumed medical trend rate is 7% graded uniformly to 4% over a period of 6 years and the assumed dental trend rate is 4% per annum. The approximate effect on the accumulated postretirement benefit obligation of a one percentage point change in the assumed health care cost trend rate is shown below:

(In thousands)	1% Increase in Rates	1% Decrease in Rates
Accumulated Postretirement Benefit Obligation Effect	\$ 36	\$ (28)

The obligation will be funded on a cash basis through partial payment of medical insurance plan premiums for a five-year period at each eligible employee's retirement date. There were no employer contributions in fiscal 2017. Employer contributions were \$13,000 for fiscal 2016. The following table shows approximate actuarial projections of expected future postretirement benefit payments in thousands:

Fiscal 2018	\$ 8
Fiscal 2019	11
Fiscal 2020	15
Fiscal 2021	21
Fiscal 2022	26
Fiscal 2023 through 2027	114

### Note 14. Capital Leases

NASBA is obligated at July 31, 2017 with future minimum lease payments as follows in thousands:

Fiscal 2018	\$ 11
Fiscal 2019	11
Fiscal 2020	1
Minimum lease payments	23
Less imputed interest	1
Present value of future lease payments	22
Less non-current portion	12
Current Obligation	\$ 10

The amortized cost of the office equipment under this capital lease is \$21,000 at July 31, 2017.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 15. Commitments

In August 2016, NASBA extended the operating lease for its Guam office space through December 2018. NASBA exercised an early-termination option during fiscal 2017 and, as a result, incurred a termination penalty of \$27,000. This lease will terminate on December 31, 2017. In September 2017, NASBA signed an operating lease for new Guam office space through December 2022. NASBA has commitments for office space under operating leases that expire at various dates through fiscal 2028. Total scheduled rent payments under these leases are amortized to rent expense on a straight-line basis over the terms of the leases. Minimum lease payments, including the new Guam office space lease signed in September 2017, are as follows in thousands:

Fiscal 2018	\$ 1,049
Fiscal 2019	1,602
Fiscal 2020	1,642
Fiscal 2021	1,530
Fiscal 2022	1,572
Thereafter	8,854
<b>Minimum Lease Payments</b>	<b>\$ 16,249</b>

Net rent expense charged to operations for office space in fiscal 2017 and 2016 totaled \$1,543,000 and \$1,502,000, respectively. NASBA subleased a portion of the leased office space to the affiliate's wholly-owned subsidiary through May 31, 2017. Rent expense for fiscal 2017 and 2016 has been reduced by \$128,000 and \$144,000, respectively, from sublease income.

NASBA is obligated at July 31, 2017 under various service agreements. Minimum payments remaining for these commitments are \$144,000 in fiscal 2018.

### Note 16. Income Taxes

The actual income tax benefit for Aequo differs from the amounts computed by applying the U.S. federal income tax rate of 34% to income before income taxes as a result of the following:

(In thousands)	2017	2016
Statutory federal income tax benefit	\$ (109)	\$ (82)
State income taxes	(20)	(18)
Valuation allowance	124	110
Other	5	(10)
<b>Income Tax Benefit</b>	<b>\$ -</b>	<b>\$ -</b>

The deferred income tax asset consists of the following:

(In thousands)	2017	2016
Deferred income tax asset — long-term	\$ 314	\$ 190
Valuation allowance	(314)	(190)
<b>Deferred Income Tax Asset</b>	<b>\$ -</b>	<b>\$ -</b>

At July 31, 2017, Aequo had federal and state net operating loss carryforwards of \$769,000. The carryforwards expire at various dates from July 31, 2035 through 2037 for federal tax purposes and July 31, 2030 through 2032 for state tax purposes. The valuation allowance relates primarily to federal and state net operating loss carryforwards that may not be realized.

NASBA has adopted the recognition requirements for uncertain income tax positions and believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on NASBA's financial position, results of operations or cash flows. Accordingly, NASBA has accrued no interest or penalties related to uncertain tax positions at July 31, 2017 and 2016. It is NASBA's policy to recognize interest and penalties related to income tax matters in other expense. In general, NASBA is no longer subject to examinations by tax authorities for U.S. federal and state income tax returns before fiscal 2014.

### Note 17. Subsequent Events

Management has evaluated all material events and transactions that occurred from the date of the consolidated financial statements through September 21, 2017, which is the date that the consolidated financial statements were available to be issued. Other than the subsequent events disclosed in Notes 9 and 15, there were no material subsequent events that required adjustments to or disclosure in the consolidated financial statements.





150 Fourth Avenue North, Suite 700  
Nashville, TN 37219-2417

T/615.880.4200  
F/615.880.4290

[www.nasba.org](http://www.nasba.org)

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