Driven through leadership. Driven through service. Driven through advocacy on behalf of Boards of Accountancy. These tenets describe the spirit of the National Association of State Boards of Accountancy (NASBA) throughout the 2012-13 fiscal year and beyond. 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 750,000 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, academics and the accounting profession to explore, promote and advance ethical behavior through business and leadership.

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

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OUR MISSION

Enhance the effectiveness and advance the common interests of the Boards of Accountancy.

OUR VISION

An effectively regulated accounting profession's impact on the economy can be profound. Confidence in those professional services positively impacts capital markets and is in the public interest.

NASBA will provide Boards of Accountancy the highest level of support in their regulation of the profession by:

Providing visionary leadership

Speaking as a trusted collective voice for the boards on national and international issues

Supporting boards as effective stewards of the public interest

Performing all services with excellence

Promoting ethics and integrity

OUR VALUES

Our values drive how we go about meeting the spirit of our mission and vision.
Above all, preserving the public trust through effective regulation of the accounting profession

Treating all of our members, business partners and other stakeholders fairly and with respect

Maintaining a diverse, healthy, fun work environment where teamwork, creativity and accountability are rewarded

Practicing effective stewardship of our resources in order to provide the highest level of services possible to our members

Ensuring the highest quality, integrity and excellence in all that we do

Operational Excellence
Actively pursue operational excellence in all areas by:
• Continuously working to improve quality and efficiency
• Monitoring internal and external stakeholder satisfaction
• Ensuring sustainable growth that is mission driven, member focused

Enforcement
Enhance and maintain enforcement capabilities of Boards of Accountancy by:
• Actively seeking input from the boards to understand their needs
• Providing timely resources to assist them
• Promoting consistency and uniformity where possible

Legislative & Regulatory Support
Provide a comprehensive monitoring and response network to Boards of Accountancy on regulatory and legislative issues that affect the boards, the public, and the profession by:
• Monitoring State and Federal legislation and notifying boards about legislation affecting their jurisdictions
• Developing an extensive legislative affairs network and leveraging those contacts to benefit boards
• Supporting boards facing political threats to their mission to protect the public
• Assisting boards with resources needed to address legislative and regulatory issues

Support State Sovereignty
Vigorously support the authority of the Boards of Accountancy to regulate their licensees by:
• Effectively communicating the boards’ regulatory
daughter to all external stakeholders in national and international arenas
• Supporting the boards’ efforts to achieve, maintain or enhance appropriate operational and financial independence

Relationships
Establish and maintain effective relationships with Board of Accountancy members and staff, and other stakeholders by:
• Actively engaging the boards in dialogue in order to understand their needs and perspective on issues that affect the regulation of the profession
• Identifying boards’ priorities and coordinating NASBA resources to provide them with timely service
• Providing forums for boards to share best practices, discuss common issues and build inter-board relationships
• Familiarizing boards with NASBA
• Advocating on behalf of boards
• Working with national and international regulatory and professional bodies to advance the common interests of boards

Education & Training
Help Boards of Accountancy develop the capacity of their board members, staff and legal counsel by:
• Offering a comprehensive curriculum of training in support of their unique needs
• Conducting regular and recurring high value meetings with a primary focus on relevant education and information sharing

Ethics
Effectively promote ethical behavior in the profession by:
• Educating all relevant stakeholders in the critical importance of high-level ethical behavior
• Encouraging boards to demand highly ethical behavior from their licensees
• Emphasizing the importance of moral reasoning and ethical behavior
• Supporting the Center for the Public Trust

Technology Support
Provide technology leadership and support to the Boards of Accountancy by:
• Monitoring technology trends and boards’ needs
• Implementing appropriate technology solutions
• Ensuring the effective ongoing use of technology
DRIVEN THROUGH LEADERSHIP

Leaders are ones who motivate, who tackle pertinent issues head-on and who aren’t afraid to sit at the helm of the driver’s seat in their quest toward achievement. Leaders within NASBA demonstrate these qualities daily through their commitment to state boards of accountancy and to the regulation of the accounting profession. Individuals serving on NASBA’s executive team, board of directors, committees, staff and on various regulatory bodies, lead by example and are the driving force behind NASBA’s success.

“THE SPEED OF THE BOSS IS THE SPEED OF THE TEAM.”

LEE IACOCCA
LETTER FROM NASBA LEADERSHIP

This past year has been an important one for NASBA. As a result of restructuring, reorganizing and other transitional activities that we began last year, we have seen significant success in our fiscal management and in our ability to provide services and support to Boards of Accountancy. Employees at every level in NASBA contributed to the organization’s paramount success—namely by embracing change, by seeking new levels of accountability and efficiencies, and most importantly, by working to achieve our mission, “To enhance the effectiveness and advance the common interests of the Boards of Accountancy.”

For this year’s Annual Meeting, we chose the theme of “DRIVEN,” which represents the passion and focus that NASBA has demonstrated this year. We hope that every NASBA constituent recognizes the impact of our renewed focus on Boards of Accountancy and of the enhanced relevance and fortitude of this great organization. Our hope is also that every constituent of NASBA is driven toward continued advancement in the future.

Many will remember 2013 for the important issues and developments that occurred. NASBA and AICPA came together to recommend changes to the Uniform Accountancy Act with language that changes the definition of attest, and with language that allows states that want to adopt firm mobility to do so in a uniform way. NASBA raised concerns about the use of AICPA’s Financial Reporting Framework for Small and Medium-sized Entities (FRF for SMEs) and was able to work with AICPA to mitigate those concerns. This year, NASBA attended each meeting of the new Private Company Council (PCC) to monitor the Council’s progress and released deliverables. The traction of NASBA’s increased visibility and relevance was evident in this strategically important year.

Further, in 2013, NASBA’s enhanced legislative support capability has been tested nationally. We have supported state legislation that will enhance the capability and capacity of those Boards of Accountancy and that will continue to help states across the country stave off harmful legislation. This year, we have worked closely with our territories to develop legislative language. Puerto Rico is moving forward with mobility legislation that will likely make them the 51st state or territory to implement mobility. The Virgin Islands have developed, and are working toward passage, language that will bring them into substantial equivalent status and implement mobility. Guam is also developing mobility language, leaving Hawaii as the only U.S. jurisdiction without a clear pathway to mobility legislation. NASBA’s legislative office is tracking hundreds of bills nationwide that could impact a Board of Accountancy.

Certainly, NASBA’s strong volunteer committee structure has played a critical role this year. Hundreds of volunteers contributing their professional services and leadership have allowed NASBA to closely review issues, exposure drafts and changes—all of which have significantly impacted the accounting profession and the public interest, both domestically and internationally. Our committees provide guidance, support and review of our financial wherewithal as an organization, and provide input into virtually every element of NASBA.

We ended our fiscal year with positive results that keep NASBA in a very sound financial condition. Additionally, our products and services are all performing well. We continue to embody an entrepreneurial spirit as we identify and develop new products and services that provide support for Boards of Accountancy. Through accountability and improved efficiencies, NASBA continues to cut costs while enhancing operational capability.

NASBA’s Center for the Public Trust made tremendous headway in its effort to establish StudentCPT chapters across the U.S. With 17 chapters currently in place, and many more in development, hundreds of future business and accounting professionals are exposed to and learning about the importance of a good ethical underpinning. The Center is also advancing its core mission of recognizing accounting and corporate leaders and organizations demonstrating positive and ethical behavior.

We are “driven” by our mission, our great members, and our responsibilities. Thank you for the support and trust you have placed in the leadership, volunteers, and staff of NASBA.

Gaylen R. Hansen, CPA  
Chair, 2012-2013

Ken L. Bishop  
President & Chief Executive Officer

Colleen K. Conrad, CPA  
Executive Vice President & Chief Operating Officer
Mission Driven - Member Focused

“To enhance the effectiveness and advance the common interests of the Boards of Accountancy.”

From left to right: Ken L. Bishop, Gaylen R. Hansen and Colleen K. Conrad

Vintage Rolls Royce courtesy of Grand Avenue of Nashville, TN
2012 - 2013 BOARD OF DIRECTORS

OFFICERS
Gaylen R. Hansen, CPA (CO)
Chair

Carlos E. Johnson, CPA, Ed. D. (OK)
Vice Chair

Mark P. Harris, CPA (LA)
Past Chair

E. Kent Smoll, CPA (KS)
Treasurer

Kenneth R. Odom, CPA (AL)
Secretary

DIRECTORS-AT-LARGE
Donald H. Burkett, CPA (SC)

Richard Isserman, CPA (NY)

Raymond N. Johnson, Ph. D., CPA (OR)

Telford A. Lodden, CPA (IA)

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

Harry O. Parsons, CPA (NV)

Laurie J. Tish, CPA (WA)

REGIONAL DIRECTORS
Donald F. Aubrey, CPA (WA)
Pacific Regional Director

Jimmy E. Burkes, CPA (MS)
Southeast Regional Director

Jefferson Chickering, CPA (NH)
Northeast Regional Director

Miley W. (Bucky) Glover, CPA (NC)
Middle Atlantic Regional Director

Janice L. Gray, CPA (OK)
Southwest Regional Director

Douglas W. Skiles, CPA (NE)
Central Regional Director

Kim Tredinnick, CPA (WI)
Great Lakes Regional Director

Karen F. Turner, Ph. D., CPA (CO)
Mountain Regional Director

EXECUTIVE DIRECTORS’ LIAISON
Nicole Kasin (SD)

NASBA STAFF
Ken L. Bishop
President & CEO

Colleen K. Conrad, CPA
Executive Vice President & COO

Noel L. Allen
Legal Counsel

“GOOD BUSINESS LEADERS CREATE A VISION, ARTICULATE THE VISION, PASSIONATELY OWN THE VISION, AND RELENTLESSLY DRIVE IT TO COMPLETION.”

JACK WELCH
NASBA’s BOARD OF DIRECTORS 2012-13 – Top row (left to right): Jimmy E. Burkes (MS) Southeast Regional Director; Nicole Kasin (SD) Executive Directors’ Liaison; Jefferson Chickering (NH) Northeast Regional Director; Kenneth R. Odom (AL) Secretary; Raymond N. Johnson (OR) Director-at-Large; Donald F. Aubrey (WA) Pacific Regional Director; Kim L. Tredinnick (WI) Great Lakes Regional Director. Center row (left to right): Miley W. (Bucky) Glover (NC) Middle Atlantic Regional Director; Harry O. Parsons (NV) Director-at-Large; Theodore W. Long, Jr. (OH) Director-at-Large; Janice L. Gray (OK) Southwest Regional Director; Telford A. Lodden (IA) Director-at-Large; Donald H. Burkett (SC) Director-at-Large; Douglas W. Skiles (NE) Central Regional Director; E. Kent Smoll (KS) Treasurer. Bottom row (left to right): Noel L. Allen, Legal Counsel; Laurie J. Tish (WA) Director-at-Large; Mark P. Harris (LA) Past Chair; Ken L. Bishop, President & CEO; Gaylen R. Hansen (CO) Chair; Colleen K. Conrad, Executive Vice President & COO; Carlos E. Johnson (OK) Vice Chair; Karen F. Turner (CO) Mountain Regional Director. Not present: Richard Isserman (NY) Director-at-Large.
Page 10 has been removed.
2012-13 NASBA VOICES IN THE ACCOUNTING WORLD

AICPA Accounting and Review Services Committee – Janice Gray
AICPA Auditing Standards Board – William Hunter Cook, Samuel Cotterell, Edwin Jolicoeur, David Miller, Kim Tredinnick
AICPA Board of Examiners – Wendy Perez (Chair), Mari DeVries, Steve DelVecchio, Russ Friedewald, Barbara Ley, Leslie Mostow, Richard Reisig, Michael Tham
AICPA Board of Examiners Content Subcommittee – Ray Stephens
AICPA Board of Examiners State Board Committee – Barbara Ley (Chair), Jimmy Corley, Bobby Creech, Mark Crocker, David DaSilva, Roberta Newhouse, Daniel Sweetwood
AICPA National Peer Review Committee – Mark Hobbs, Art Sparks
AICPA Professional Ethics Executive Committee - Jack Dailey, Raymond Johnson
AICPA Peer Review Board - Henry Krostich
FASB Private Company Council – Billy Atkinson (Chair), Diane Rubin
IAASB Consultative Advisory Group - Gaylen Hansen
IAESB Consultative Advisory Group - Raymond Johnson
IESBA Consultative Advisory Group - Gaylen Hansen
PCAOB Standing Advisory Group - Gaylen Hansen
DRIVEN THROUGH SERVICE

NASBA APPOINTS MORE THAN 30 COMMITTEES AND TASK FORCES ANNUALLY. NASBA VOLUNTEERS AND STAFF FUEL NASBA’S STANCE ON CURRENT AND EMERGING ISSUES IMPACTING THE NATION’S BOARDS OF ACCOUNTANCY. WITH THEIR FOOT ON THE ACCELERATOR, THESE COMMITTEES NAVIGATE THROUGH TOPICS RANGING FROM ETHICS, EDUCATION AND GLOBAL REGULATION IN ACCOUNTING TO THE DEPLOYMENT OF MODEL RULES FOR MEMBER BOARDS’ CONSIDERATION. THE GREAT WORK CONDUCTED BY NASBA COMMITTEES IS VALUED AND TO BE COMMENDED.

“THERE’S NO GREATER FEELING THAN WINNING A RACE.”

JEFF GORDON
ACCOUNTANCY LICENSEE DATABASE/ CPAVERIFY COMMITTEE

Achieve recognition and acceptance of the Accountancy Licensee Database and CPAverify by all Boards of Accountancy and relevant stakeholders.

For 2012-13, the Committee's focus entailed working toward real time capability, monitoring reliability and considering other appropriate applications of the databases. With 44 boards now on the ALD and 40 boards on CPAverify, with many more implementations in progress, the ALD has successfully transitioned into an “operational mode.” This advancement is a testament to the hard work of all Boards of Accountancy, board staff, volunteers and NASBA staff involved. The Committee has evolved to become more advisory in nature, assisting and advising staff in areas of policy, gaining consensus among boards, solving areas of challenge, championing approval or buy-in of major initiatives and activities, and concentrating on the NASBA Chair’s three choice focus points. NASBA staff has been the primary driver of the first two focus points: “work towards real-time capability” and “monitor reliability,” with the bulk of volunteer involvement revolving around the third focus: “consider other appropriate applications of the databases.”

Promising applications that were generated from discussions this year include:

- New ways of using the ALD to communicate additional disciplinary components to the boards
- Leverage existing firm data to make Peer Review compliance an easier task for boards
- Use the ALD for improved communication between boards, especially around mobility and discipline – A new subcommittee consisting of three members from the ALD/CPAverify Committee and three members from the Enforcement Resources Committee was developed specifically to delve into this issue
- Save board staff time and energy each year by using ALD data for participating states in the annual census.

Chair: Laurie J. Tish (WA); Vice Chair: Dan Sweetwood (NE); Members: Patti Bowers (CA), Mac N. Claxton (MD), Clifford Cooks (DC), Mark H. Crocker (TN), Wade A. Jewell (VA), Shelley R. Johnson (IN), Viki A. Windfeldt (NV), Lisa Zolman (WA); Staff Liaisons: Rebecca Gebhardt and Elizabeth Stanton

ADMINISTRATION & FINANCE COMMITTEE

Oversee and monitor the fiscal operations of the Association.

The Administration & Finance Committee monitors and provides oversight to the fiscal operations of NASBA and the NASBA Center for the Public Trust (CPT). E. Kent Smoll, CPA, NASBA Treasurer, is serving his second year as chair of the Committee. The Board of Directors relies on the Administration & Finance Committee to review the financial performance from operations and the use of resources for mission-focused activities. The Committee worked with management and volunteer leadership to review financial policies, monitor financial performance and assess enterprise risk.

During fiscal 2013, the chair participated with management and kept the Committee apprised of a software implementation and process improvement project directed toward improved internal financial reporting. The Committee was also involved in financial reporting changes related to how cash flows were presented in the financial statements and how reporting could more meaningfully reflect NASBA’s focus on its mission.

The Investment Committee, a subcommittee of the Administration & Finance Committee, reviewed the return and risk characteristics of NASBA’s short-term and long-term investments, evaluated the investment advisor's performance in managing the long-term fund, and monitored compliance with the board-approved investment policy.

Chair: E. Kent Smoll (KS); Members: Donald F. Aubrey (WA), Walter F. D’Olive, III (AL), Carlos E. Johnson (OK), John E. Katzenmeyer (OH), Vicky Petete (OK); Staff Liaisons: Michael R. Bryant and Troy A. Walker

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.

In preparation for the 2013 NASBA Awards program, the Awards Committee extended its annual call for nominations to NASBA membership April 1 – July 1, 2013. At the close of the
nomination period, the Committee conducted an extensive review of the nomination materials and a discussion on the slate of nominees for the William H. Van Rensselaer Public Service Award, the NASBA Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award. Committee recommendations were later presented and approved by the NASBA Board of Directors during the Board's July 2013 meeting, held July 25-26.

The 2013 NASBA award recipients include: Diane M. Rubin, CPA, from California (William H. Van Rensselaer Public Service Award), Andrew L. DuBoff, CPA, from New Jersey (NASBA Distinguished Service Award) and Richard C. Sweeney, CPA, from Washington (Lorraine P. Sachs Standard of Excellence Award). NASBA will formally recognize each recipient during the 106th Annual Meeting in Maui, HI, October 27-30, 2013.

Chair:  Michael T . Daggett (AZ); Members:  Robert N. Brooks (NC), Philip W . Gleason (MN), Marianne  Mickelson (IA), Leonard R. Sanchez (NM), Sandra A. Suran (OR); Staff Liaison:  Cassandra Gray

Board Effectiveness and Legislative Support Committee

Develop strategies to assist Boards of Accountancy in efforts to improve effectiveness and support the Director of Legislative Affairs in developing an effective legislative strategy.

NASBA Chair Gaylen Hansen charged each of NASBA’s committees to envision new ways to better respond to the needs of Boards of Accountancy. The work of the newly formed Board Effectiveness and Legislative Support Committee (BELS) centered around three key areas set forth in Chair Hansen’s committee charge: leadership, engagement and service. Besides many conference calls, and several subcommittee conference calls, the BELS Committee held two in-person meetings during its inaugural year—on February 13, 2013, in Nashville, and August 12, 2013, in Chicago.

In November, for the first time in its history, NASBA began to monitor legislation affecting the regulation of the accounting profession within the 50 states, Puerto Rico, the District of Columbia and Congressional legislation. In addition to tracking legislation, NASBA expanded the bill-tracking program in February so that bills being tracked are available online.

Providing legislative assistance to Boards of Accountancy requesting help will be the responsibility of John Johnson, NASBA’s Director of Legislative and Governmental Affairs. Although NASBA has provided legislative assistance to Boards of Accountancy in the past, there have never been set policies to assist in such requests. As a first step, the BELS Committee stated that the following three guiding principles must be present before NASBA considers providing legislative assistance: that the assistance must enhance the effectiveness and advance the common interest of the board; protect the public; and promote the advancement of the Uniform Accountancy Act (UAA). Once those elements are present, NASBA should assess the harm/benefit to the board and the profession at large, obtain consensus from all relevant parties and evaluate other pertinent data to prioritize legislative assistance.

Forming networks with other groups of similar values, interests and goals is the bedrock to any successfully legislative affairs program. The BELS Committee identified the following “core groups” as essential in developing a strong legislative affairs network: State Societies; AICPA (Federal/State Legislative Teams); CPA State Executive Association; and the Accountants Coalition, to name a few consumer interest groups. In addition to forming an external network, it is essential to establish a strong internal network program. A Key Person Contact Program (KPCP) serves that function.

The work accomplished by the Committee during its inaugural year will assist John Johnson when consulting with all Boards of Accountancy on their legislative strategies.

Chair:  Donald H. Burkett (SC); Members:  A. Carlos Barrera (TX), J. Michael Barham (NC)**, Jennifer Brundige (TN), Stephen H. Epstein (MI), Gary L. Fish (IL), Wanda W . Goodson (GA), Sharon A. Jensen (MN), Jeffrey L. Johnson (AK), Andrea M. Kilmer (VA), David R. Nance (NC), Richard C. Sweeney (WA), H. Steven Vogel (FL); Staff Liaison:  John Johnson

**Retired from the North Carolina State Board of CPA Examiners on June 30, 2013
BYLAWS COMMITTEE

Review and recommend amendments to the Bylaws to the Board of Directors.

The Bylaws Committee had a very busy year. The Committee continued its work to better clarify the Bylaws by recommending changes to the structure and order of certain sections of the Bylaws. These changes included moving all relevant Nominating Committee information to one section. In addition, the Committee recommended changes clarifying the chair’s ability to make committee assignments, including the appointment of the vice chair as an ex officio member of committees.

The Committee also recommended that the NASBA Board Secretary be added as a member, and the president and chief executive officer be added as an ex officio member to the NASBA Board Executive Committee. In order to formally acknowledge current actions, the Committee recommended the Executive Directors Committee be recognized as a standing committee. All of the recommended changes were accepted by the NASBA Board and will be presented to the membership for adoption at the NASBA Annual Meeting.

Chair: Jimmy E. Burkes (MS); Members: James J. Carroll (OH), James S. Ciarcia (CT), Richard G. David (MI), James Wyatt Goad (AR), Leonard R. Sanchez (NM); Staff Liaisons: Alfonzo Alexander and John Johnson

CBT EXAMINATION ADMINISTRATION COMMITTEE

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

Operational examination issues and enhancements continue to be the focus for the CBT Examination Administration Committee. The Committee met via conference call on February 25, 2013, and in person on August 7, 2013, in Denver, CO.

The agendas covered a variety of administrative and operational topics including, legislative changes which impact the examination, rescoring of the examination, implementation of the use of note boards versus scratch paper, the administration of the examination in international locations and multiple retesters.

The Committee has requested NASBA and AICPA staff develop a document to provide boards with a better understanding of the processes covering investigations into multiple retesters.

The Committee is also working with NASBA and AICPA staff to improve outreach to candidates.

Chair: Douglas W. Skiles (NE); Members: Kent Absec (ID), Robert N. Brooks (NC), Richard C. Carroll (KY), Charles Jack Emmons (NM), Margaret A. Houston (OH), Benjamin C. Steele (NV); Staff Liaison: Patricia Hartman

COMMUNICATIONS COMMITTEE

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

The Communications Committee focused its efforts on introducing innovative communication tools to assist Boards of Accountancy with public awareness and on assisting with the implementation of NASBA meeting enhancements.

During 2012-13, the Committee partnered with NASBA’s Communications Department to promote complimentary creative services to boards. Through this program, NASBA produces electronic newsletters, brochures and annual reports for Boards of Accountancy, free of charge. Since the program’s launch, several boards have taken advantage of the complimentary service offering and received overwhelmingly positive feedback from their respective board members and licensees. Participating boards include: Arkansas, Kentucky, Montana, Nevada, Oklahoma, Washington and Wyoming. The Committee anticipates that additional boards will take advantage of this innovative and cost-effective service.
COMMUNICATIONS COMMITTEE (CONTINUED)

To keep executive directors abreast of developments in the social media world, the Committee began publishing articles and helpful tips in NASBA’s *EDigital* newsletter.

In June, the Committee hosted Communications Officers’ breakfast meetings during the 2013 Regional Meetings. The breakfasts served as forums where board representatives and Committee members shared best practices regarding communications outreach through Internet, social media and partnerships with academic institutions and state societies. During the breakfasts, the Committee also provided attendees with a listing of Boards of Accountancy actively engaged in social media and four sample public service announcement (PSA) templates that can be customized and shared with local media outlets for public distribution.

Lastly, the Committee continued its work of assisting NASBA with the implementation of meeting enhancements. This year, recommendations such as the topical networking luncheon, electronic polling and electronic meeting materials were incorporated into various NASBA meetings.

Chair: Jefferson Chickering (NH); Members: Jim Abbott (ND), Sally Flowers (CA), Linda E. Harris (MT), Lisa R. Hearne (NC), Pamela Ivey (WV), Shelley Laracuente (IA), Judy A. Thomas (CO), Kevin P. Tracy (RI); Staff Liaisons: Cassandra Gray and Thomas G. Kenny

COMPLIANCE ASSURANCE COMMITTEE

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

The Compliance Assurance Committee (CAC) had a very productive year. The following is a summary of accomplishments for 2012-2013:

- Drafted a survey and collected valuable information from Boards of Accountancy regarding Peer Review Oversight Committees (PROCs). The information collected from the survey, along with the post 2011 PROC Summit survey, was strategically used to plan the topics of the 2013 PROC Summit to align with current needs. The survey is posted on nasba.org.
- Researched and developed templates and checklists for PROCs to ensure relative and consistent information is reviewed, captured and reported when attending RAB and Peer Review Committee meetings and preparing annual reports to Boards of Accountancy.
- Created PROC Resource web pages on nasba.org including Annual PROC Report Repository, PROC Video Training Modules and PROC Documents pages to offer support and promote consistency for PROCs.
- Produced the first two videos of a training series for Boards of Accountancy and their PROCs. The NASBA Guide to Developing a PROC: 1) First Steps and 2) PROC Organization were completed and posted in the PROC Resources section of nasba.org. Three additional videos are planned to complete the training series: The NASBA Guide to Developing a PROC – 3) Recruiting and Selecting Members and the NASBA Guide to Operating a PROC: 4) Managing the Process and 5) Documentation and Reporting.
- Hosted the bi-annual PROC Summit in Nashville, TN, on July 10, 2013. The Summit had the largest attendance on record and the post survey remarks were excellent.
- Held the annual face to face CAC meeting and joint AICPA Standards Task Force/CAC meeting on July 9, 2013. Discussions included potential future projects such as establishing a shared PROC and looking at ways to leverage existing firm data to make Peer Review compliance an easier task for boards.

Chair: Janice L. Gray (OK); Members: Kristal L. Bernert (CO), Robert B. Cagnassola (NJ), Elizabeth Gantnier (MD), James P. Gero (OH), Tracy Harding (ME), Mark T. Hobbs (SC), Edwin G. Jolicoeur (WA), Henry J. Krastich (NY), G. Alan Long (KY), Richard N. Reisig (MT), Arthur L. Sparks, Jr. (TN); Staff Liaison: Leona Johnson

“If someone is going down the wrong road, he doesn’t need motivation to speed him up. What he needs is education to turn him around.”

JIM ROHN
The CPA Examination Review Board (ERB) shall 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 the Boards of Accountancy for the licensing of Certified Public Accountants. In carrying out its responsibilities the ERB shall examine such records and make such observations, inspections and inquiries as it deems necessary. The ERB shall report annually to the Boards of Accountancy.

The 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, 2012.

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 2013 for the work performed during the 2012 calendar year. The ERB stated the results of the 2012 review in its report: “Based on the ERB’s 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, 2012.”

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.

Chair: Nicholas J. Mastracchio, Jr. (FL); Vice Chair: Ronald E. Nielsen (IA); Immediate Past Chair: Sandra R. Wilson (AK); Members: O. Whitfield Broome, Jr. (VA), David Vaudt (IA) (August 1, 2012 – April 30, 2013), Douglas E. Warren (TN) (May 1, 2013 – present); Consultants: Steven M. Downing, Michael W. Harnish; Staff Liaison: Onita Porter, CPA, Examination Review Board Director; Additional Support Staff: Shawn Jackson, CPA, Examination Review Board Audit Manager

* Committee Cycle: August 1, 2012 - July 31, 2013

“PERSISTENCE AND DETERMINATION ALONE ARE OMNIPOTENT.”

CALVIN COOLIDGE
CONTINUING PROFESSIONAL EDUCATION (CPE) COMMITTEE

Oversee the Statement on Standards for Continuing Professional Education (CPE) Programs and make recommendations regarding revisions or updates to the AICPA/NASBA CPE Standards Committee.

The primary focus for the 2012-2013 CPE Committee was to research and recommend a national strategy for Boards of Accountancy related to CPE including considerations to improve CPE compliance and to standardize CPE requirements across jurisdictions. The CPE Committee met in Nashville, TN, at the NASBA office, on April 29, 2013. The focus of this meeting was to discuss and analyze data points related to CPE compliance, including CPE requirements by jurisdiction, reporting cycles, and the level of enforcement for non-compliance. The data reviewed also included comparisons of CPE requirements to continuing education requirements of other professional designations.

After subsequent telephonic meetings, it was concluded that the magnitude of this project would require multiple years for completion. As a result, the Committee developed a strategic plan to identify the key elements of the project and to establish a framework for future Committee members. The strategic plan was finalized during the Committee meeting held in Houston, TX, on September 9, 2013.

As part of the review and evaluation process of the Statement on Standards for Continuing Professional Education (CPE) Programs (Standards), the CPE Standards Working Group meets quarterly to address any questions related to the implementation and application of the Standards, revised January 2012. The CPE Standards Working Group held conference calls in February, May and August 2013. No issues or questions were brought before the CPE Standards Working Group that required further action or consideration by the CPE Committee. The next scheduled quarterly conference call is November 15, 2013.

The National Registry Summit was held in Houston, TX, on September 9-10, 2013. The Summit is an event that will be held annually, rotating between Nashville and another major U.S. city every other year. The 2013 Summit featured engaging speakers on topics such as the neuroscience of learning - new insights for delivering high-impact learning and using short stories as learning techniques. The Summit also provided opportunities for knowledge sharing and networking in breakout sessions.

Chair: Miley W. (Bucky) Glover (NC); Members: Maria E. Caldwell (FL), Robert F. Fay (OH), Robert L. Goldfarb (NY), Patricia O’Sullivan (KS), Mark S. Robinson (MA), Willie B. Sims, Jr. (MS), D. Lynn Smith (ID), Thomas T. Ueno (HI), Elaine R. Williamson (AK), Richard G. Zacharia (NE); Staff Liaison: Jessica Luttrull

DIVERSITY TASK FORCE

Study NASBA’s practices and policies to consider any real or perceived barriers to the involvement of women and minorities on NASBA committees and Board of Directors, and make recommendations to the NASBA Chair so that the organization and member boards benefit from the contributions of all NASBA volunteers.

The Diversity Task Force met August 22 in New York City to identify any real or perceived barriers that may exist to the inclusion of women and minorities among NASBA’s volunteers and leadership. Prior to the meeting, the Task Force completed a survey of diversity among the Boards of Accountancy and NASBA leadership. As a result of fruitful discussions, the Task Force has developed a set of recommendations that have been delivered to Gaylen Hansen, Chair of the Board of Directors, for his consideration.

Chair: Mark P. Harris (LA); Members: Maria E. Caldwell (FL), Ed Jolicuer (WA), Dolly Lalvani (PA), Willie B. Sims, Jr. (MS), Sandra R. Wilson (AK); Staff Liaison: Ed Barnicott

“THE ULTIMATE MEASURE OF A MAN IS NOT WHERE HE STANDS IN MOMENTS OF COMFORT AND CONVENIENCE, BUT WHERE HE STANDS AT TIMES OF CHALLENGE AND CONTROVERSY.”

MARTIN LUTHER KING, JR.
EDUCATION COMMITTEE

Oversee the entry-level education requirements for the accounting profession.

The Committee continued its efforts to build relationships with the academic community, administer the Accounting Education Research Grants Program, and identify ways to utilize NASBA data to provide information and feedback to accounting academic programs. The Committee also helped educate Board of Accountancy members on the nuances of accreditation at the NASBA Regional Meetings this summer.

Committee members and NASBA staff liaisons participated at accounting academic organization meetings throughout the year. In order to provide relevant data and CPA Examination information to accounting educators, NASBA representatives made presentations at the American Accounting Association, the Accounting Program Leadership Group, and the Federation of Schools of Accountancy annual meetings, in addition to meetings at the regional and university levels.

The Committee continues to grow and improve the Accounting Education Research Grants Program. This year, the Committee reviewed new proposals from academic researchers, and awarded grants to three research teams. The Committee also led a session at each of the Regional Meetings in which the three grantees from last year presented updates and results from their research.

Chair: Karen Forrest Turner (CO); Members: David de Silva (NY), Donald A. Driftmier (CA), James C. Flagg (TX), Nathan T. Garrett (NC), Angela L. Pannell (MS), Joshua W. Partlow (VT), John E. Peterson (SD), Lela D. Pumphrey (ID), Melanie G. Thompson (TX), Thomas R. Weirich (MI); Staff Liaisons: Alfonzo Alexander and James Suh

ENFORCEMENT RESOURCES COMMITTEE

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

The Enforcement Resources Committee (ERC) has released several new tools this year. The Enforcement Resource Guide is now available to executive directors and current board members through a password protected section of the NASBA website. The Committee continues to add sample forms and monitor the Guide to include updated information.

A series of training modules has been created to assist an investigator in understanding the enforcement process and contains forms to help an investigator with the steps of a successful investigation. The training series is publicly available on nasba.org and covers:

- An overview of the complaint process
- An overview of the investigation process
- Gathering documentation
- Report writing
- Interviewing techniques
- Providing expert testimony

In response to requests by boards that do not have access to investigators or expert witnesses, an automated process has been created to facilitate collection of contact information for interested consultants. Online applications were distributed to solicit a pool of investigators and a pool of expert witnesses available for hire by Boards of Accountancy when the need arises. The information from these applications is automatically mapped into NASBA’s database to create lists of available investigators and expert witnesses.
ENFORCEMENT RESOURCES COMMITTEE
(CONTINUED)

The Committee has also gathered information regarding best practices for unlicensed practice by foreign auditors, and then shared this information in the Enforcement Resource Guide, and to all conference attendees.

With a focus on enforcement issues and resources, the need for a communication tool arose this year. NASBA now issues a quarterly newsletter, “Enforcement/ALD Newsletter” that includes information about various enforcement issues, resources and best practices, as well as ALD updates.

Most recently, the ERC is focusing on federal referrals and began sending a quarterly report to executive directors that includes information gathered from the SEC Accounting and Auditing Enforcement Releases and compiled into a user-friendly spreadsheet format to help boards identify any licensees involved in the SEC matters.

Chair: Harry O. Parsons (NV); Members: Carla J.K. Bassler (AK), Karla Blair (WI), Sharron M. Cirillo (DE), Tyrone E. Dickerson (VA), Larry L. Gray (MO), John M. Kledis (NC), Neil N. Lapidus (MN), Patrick C. McGuire (WY), Thomas J. Murphy (MD), Edilberto C. Ortiz (IL), Leonard M. Romaniello (CT), Randall Ross (OK), Michael J. Swartz (MI), Frank X. Trainor (NC); Staff Liaison: Stacey Grooms

ETHICS AND STRATEGIC ISSUES COMMITTEE

Promote the development and maintenance of high-quality standards of ethical practice to protect the public interest. Consider significant forward-looking issues and their strategic relevance to both Boards of Accountancy and NASBA.

The Committee’s major initiative this year has been responding to the AICPA’s Professional Ethics Executive Committee (PEEC) exposure draft of the new “Codification of the Code of Professional Conduct” and educating members about the significance of the changes in the AICPA Code. Boards of Accountancy should be aware that Codification of the AICPA Code of Professional Conduct will look and feel substantially different from the current code. Boards also should consider whether they want to bring the new conceptual framework (threats and safeguards approach) into their own rules.

The Committee is very supportive of an approach where a board would adopt the AICPA Codification, with the exception of specific rules where boards are more restrictive, and with the exception of additional rules that states have put in place that are not addressed in the AICPA code. In the upcoming year, the Committee is working with the UAA Committee on such a change in UAA rules.

The second initiative builds on the fact that a number of states believe that their required CPE on state rules and ethics is very effective in preventing ethics and rules violations. It is important to understand the benefits of this CPE in being proactive about improving ethical behavior of licensees. However, there are a number of licensees who find that they still need to have a license in multiple states and that they must comply with the CPE requirements of multiple states. Our Committee wants all licensees to benefit from effective CPE, and we are also concerned about finding an efficient pathway to ethics CPE for licensees who must maintain multiple licenses in multiple states.

Chair: Raymond N. Johnson (OR); Members: Catherine R. Allen (NJ), Barry M. Berkowitz (PA), Dian T. Calderone (VA), Dean L. Condie (ID), Steven Corbeille (WI), Michael T. Daggett (AZ), John F. Dailey, Jr. (NJ), Craig Hirai (HI), Thomas G. Neill (WA), Michael Nickerson (ME), Felicia R. O’Carroll (NV), M. Chad Singletary (AL), Robert Snodgrass (IA), Michael Weinshel (CT); Staff Liaison: Ed Barnicott
GLOBAL STRATEGIES COMMITTEE

Monitor international professional issues impacting the public interest and the ability of licensees to practice globally.

The Global Strategies Committee has focused on developing a long-term strategy recommendation for NASBA that could be adopted by the Board of Directors. The strategy includes recommendations on how best to monitor international activities, which international bodies should be monitored, how to improve Board of Accountancy awareness of international issues, and how best to educate the international community on the role of the Boards of Accountancy in the regulatory framework of the U.S. The Committee provided the strategy document for Board consideration at the October 2013 Board meeting.

At the January Board meeting, the Committee recommended that the International Forum not be held in 2013. Rather, the Committee will reformulate the objectives of the Forum and make recommendations for changes to the timing, nature and structure of the meeting. The Committee feels that, at this time, more can be accomplished by focusing on getting quality speakers from the international community to participate in NASBA meetings and by providing speakers for other international meetings. The Board approved the Committee’s recommendation.

Chair: Theodore W. Long, Jr. (OH); Members: Samuel K. Cotterell (ID), Ruben A. Davila (CA), Wayne Michael Fritz (OH), Venable M. Houts (MO), T. Farrell Nichols (GA), John B. Peace (AR), Mark Sellner (MN); Staff Liaisons: Ed Barnicott and Colleen Conrad

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 31st Annual Conference for Executive Directors and State Board Staff which was held in Tucson, AZ, in March 2013. The Conference held discussion on topics covering the Uniform CPA Examination, U.S. Department of Labor, and Investigations & Enforcement, which assists in the objective of supporting executive directors in their roles.

The Committee will continue to coordinate and plan for the 32nd Annual Conference for Executive Directors and State Board Staff in Savannah, GA, in March 2014.

Chair: Nicole Kasin (SD); Members: James Corley (AR), Mark H. Crocker (TN), Doris Cubitt (SC), Ofelia Duran (CO), Russ Friedewald (IL), David Sanford (GU); Staff Liaisons: Daniel J. Dustin and Patricia Hartman

“GOOD IDEAS ARE NOT ADOPTED AUTOMATICALLY. THEY MUST BE DRIVEN INTO PRACTICE WITH COURAGEOUS PATIENCE.”

HYMAN RICKOVER
As directed by the Executive Committee, survey and assess professional practice standards and qualifications in specified countries and recommend the feasibility of Mutual Recognition Agreements to the Board of Directors.

Beginning January 1, 2013, the IQEX (International Qualification Examination) was replaced by the Regulation (REG) section of the Uniform CPA Examination. This change was based on the recommendation of the International Qualifications Appraisal Board and supported by the Board of Examiners. Thanks to this change, the examination can now be taken in all of the Uniform CPA Examination's testing windows. It has also been suggested that, in the future, international candidates covered by mutual recognition agreements (MRAs) should be allowed to take REG in MRA partner countries, via Prometric test sites.

In recognition of the merging of the Canadian accounting profession, at NASBA's 2012 Annual Meeting, the extension of the tri-party Mutual Recognition Agreement (MRA) with the Canadian Institute of Chartered Accountants was signed by representatives of the CICA, NASBA and the AICPA. In January, representatives of the Instituto Mexicano de Contadores Publicos and the Comite Mexicano para la Pracetica Internacional de la Contaduria signed the memorandum of understanding extending the tri-party agreement until December 31, 2015. Assessments of the new programs being developed by CPA Canada (of which CICA has become a part) will be done by IQAB.

NASBA/AICPA IQAB met on April 5 and October 4, with task forces holding conference calls throughout the year. Information continues to be exchanged with the Institute of Chartered Accountants in England and Wales (ICAEW) and the Institute of Chartered Accountants of Scotland (ICAS); however, the United Kingdom's Financial Reporting Council has requested the ACCA also be covered by the mutual recognition agreement.

Similarly, information is periodically being exchanged with the South African Institute of Chartered Accountants (SAICA). While recognition by SAICA does not appear to be a problem, more information from the regulator in South Africa is awaited. SAICA's qualification program is being updated and an agreement is expected in 2014.

The New Zealand Institute of Chartered Accountants and the Institute of Chartered Accountants Australia are merging their requirements for becoming chartered accountants. IQAB has MRAs with both bodies and, based on IQAB's recommendations, the NASBA and AICPA Boards of Directors approved in July an MOU extending the NZICA's agreement so that it terminates on the same date as the ICAA's, December 31, 2016.

How best to reach out to form agreements with other professional accounting bodies has proved a challenge for the United States. At IQAB's April 5 meeting in Durham, NC, IQAB Chair Telford Lodden requested suggestions from IQAB members and staff on how more can be done to open up the flow of professional talent internationally. Suggestions were received and a paper is being developed to submit to NASBA and AICPA leadership.

IQAB Chair Lodden and Chair Emeritus William Treacy participated in the Migration Policy Institute's roundtable on "International Cooperation on Skills Recognition, Mobility of Professionals and Trade in Services," funded by the European Union, held on June 14, 2013, in Washington, DC.

At the October 4 IQAB meeting in Nashville, NASBA Accounting Education Research Grant Recipients Professors Belverd Needles and Gert Karreman presented their work on benchmarking of credentials, which could assist IQAB in its evaluations of non-U.S. credentials.

Chair: Telford A. Lodden (IA); Chair Emeritus: William Treacy (TX); Members: Ruben A. Davila (CA), Jeffrey A. Leiserowitz (KS), Diane M. Rubin (CA), Kathleen J. Smith (NE); Staff Liaisons: Louise Dratler Haberman and Patricia Hartman
NOMINATING COMMITTEE

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

Nominating Committee members met on March 18, 2013, in Nashville, TN, for the purpose of selecting and making a recommendation for the position of vice chair. On June 28, 2013, the Committee submitted its report recommending the 2013-2014 slate of its recommendations for directors-at-large and regional directors. As part of the selection process for vice chair, each candidate was asked to complete a questionnaire that included specific skills and experience they could bring to NASBA through a leadership role.

Committee members were encouraged to attend both the Eastern and Western Regional Meetings to familiarize themselves with nominees for NASBA Board of Directors’ positions. In accordance with the Bylaws, the Committee submitted its report to Chair Mark P. Harris, CPA.

Chair: Mark P. Harris (LA); Nominating Committee Members Elected for 2011-2013 - Southwest Region: Michael A. Tham (LA), Alternate: James Wyatt Goad (MS); Mountain Region: Patrick M. Thorne (NV), Alternate: D. Lynn Smith (ID); Northeast Region: Andrew L. DuBoff (NJ), Alternate: James S. Garcia (CT); Great Lakes Region: Claireen Herting (IL), Alternate: Gary L. Fish (IL); Nominating Committee Members Elected for 2012-2014 - Southeast Region: Lisa Mays Stickel (TN), Alternate: Charles Calhoun, III (FL); Middle-Atlantic Region: Bobby R. Creech, Jr. (SC), Alternate: Barton W. Baldwin (NC); Pacific Region: Thomas T. Ueno (HI), Alternate: Ruben A. Davila (CA); Central Region: Jeffrey A. Leiserowitz (KS), Alternate: John E. Peterson (SD); Staff Liaisons: Ken L. Bishop and Anita Holt

PAST CHAIR ADVISORY COUNCIL

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

The Council met in Orlando, FL, in conjunction with the 2012 NASBA Annual Meeting. In addition to the new NASBA strategic plan, topics discussed included significant organizational changes and plans, UAA hot topics under consideration, national and international relevancy and relationships, the international administration of the Uniform CPA Examination and the Center for the Public Trust. Council members also shared their insights and guidance on current NASBA and CPT initiatives.

Chair: Mark P. Harris (LA); Members: Billy M. Atkinson (TX), Barton W. Baldwin (NC), Sarah G. Blake (AZ), Milton Brown (NJ), Thomas F. Cardegna (MD), K. Michael Conaway (DC), Samuel K. Cotterell (ID), Michael T. Daggett (AZ), Albert J. Derbes, III (LA), Robert C. Ellyson (FL), Welling W. Fruehauf (PA), Nathan T. Garrett (NC), John M. Greene (SC), Thomas lino (CA), Wesley P. Johnson (TX), Noel P. Kirch (OK), Andrew P. Marincovich (CA), John B. Peace (AR), Diane M. Rubin (CA), Ronnie Rudd (TX), Thomas J. Sadler (WA), Jerome A. Schine (FL), Wilbert H. Schwotzer (GA), Jerome P. Solomon (MA)*, Dennis P. Spackman (UT), Sandra A. Suran (OR), David A. Vaudt (CT), Michael D. Weatherwax (CO), Sam Yellen (CA); Staff Liaison: Colleen K. Conrad

“Deceased

“THE MAN WHO CAN DRIVE HIMSELF FURTHER ONCE THE EFFORT GETS PAINFUL IS THE MAN WHO WILL WIN.”

ROGER BANNISTER
Develop timely proposed responses on professional practice developments.

Meeting only via conference call, the Regulatory Response Committee continued to monitor exposure drafts and requests for comments from many professional bodies. Other NASBA committees also drafted NASBA responses when topics were tied to their charges (such as the Ethics Committee and the Education Committee), and Committee Chair Rick Isserman was asked to serve as a contributing participant to their deliberations as those committees developed those responses for NASBA leadership’s review.

Since October 2012, the Regulatory Response Committee developed NASBA responses to:

- International Auditing and Assurance Standards Board: “Invitation to Comment – Improving the Auditor’s Report”
- International Ethics Standards Board for Accountants: “Responding to a Suspected Illegal Act”


The Regulatory Response Committee’s work is an initial step in the process that was established to give the member boards’ representatives, the regional directors, an opportunity to bring their states’ views into the comment letters the NASBA chair and president submit in the association’s name.

Chair: Richard Isserman (NY); Members: Alan J. Bronstein (VI), Gerald W. Burns (OR), David D. Duree (TX), Gordon Haycock (UT), Matthew J. Howell (MI), Leslie A. Mostow (MD), Steven H. Richards (AL), Ray G. Stephens (OH), Robert H. Temkin (MA), Scott Wright (OR); Staff Liaison: Louise Dratler Haberman

“You’ve got to be closer to the edge than ever to win. That means sometimes you go over the edge, and I don’t mean driving, either.”

DALE EARNHARDT
RELATIONS WITH MEMBER BOARDS COMMITTEE

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

Chair Jeff Chickering guided the Committee’s tailoring of the Regional Meetings’ programs this year. Modifications included more audience participation within smaller discussion groups and extended summary reports. As recommended by the Committee’s members, sessions for attendees not affiliated with a Board of Accountancy, including State Society representatives, were developed for the Regional Meetings and were praised. Overall, the Regional Meetings, as crafted and moderated by the regional directors, were well received. Planning was started for the 2014 Regional Meetings, including agenda changes for the new board members’ orientation program.

The relevance of the Regional Directors’ Focus Questions was examined by the Committee and it was decided that the number of questions should be limited and that they need to be clearly targeted to issues the boards must address.

Thanks to the vetting process adopted by NASBA, the regional directors were involved in overseeing the association’s responses to controversial topics. The regional directors shared insights on breaking issues from meeting with their state’s representatives during the Regional and Annual Meetings.

Regional directors benefited from information sharing with Vice President, State Boards Relations Dan Dustin. This enabled the regional directors to schedule visits to member boards at times when attendance would be most meaningful. Mr. Dustin has regularly been reporting observations to the regional directors and has responded to concerns raised in responses to the Regional Directors’ Focus Questions.

Regional Director Doug Skiles held conference calls with the Central Region’s representatives on April 30 and September 11. The Committee endorsed such calls and agreed that more regions should hold similar calls in the future.

Chair: Jefferson Chickering (NH); Members: Donald F. Aubrey (WA), Jimmy E. Burkes (MS), Miley W. (Bucky) Glover (NC), Janice L. Gray (OK), Douglas W. Skiles (NE), Kim Tredinnick (MN), Karen Forrest Turner (CO); Staff Liaison: Louise Dratler Haberman.

STANDARDS STUDY GROUP

Discuss and provide recommendations to the NASBA Board of Directors regarding considerations for NASBA’s strategy and position with respect to representing Boards of Accountancy in standard setting for all entities other than publicly traded entities. Also, address various Boards of Accountancy options as to the depth and breadth of their involvement in establishing standards.

This new study group was initiated late in the committee year with a kickoff meeting to discuss its charge, important issues under consideration and next steps.

Chair: Gaylen R. Hansen (CO); Members: Donald H. Burkett (SC), Walter C. Davenport (NC), Raymond N. Johnson (OR), Harry O. Parsons (NV), Laurie J. Tish (WA); Staff Liaisons: Colleen Conrad and Louise Dratler Haberman

“WHEN EVERYTHING SEEMS TO BE GOING AGAINST YOU, REMEMBER THAT THE AIRPLANE TAKES OFF AGAINST THE WIND, NOT WITH IT.”

HENRY FORD

2013 NASBA Annual Report
STATE SOCIETY RELATIONS COMMITTEE

Provide State Societies a mutual platform to inform Boards of Accountancy and NASBA about issues of importance to the regulation of the profession, and enhancing board relations with State Societies.

NASBA believes fostering greater dialogue and collaboration between Boards of Accountancy and State Societies is essential to ensuring effective regulation and advancing the common interests of the public and the profession. To achieve this goal, NASBA Chair Gaylen Hansen appointed eight CPA State Society executive directors to NASBA’s newest committee in August of 2013. The initial focus of this committee will be to:

- Identify possible statutory changes within each jurisdiction that could enhance the effectiveness of Boards of Accountancy
- Develop best practices to enhance the quality of input into promulgation of regulations
- Identify opportunities to enhance the effectiveness of Board-Society relations
- Promote uniformity of statutes and rules to both enhance public protection and best serve the profession
- Identify issues of mutual interest that NASBA can collaborate on with State Societies.

The Committee’s initial organizational meeting was held in Nashville on September 4, 2013. The work to be accomplished by the Committee will not only foster greater collaboration between Boards of Accountancy and State Societies, but also assist John Johnson, Director of Legislative & Governmental Affairs, when consulting with Boards of Accountancy regarding their legislative strategies.

Chair: Richard E. Jones (WA); Members: James T. Ahler (NC), Michael Colgan (PA), Brad Floyd (TN), Erin Hardwick-Pate (SC), Mary E. Medley (CO), John Sharbaugh (TX), Ralph Thomas (NJ); Staff Liaison: John Johnson

UNIFORM ACCOUNTANCY ACT COMMITTEE

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

This year, the Committee’s work centered on proposing amendments to the Uniform Accountancy Act in two areas: (1) revising the definition of “attest” with supporting changes, and (2) offering guidance for interstate firm mobility. Besides many conference calls, the NASBA UAA Committee held one in-person meeting this year, on January 14 in Dallas, TX, and the NASBA/AICPA Mobility Task Force held a meeting on June 19 in Durham, NC. The reasons for the proposed changes were outlined by Chair Ken Odom at both the Eastern and Western Regional Meetings.

The proposal is to change the definition of “attest” in the UAA to include all services performed in accordance with the Statements on Standards for Attestation Engagements (SSAEs). This is accomplished by adding those services not already within the attest definition (all those except for examinations of prospective financial information) to the definition as a separate subsection in the definition. This would minimize changes in the provisions governing individual and firm mobility.

Although the changes to the “attest” definition and the changes for firm mobility are to dovetail, it was recognized that adopting one of these sets of changes should not require a state to make the other changes as well. Consequently, it was not necessary to expose both sets of changes at the same time. While some states’ laws already provide for firm mobility, other states may not be ready to adopt the concept. By placing provisions for firm mobility in the Uniform Accountancy Act it is hoped that a standard process can be achieved across the country.

The NASBA and AICPA Boards of Directors approved the release for comment of the proposed definition of “attest,” with the comment period spanning from July 17 until October 17, 2013. The firm mobility proposal was approved for exposure by both the AICPA and NASBA Boards of Directors in late September, and will have a comment period that will end in 90 days.

Chair: Kenneth R. Odom (AL); Members: J. Coalter Baker (TX), Barton W. Baldwin (NC), James Troy Brewer (TN), Walter C. Davenport (NC), Andrew L. DuBoff (NJ), Karen Garrett (AR), Robert J. Hyde (MN), Robert A. Pearson (MO), Thomas G. Prothro (TX), Michael D. Weatherwax (CO); Staff Liaisons: Louise Dratler Haberman and John Johnson
DRIVEN THROUGH ACHIEVEMENT


“IF EVERYTHING SEEMS UNDER CONTROL, YOU’RE JUST NOT GOING FAST ENOUGH.”

MARIO ANDRETTI
CPT: GROWTH IN 2013

Fiscal year 2013 was a year of growth and new program development for the NASBA Center for the Public Trust (CPT). With the support of NASBA leadership and members, CPT Board members and other partners, existing CPT programs have continued steady growth, and new programs are underway.

The CPT’s agenda for 2013 has been aggressive. The organization grew its number of StudentCPT chapters, increased participants in the 3rd Annual Student Leadership Conference, and launched its Ethical Leadership Certification Program. The CPT also continued collaborating with organizations sharing similar values related to ethical business leadership and promoting individuals who lead with integrity and trust.

STUDENT CHAPTERS

Student programming remains a primary focus of the CPT. StudentCPT chapters provide an interactive forum for students to engage in a variety of activities designed to increase their knowledge and understanding of ethical leadership and ethical business practices. Further, StudentCPT chapters offer an environment where ethical behavior and ideas can flourish.

The chapters also create opportunities for students to network with the business community and develop professional leadership skills. The number of StudentCPT chapters across the country has grown to 17 nationwide.

Over the past year, new student chapters were established at Baruch College, Colorado State University, East Central University, Middle Tennessee State University, New Mexico State University, University of Kentucky, University of Northern Colorado, University of Utah, and the University of Wyoming. The CPT is currently working with students and professionals to establish new chapters at College of Charleston, Florida State University, The Ohio State University, University of Nevada, University of Washington, and several other institutions across the country.

STUDENT ETHICAL LEADERSHIP CERTIFICATION PROGRAM

One of the largest and most impactful endeavors for the CPT is the newly developed Ethical Leadership Certification Program. Funded through a grant awarded by the Daniel’s Fund of Denver, CO, the CPT launched the online ethics certification program in September 2013. With its initial version designed for college students, this program will allow the CPT to utilize technology as a means to educate future leaders, and eventually expand the program to reach business professionals at all levels.

ETHICS IN ACTION
STUDENT VIDEO COMPETITION

In its fourth year, the Ethics in Action Student Video Competition drew participants from colleges and universities nationwide. Sponsored by the Dean Institute for Corporate Governance and Integrity, the Competition allows students to use their creativity while focusing on ethics and accountability in the business world. Interest in the Competition has grown each year, with a total of 25 video submissions received in 2013—an increase over the previous two years. The Competition continues to be an effective way to teach business ethics to students in a way that is fun, memorable and effective. This year’s winning teams represented University of New Mexico and Lipscomb University.
THIRD ANNUAL STUDENT LEADERSHIP CONFERENCE

The annual Conference serves as a foundation for many new StudentCPT chapters, as attendees who will serve in chapter leadership roles attend the Conference to learn about the importance of ethical leadership from subject-matter experts, including outside professional presenters, CPT Board members and staff. In addition to the interactive ethical leadership training sessions, students have the opportunity to learn about one another, discuss StudentCPT chapter best practices and network with the NASBA Regional Meeting attendees. The 2013 Student Leadership Conference, held in Chicago, included 42 students representing 21 colleges and universities.

BEING A DIFFERENCE AWARD

Continuing to acknowledge and celebrate ethical business leaders across the country also remains a major focus area for the CPT. Through the Being a Difference Awards, the CPT identifies and honors outstanding leaders who are doing more than making a difference, but actually living in a way that demonstrates how they are truly Being a Difference in their respective environments and endeavors. This year's recipients are professionals representing a variety of industries, including two CPAs. The awardees also represent the states of Colorado, Michigan, Nebraska, New York and Wyoming.

2012-2013 BOARD OF DIRECTORS

DAVID COSTELLO, CPA
CPT Chair

LARRY BRIDGESMITH, ESQ.
CPT Life Director

MILTON BROWN, PA
CPT Life Director

JANET BUCHANAN

ROBERT CHANDLER, Ph.D.

MANNY ESPINOZA

JERRY ESSELSTEIN

JACK FARIS

LINDA FERRELL, Ph.D.

OC FERRELL, Ph.D.

ELLEN GLAZERMAN

MILEY (BUCKY) GLOVER, CPA

MICHAEL SANTORO, Ph.D.

CHARLES STORY

C. DAN STUBBS, CPA
OCTOBER 2012
NASBA Board of Directors approves expanded mission statement to: “Enhance the effectiveness and advance the common interests of the Boards of Accountancy.”

NASBA Enforcement Resource Guide launched to aid Board of Accountancy executive directors and staff.

Extension of tri-party mutual recognition agreement with the Canadian Institute of Chartered Accountants, Instituto Mexicano de Contadores Publicos and NASBA/AICPA International Qualifications Appraisal Board (IQAB) signed. ¹

NOVEMBER 2012
Public Company Accounting Oversight Board (PCAOB) Chair James R. Doty addresses conference co-sponsored by the NASBA Center for the Public Trust (CPT) and the City University of New York – Baruch College. He encouraged international studies on auditor independence and professional skepticism. ²

President Ken L. Bishop and NASBA Past Chair Diane M. Rubin meet with members of the Chinese Institute of CPAs. ³

DECEMBER 2012
The Financial Accounting Standards Board’s (FASB) Private Company Council (PCC), chaired by NASBA Past Chair Billy M. Atkinson, holds its inaugural meeting December 6, 2012. ⁴

JANUARY 2013
NASBA Board responds to AICPA’s exposure draft on Financial Reporting Framework for Small- and Medium-Sized Entities with a resolution that the PCC be given a reasonable opportunity to develop standards uniquely applicable to private companies.

First International Review Course Provider Summit held by NASBA January 17-18. ⁵

REG Section of Uniform CPA Examination replaces International Qualification Examination (IQEX), increasing the times when the examination can be made available to non-U.S. professionals.

FEBRUARY 2013
NASBA’s Continuous Improvement & Analytics team releases NASBA’s reformatted Uniform CPA Examination Candidate Performance Book and the School Performance Book, both featuring statistical data from all four windows of the 2012 Uniform CPA Examination. ⁶

MARCH 2013
Department of Labor Chief Accountant Ian Dingwall calls for improving relationships with Boards of Accountancy at NASBA’s Annual Conference for Executive Directors and State Board Staff, held March 3-6 in Tucson. ⁷

NASBA and AICPA agree to extension of their agreement with Prometric to deliver the Uniform CPA Examination through 2019.

Investigator Training Series modules, to prepare investigators for working with Accountancy Boards, become available on nasba.org. ⁸
APRIL 2013
Thomas Fine, Director of Trade Negotiations of the U.S. Trade Representatives office, tells NASBA/AICPA IQAB during an April 5 meeting about the call for comments on the Transatlantic Trade and Investment Partnership, aimed at creating a free trade agreement with the European Union.

NASBA Board votes to share with Boards of Accountancy concerns about other comprehensive bases of accounting (OCBOA). 9.

The Association to Advance Collegiate Schools for Business (AACSB) revises its standards for business school accreditation.

MAY 2013
Chair Gaylen Hansen, President Ken Bishop, Vice Chair Carlos Johnson and Executive Vice President Colleen Conrad meet with all the members of the PCAOB in Washington, DC, on May 1. 10.

NASBA responds to the PCC’s proposed Decision-Making Framework with praise for their efforts and significant progress.

JUNE 2013
Standards Setting Study Group appointed by Chair Gaylen Hansen. 11.

NASBA Center for the Public Trust (CPT) hosts Student Leadership Conference in conjunction with the Eastern Regional Meeting. Both Western and Eastern Regional Meetings discuss non-authoritative frameworks. 12.

JULY 2013
NASBA International Evaluation Services (NIES) celebrates first successful year of operation servicing a total of 35 jurisdictions.

Proposed revised definition of “attest” in the Uniform Accountancy Act (UAA) released as exposure draft. Comments due back October 17, 2013.

NASBA Past Chair David A. Vaudt becomes chairman of the Governmental Accounting Standards Board. 13.

Representatives from 31 states attend NASBA’s Peer Review Oversight Committee Summit in Nashville.

AICPA and NASBA jointly commit to ensure private businesses are not confused about when they should be using Generally Accepted Accounting Principles and when they could use the AICPA’s Financial Reporting Framework.

AUGUST 2013
An enhanced NASBA presence at the American Accounting Association’s Annual Meeting provides educators with information about NASBA’s activities, products and services. 14.

Proposed Bylaws revisions distributed that would give Executive Directors Committee standing committee status and open more committee appointments to Board of Accountancy executive directors.

NASBA Diversity Task Force meets in New York City and develops recommendations for NASBA Chair’s consideration. 15.

SEPTEMBER 2013
NASBA’s National Registry Summit held September 9-10 in Houston, TX.

Memorandum of understanding extending the New Zealand Institute of Chartered Accountants’ mutual recognition agreement (MRA) with NASBA/AICPA IQAB to 2016, (to coincide with the expiration of the MRA with the Institute of Chartered Accountants of Australia) signed.

UAA proposed language for firm mobility approved for exposure.
NASBA IN THE NEWS: THE PRIVATE COMPANY COUNCIL

Over the years, the accounting profession has reaped the benefits of driven NASBA leaders furthering the Boards’ mission of public protection. In September 2012, Billy Atkinson and Diane Rubin, two former NASBA Chairs, were selected to be drivers of tailoring standards to the needs of users of private companies’ financial reports.

In September 2012, two NASBA Past Chairs, Billy M. Atkinson, CPA, and Diane M. Rubin, CPA, were selected by the Financial Accounting Foundation’s (FAF) Board of Trustees to serve on the new Private Company Council (PCC). Atkinson was named as chair of the new body, whose purpose is to work with the Financial Accounting Standards Board (FASB) to recommend whether and when to modify U.S. Generally Accepted Accounting Principles (GAAP) for private companies.

The PCC’s first task was determining with the FASB the appropriate framework for deciding when U.S. GAAP should be modified for private companies.

Atkinson had previously served as NASBA’s representative on the AICPA/FAF/NASBA Blue Ribbon Panel on Standard Setting for Private Companies.

Asked about the importance of the PCC’s efforts to Boards of Accountancy, Atkinson replied: “The expected work of the PCC should be of significance to state boards in that our mission is to determine whether and when to modify GAAP for private entities. In doing so, we will be carefully evaluating existing and future accounting standards promulgated by the FASB with reference to the dynamic issues of relevance and complexity, which we have heard so much about for the past 2-3 years. State boards, of course, are concerned that their license holders comply with GAAP and auditing standards where required.”

Atkinson (NASBA Chair 2009-2010) is a retired partner of PricewaterhouseCoopers, LLP, and former presiding officer of the Texas State Board of Public Accountancy. He served as a PWC audit partner and a risk management partner in the firm’s private company services unit. Rubin (NASBA Chair 2005-2006) is a retired partner of Novogradac & Company, LLP, in San Francisco, CA, and former chair of the California Board of Accountancy.

The inaugural meeting of the PCC took place on December 6, 2012, in Norwalk, CT. Initially, the PCC focused their attention on: consolidation of variable interest entities (Accounting Standards Codification Topic 810); accounting for “plain vanilla” interest rate swaps (ASC Topic 815); accounting for uncertain tax positions (ASC Topic 740); and recognizing and measuring, at fair value, various intangible assets (other than goodwill) acquired in business combinations (ASC Topic 805 and Topic 350).

“Just the existence of the PCC — and, hopefully, its credibility — will be a cultural change that will affect all of the FASB’s technical agenda processes,” Atkinson said in an interview with Accounting Today in January 2013. “It’s a cultural change within the FASB organization, to which we appertain. That is a big difference today. It puts a little wind in our sails, as opposed to wind in our face.”

“There is significant input from FASB members at every PCC meeting. The whole FASB Board is there…so they can hear us deliberate and see what we’re doing,” said Rubin during her presentation at NASBA’s 2013 Eastern Regional in Chicago. “Our discussions are very robust because you have users, and preparers, and auditors which don’t always align in their viewpoints, so it’s a very good discussion.”

Attendees at NASBA’s 2013 Regional Meetings also heard Atkinson and Rubin announce that the PCC will hold roundtable discussions across the nation to gather input on financial reporting standards the PCC should consider modifying to suit private companies’ needs. The first of these roundtables is scheduled for November 4, 2013, at The Ohio State University in Columbus, with three others to be held at college campuses in different parts of the country.

“All our standard setting is being done in a public setting, with an emphasis on the diligence of the process,” said Atkinson. “Our mission is to change the culture of standard setters to think of the implications for private companies whenever a decision is made.”
THE YEAR IN PHOTOS

2011-2012 Chair Mark Harris congratulates the 2012-2013 Chair Gaylen Hansen as he receives the gavel.

Dan Dustin, Colleen Conrad, Ian Dingwall and Ken Bishop discuss Department of Labor/Board relations during the 2013 Executive Directors Conference in Tucson, AZ.

Graham Morris speaks on behalf of the CPT Student Leadership Conference during the Welcome Reception at the Eastern Regional Meeting in Chicago.

NASBA hosted two well-attended Regional Meetings in Chicago and New Orleans. Forty-eight Boards of Accountancy were represented at the June 5-7 and June 26-28 meetings.

NASBA University Attendees in September 2013 (from l to r): Darla Saux (LA), John Patterson (OH), Nick Tazza (VA), Tracey Fithen (OH), Ann Jessup (AR), Kimberly Fast (OR), Jennifer Baca (NM), Tim Montgomery (AR), Ransom Jones (MS) and Tom DeGroodt (MO).
DRIVEN THROUGH INNOVATION

TO REMAIN RELEVANT IN TODAY’S ECONOMY, ORGANIZATIONS MUST MAINTAIN WELLSPRINGS OF IDEAS THAT DRIVE INNOVATION. NASBA IS DEDICATED TO RESEARCH AND EXPLORING NEW CONCEPTS. NASBA’S DIVERSE PRODUCTS AND SERVICES ARE A RESULT OF COUPLING INNOVATIVE IDEAS WITH CUTTING-EDGE TECHNOLOGIES, AND ARE ALL DESIGNED TO ADDRESS THE NEEDS OF MEMBER BOARDS, ACADEMICS, ACCOUNTING PROFESSIONALS, LEARNING PROVIDERS, AND PROSPECTIVE CPA CANDIDATES, TODAY AND TOMORROW.

“ALWAYS FOCUS ON THE FRONT WINDSHIELD AND NOT THE REARVIEW MIRROR.”

COLIN POWELL
NASBA PRODUCTS & SERVICES: EXAM

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.

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.

THE NASBA REPORT ON THE CPA EXAM
Data from the Uniform CPA Examination allows for the gathering of targeted, reliable information about the demand for the CPA credential in the United States, and abroad. The NASBA Report on the Uniform CPA Exam is your go-to resource for annual data and trends of candidates taking the CPA Examination. Statistical reports and commentary on trends in Exam participation offer insights on how to interpret the data. This information, available only from NASBA, offers you the best indication of the market today, and tomorrow.

NASBA INTERNATIONAL EVALUATION SERVICES
NASBA International Evaluation Services is dedicated to the professional evaluation of international coursework and credentials for candidates applying for CPA Examination and licensure.

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

“SUCCESS IS ALMOST TOTALLY DEPENDENT UPON DRIVE AND PERSISTENCE. THE EXTRA ENERGY REQUIRED TO MAKE ANOTHER EFFORT OR TRY ANOTHER APPROACH IS THE SECRET OF WINNING.”

DENIS WAITLEY
NASBA PRODUCTS & SERVICES: LICENSURE

ACCOUNTANCY LICENSEE DATABASE (ALD)
The ALD is a central repository of current licensee and firm information. It was conceptualized to assist Boards of Accountancy with their regulatory mission. With 44 jurisdictions currently participating and more in the implementation phase, NASBA envisions the ALD growing to include current and accurate licensing and disciplinary information for individual accountants and firms from each of the 55 jurisdictions. The ALD is hosted by NASBA and access to the system is free to Boards of Accountancy.

ACCOUNTANCY LICENSING LIBRARY (ALL)
Given the ever-changing regulatory environment and recent adoption of mobility legislation, in most states, it is becoming increasingly difficult to remain up-to-date on the laws and rules governing CPAs. 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).

CPA MOBILITY
With statutes approved in almost all of the 55 U.S. jurisdictions, and pending in most of the rest, mobility has become a reality for CPAs and accounting firms from coast to coast. Mobility is a practice privilege that generally permits a licensed CPA in good standing, from a substantially equivalent state, to practice outside of his/her principal place of business without obtaining another license. With CPA mobility.org, CPAs can learn whether mobility applies to their specific situation and whether firm registration or other paperwork is required – all within four clicks. Available via mobile phone, CPA mobility.org provides a wealth of information at your fingertips.

NASBA LICENSING SERVICES
With the capability and resources to help make the licensing process more efficient for Boards of Accountancy and candidates, NASBA has provided licensing services to Boards of Accountancy for more than 25 years. NASBA has the capability and resources to help make the licensing process more efficient for Boards of Accountancy and candidates. 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.

“WHAT KEEPS YOU GOING ISN’T SOME FINE DESTINATION BUT JUST THE ROAD YOU’RE ON, AND THE FACT THAT YOU KNOW HOW TO DRIVE.”

BARBARA KINGSLOVER
LEARNING MARKET
Looking for CPE to meet your requirements? Visit learningmarket.org to search through more than 14,000 CPE courses to find just what you need. With all of the different continuing education options out there, Learning Market makes finding the exact CPE course faster and easier. Learning Market is also a comprehensive resource for learning providers presently listed on the National Registry of CPE Providers or those that wish to join. Video tutorials, newsletters, sample forms, best practices and online applications are all part of the site.

NATIONAL REGISTRY OF CPE SPONSORS
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 and has continued that mission with the merger of the Quality Assurance Service (QAS) into the self study component of the Registry. 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 we are proud to have over 1,950 currently approved. The National Registry of CPE Sponsors’ logo is the seal of approval for CPE. When you see that logo, you can trust that the continuing education you receive will be of the highest quality.

NASBA PRODUCTS & SERVICES: LICENSURE (CONTINUED)

CREDENTIALNET
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.

CPAVERIFY
Free and open to the public, CPAverify.org is a CPA lookup tool populated by official state regulatory data sent from Boards of Accountancy to a central database. With 40 jurisdictions participating and many in the implementation phases, CPAverify is a huge first step in offering a single-source national database of licensed CPAs. Whether sourcing talent to fill open positions or searching for the ideal CPA to assist with an income tax return, CPAverify.org provides individuals and organizations alike a convenient and credible way to research whether a CPA is officially licensed in a particular state without having to search each Board of Accountancy website individually.

NASBA PRODUCTS & SERVICES: EDUCATION

NASBAstore
NASBAstore.org is a comprehensive marketplace of CPA Exam products and services, including score transfers and license verifications, which are available for all Boards of Accountancy to use. The NASBAstore also serves many of the needs of today’s accounting professional, including state-of-the-art printing, timely processing and distribution of CPA license cards. It is also the home of NASBA’s Wall Certificate Service, which offers creative, professional design options to enhance the appearance of licensing certificates for Boards of Accountancy. In addition, NASBAstore offers CPA-branded cuff links, mugs, mouse pads and pens to show off the pride that comes with being a Certified Public Accountant.
NASBA UNIVERSITY

NASBA U is a training and networking event available exclusively to executive directors and key staff. It is a two-day session held twice a year at NASBA's headquarters, located 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 specifically for Boards of Accountancy to monitor legislation that affects the regulation of the accounting profession, as well as any amendments made to legislation during the legislative process. This is an important and unprecedented step to enhance the effectiveness and advance the common interests of all Boards of Accountancy by allowing boards to become more readily aware of key pieces of legislation that could greatly impact their regulatory responsibility.

INVESTIGATOR TRAINING SERIES

This series of training modules (introduced by NASBA’s Enforcement Resources Committee) utilizes the Brainshark platform and has been created to provide guidance to assist investigators in understanding the enforcement process for Boards of Accountancy. The modules also include sample forms to help an investigator with the steps of a successful investigation. Featured samples include an investigation report, expert engagement letter and a chart for tracking pending investigations.

COMMUNICATIONS & OUTREACH

NASBA’s Communications Department offers complimentary communications that are creative, attractive and relevant to Boards of Accountancy. Services include design and editorial services for newsletters, brochures, annual reports and video production.

NASBA CENTER FOR THE PUBLIC TRUST

The NASBA Center for the Public Trust (CPT) provides a platform for corporate America and the accounting profession to explore, promote and advance ethical practices in organizations. To achieve this goal, the NASBA CPT hosts seminars and conferences on ethics-related topics and promotes positive ethical behavior with its Being a Difference Awards. The NASBA Center for the Public Trust is a non-profit organization that seeks contributions from individuals and corporations interested in positively impacting business ethics and ethical leadership.

STUDENT CENTER FOR THE PUBLIC TRUST

The NASBA Center for the Public Trust created Student Center for the Public Trust (StudentCPT) chapters to focus on educating and engaging future business leaders on ethics, accountability and integrity. StudentCPT chapters are based on college campuses and are inter-disciplinary, student-run organizations committed to understanding, addressing and promoting ethics in business. StudentCPT events are also great opportunities to network with business leaders throughout NASBA, Boards of Accountancy and beyond.
REPORT OF PRESIDENT & CHIEF EXECUTIVE OFFICER
AND OF SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER

September 23, 2013

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 subsidiary at and for the years ended July 31, 2013 and 2012, including the notes thereto, as reported on by NASBA’s independent auditors, Lattimore Black Morgan & Cain, 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
REPORT OF MANAGEMENT

September 23, 2013

The management of the National Association of State Boards of Accountancy, Inc. and subsidiary 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 are considered to 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 subsidiary 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
During fiscal 2013, the National Association of State Boards of Accountancy, Inc. (“NASBA”) continued a renewed commitment to its mission of enhancing the effectiveness and advancing the common interests of the Boards of Accountancy. NASBA committed more resources during fiscal 2013 in support of Boards of Accountancy than in any other previous fiscal year. Resource spending on Member services increased from $7.4 million to $7.7 million or approximately 4% over the prior year.

Examination, licensing and related services provide support to Boards of Accountancy in fulfilling their responsibilities related to candidate processing for the CPA Examination as well as the licensing of regulated members of the accounting profession within their jurisdiction. Included in this program are the services provided as a part of CPA Examination Services, the National Candidate Database, NASBA International Evaluation Services, and the National Registry of CPE Sponsors (the “Registry”), along with other similar services benefiting Boards of Accountancy. Approximately 293,000 sections were processed through the National Candidate Database as part of the services that provide a gateway to the CPA Examination. This total includes approximately 12,000 sections where testing will be at international locations. In its first full year of operation, NASBA International Evaluation Services has provided to over thirty states professional evaluation of international coursework and credentials for candidates who apply for the CPA Examination, and for those who ultimately apply for licensure.

In addition to the services described in the preceding paragraph, Examination, licensing and related services includes the activities of the Registry. The Registry had the highest number of approved sponsors in its existence, close to 2,000, as of July 31, 2013. As a result, the number of CPE providers who meet standards adopted by Boards of Accountancy in the continuing education of licensees continues to grow.

NASBA’s Member services serve the Boards of Accountancy by facilitating discussions around relevant issues and by providing information and tools to Boards of Accountancy in their regulatory role. During fiscal 2013, activities included five conferences and support to twenty-two committees which meet throughout the fiscal year. Certain member service activities which began in an earlier fiscal year, received increased resources during fiscal 2013. These include a pilot program to assist Boards of Accountancy with continuing professional education audits, and software to provide enforcement resources and legislative support to Boards of Accountancy. Member services also include the Accountancy Licensing Library and the Accountancy Licensee Database, along with its public counterpart CPAverify.

Additionally, Member services include the ethics-related activities of The NASBA Center for the Public Trust (“CPT”). The positive message of ethical leadership has been broadcast through many events and activities during fiscal 2013. The StudentCPT expanded the number of campus chapters to seventeen. The Student Leadership Conference had forty-two participants from twenty-one colleges and universities who engaged in presentations about leadership, networking and social media presence and who participated in ethical decision-making case studies. The pilot launch of the Ethical Leadership Certification Program neared completion at the end of fiscal 2013. Through the Being A Difference Award, the CPT recognizes individuals practicing high standards of ethical business leadership.
Program Revenue
Total consolidated revenue from continuing operations was $28.0 million in fiscal 2013 compared to $27.0 million in fiscal 2012. This represents an increase of 3.7% from the prior year. The following table compares program revenue for fiscal 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examination, licensing and related services</td>
<td>$27.1</td>
<td>$26.0</td>
<td>4.2%</td>
</tr>
<tr>
<td>Member dues and other revenue</td>
<td>0.9</td>
<td>1.0</td>
<td>-10.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$28.0</td>
<td>$27.0</td>
<td>3.7%</td>
</tr>
</tbody>
</table>

Examination, licensing and related services revenue are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client Services and Exam Products</td>
<td>$15.7</td>
<td>$15.1</td>
<td>4.0%</td>
</tr>
<tr>
<td>CBT Contract Services</td>
<td>8.7</td>
<td>8.4</td>
<td>3.6%</td>
</tr>
<tr>
<td>Compliance Services</td>
<td>2.7</td>
<td>2.5</td>
<td>8.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$27.1</td>
<td>$26.0</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

The increase in total Examination, licensing and related services revenue of 4.2% was attributable primarily to three activities. First, as previously discussed, fiscal 2013 was the first full year for the new NASBA International Evaluation Services included in Client Services and Exam Products. Therefore, there was revenue in fiscal 2013 that did not occur in fiscal 2012. Second, there was a higher volume of candidates applying to take the CPA Examination at international locations and the per candidate fee increased in fiscal 2013 as compared to fiscal 2012. The associated additional revenue is included in CBT Contract Services. Third, there were increased CPE program sponsors as a part of the National Registry of CPE Sponsors in fiscal 2013 as compared to the prior fiscal year. This revenue is included in Compliance Services.

The decrease in revenue for Member services, dues and other revenue is primarily the result of lower conference fees and contributions to CPT received during fiscal 2013 as compared to the prior year. In the prior fiscal year, conference fees were netted against the related conference expenses and included in travel and meeting expenses. These fees have been reclassed to revenue to conform to the fiscal 2013 presentation.

Program Expenses
Total consolidated expenses from continuing operations in fiscal 2013 were $25.6 million compared to $26.0 million in fiscal 2012. This is a decrease of 1.5% from the prior year. The following table compares program expenses for fiscal 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Examination, licensing and related services</td>
<td>$17.9</td>
<td>$18.6</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Member services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation and public protection</td>
<td>5.0</td>
<td>4.9</td>
<td>2.0%</td>
</tr>
<tr>
<td>Committees and conferences</td>
<td>2.2</td>
<td>2.1</td>
<td>4.8%</td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
<td>0.4</td>
<td>25.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$25.6</td>
<td>$26.0</td>
<td>-1.5%</td>
</tr>
</tbody>
</table>

The most significant reason for the decrease in Examination, licensing and related services is from lower payroll-related costs as the completion of technology projects in prior years and the resulting improvements have reduced the total amount of staff needed for these programs. The increase in Member services expenses primarily relates to new software used to support the membership database, enforcement and legislative tracking activities, and increased outside professional services that support activities of various committees.
**Investment Income**

Total investment income for fiscal 2013 was $2.3 million as compared to $0.4 million in fiscal 2012. The primary component of the increase in total investment income relates to the difference in realized and unrealized gains and losses on the fair value of NASBA’s long-term investments. Fiscal 2013 produced a net gain of $1.6 million compared to a net loss of $0.1 million during fiscal 2012. There was also an approximate $0.2 million increase in interest and dividends during fiscal 2013 over fiscal 2012. Both the current and prior fiscal year total investment income amounts are net of related investment fees and expenses. The following chart displays the net investment income and the components of the net amount for both fiscal years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Investment Income</th>
<th>Net Market Value Gain (Loss)</th>
<th>Other Investment Income, Net of Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2013</td>
<td>$2.3</td>
<td>$1.6</td>
<td>$0.7</td>
</tr>
<tr>
<td>Fiscal 2012</td>
<td>$0.4</td>
<td>-$0.1</td>
<td>$0.5</td>
</tr>
</tbody>
</table>

Investments are managed under a board-approved investment policy in which long-term investments are managed at the discretion of an investment advisor under oversight of the NASBA Investment Committee. Management has reduced risk around short-term liquid investments via programs which provide full FDIC insurance coverage of the funds.

Overall downward pressures in general market conditions affected total investment income for fiscal 2012 as compared to the overall relative economic improvement in the current fiscal year. The total return for NASBA’s long-term fund for fiscal 2013 and 2012 was approximately 12% and just over 0%, respectively.

**Cash Flow and Financial Position**

In total, cash increased by $1.9 million in fiscal 2013 compared to a decrease of $1.4 million in fiscal 2012. The fiscal 2013 increase primarily results from cash from operating activities during the year. More than one-half of the increase from operating activities in fiscal 2013 was used in investing activities related to the long-term fund. The net amount invested during fiscal 2013, including reinvested dividends, totaled $2.4 million.

In addition to the long-term fund investment activities, $0.5 million of principal and $0.1 million of interest related to the note receivable was collected. The total principal balance of the note receivable at July 31, 2013 is $2.1 million.

The total amount of property and equipment and software development costs decreased during fiscal 2013 as the costs associated with assets disposed or no longer in use were written-off.

Fiscal 2013 was NASBA’s most successful year both in regards to resources expended for member services to Boards of Accountancy and for overall financial results. During fiscal 2013, NASBA increased unrestricted net assets by almost $4.8 million to $32.9 million. NASBA spent an unprecedented amount in support of Boards of Accountancy in fiscal 2013. NASBA’s continued financial strength serves to sustain future support, resources, and programs to Boards of Accountancy in the regulation of Certified Public Accountants and protection of the public.
REPORT OF AUDIT COMMITTEE

To the Board of Directors

The Audit Committee (the “Committee”) of the National Association of State Boards of Accountancy, Inc. for the year ended July 31, 2013, 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., and subsidiary including the safeguarding of assets and other resources against unauthorized acquisition, use or disposition;

• The Committee reviewed the Audit Committee Charter, which governs the Committee's scope of responsibilities and actions, and assessed the need for charter changes for recommendation 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 the appointment of an independent audit firm for the year ending July 31, 2014.

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, reporting and safeguarding of assets, and the Committee has fulfilled its duties in accordance with the Audit Committee Charter for the year ended July 31, 2013.

Respectfully submitted,

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

Kim L. Tredinnick, CPA, Chair, on behalf of the Members of the Committee as follows:
Jimmy E. Burkes, CPA
Janice L. Gray, CPA
Richard D. Isserman, CPA
Douglas W. Skiles, CPA
INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying consolidated financial statements of the National Association of State Boards of Accountancy, Inc. and subsidiary which comprise the consolidated statements of financial position as of July 31, 2013 and 2012, and the related consolidated statements of activities, 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 auditor's 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 financial position of the National Association of State Boards of Accountancy, Inc. and subsidiary as of July 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brentwood, Tennessee
September 23, 2013
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
For Years Ended July 31,
In Thousands

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examination, licensing and related services</td>
<td>$27,117</td>
<td>$26,010</td>
</tr>
<tr>
<td>Member services, dues and other revenue</td>
<td>898</td>
<td>1,026</td>
</tr>
<tr>
<td>Total program revenue</td>
<td>$28,015</td>
<td>$27,036</td>
</tr>
<tr>
<td>Program Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examination, licensing and related services</td>
<td>17,888</td>
<td>18,649</td>
</tr>
<tr>
<td>Member services:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation and public protection</td>
<td>5,007</td>
<td>4,908</td>
</tr>
<tr>
<td>Committees and conferences</td>
<td>2,206</td>
<td>2,075</td>
</tr>
<tr>
<td>Other</td>
<td>476</td>
<td>432</td>
</tr>
<tr>
<td>Total program expenses</td>
<td>$25,577</td>
<td>$26,064</td>
</tr>
<tr>
<td>Excess of Program Revenue Over Program Expenses</td>
<td>2,438</td>
<td>972</td>
</tr>
<tr>
<td>Net Assets Released from Restriction</td>
<td>46</td>
<td>10</td>
</tr>
<tr>
<td>Investment Income</td>
<td>2,332</td>
<td>361</td>
</tr>
<tr>
<td>Loss from Affiliate</td>
<td>(24)</td>
<td>(22)</td>
</tr>
<tr>
<td>Increase in Unrestricted Net Assets from Continuing Operations</td>
<td>4,792</td>
<td>1,321</td>
</tr>
<tr>
<td>Discontinued Operations</td>
<td>-</td>
<td>(37)</td>
</tr>
<tr>
<td>Increase in Unrestricted Net Assets</td>
<td>4,792</td>
<td>1,284</td>
</tr>
<tr>
<td>Change in Temporarily Restricted Net Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporarily restricted contributions</td>
<td>30</td>
<td>57</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>(46)</td>
<td>(10)</td>
</tr>
<tr>
<td>Increase (Decrease) in Temporarily Restricted Net Assets</td>
<td>(16)</td>
<td>47</td>
</tr>
<tr>
<td>Increase in Permanently Restricted Net Assets from Contributions</td>
<td>10</td>
<td>56</td>
</tr>
<tr>
<td>Increase in Net Assets</td>
<td>4,786</td>
<td>1,387</td>
</tr>
<tr>
<td>Net Assets, Beginning of Year</td>
<td>28,253</td>
<td>26,866</td>
</tr>
<tr>
<td>Net Assets, End of Year</td>
<td>$33,039</td>
<td>$28,253</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Consolidated Financial Statements
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
July 31,  
In Thousands

<table>
<thead>
<tr>
<th>Assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$10,240</td>
<td>$8,323</td>
</tr>
<tr>
<td>Receivables</td>
<td>1,848</td>
<td>1,684</td>
</tr>
<tr>
<td>Note receivable</td>
<td>529</td>
<td>500</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>375</td>
<td>311</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>12,992</td>
<td>10,818</td>
</tr>
<tr>
<td><strong>Investments and Other Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment securities, at fair value</td>
<td>19,866</td>
<td>15,861</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>37</td>
<td>73</td>
</tr>
<tr>
<td>Note receivable</td>
<td>1,586</td>
<td>2,000</td>
</tr>
<tr>
<td>Investment in affiliate</td>
<td>954</td>
<td>978</td>
</tr>
<tr>
<td>Cash restricted for endowment</td>
<td>78</td>
<td>63</td>
</tr>
<tr>
<td>Other</td>
<td>92</td>
<td>205</td>
</tr>
<tr>
<td><strong>Total investments and other assets</strong></td>
<td>22,613</td>
<td>19,180</td>
</tr>
<tr>
<td><strong>Property and Equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,910</td>
<td>6,539</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>4,159</td>
<td>4,096</td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td>1,751</td>
<td>2,443</td>
</tr>
<tr>
<td><strong>Software Development Costs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,918</td>
<td>5,422</td>
</tr>
<tr>
<td>Less accumulated amortization</td>
<td>4,167</td>
<td>4,304</td>
</tr>
<tr>
<td><strong>Net software development costs</strong></td>
<td>751</td>
<td>1,118</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$38,107</td>
<td>$33,559</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$3,992</td>
<td>$4,014</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>104</td>
<td>208</td>
</tr>
<tr>
<td>Capital lease, current portion</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>56</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>4,212</td>
<td>4,338</td>
</tr>
<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital lease, non-current</td>
<td>-</td>
<td>60</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>856</td>
<td>908</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td>856</td>
<td>968</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>5,068</td>
<td>5,306</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>32,882</td>
<td>28,090</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>62</td>
<td>78</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>95</td>
<td>85</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>33,039</td>
<td>28,253</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$38,107</td>
<td>$33,559</td>
</tr>
</tbody>
</table>

See Accompanying Notes to Consolidated Financial Statements
### CONSOLIDATED STATEMENTS OF CASH FLOWS

For Years Ended July 31,
In Thousands

<table>
<thead>
<tr>
<th>Activity</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received for services</td>
<td>29,320</td>
<td>28,167</td>
</tr>
<tr>
<td>Cash received for membership dues</td>
<td>299</td>
<td>299</td>
</tr>
<tr>
<td>Cash received from donors to NASBA Center for the Public Trust</td>
<td>180</td>
<td>253</td>
</tr>
<tr>
<td>Interest and dividends received</td>
<td>820</td>
<td>485</td>
</tr>
<tr>
<td>Cash paid to employees, vendors and others</td>
<td>(26,432)</td>
<td>(26,833)</td>
</tr>
<tr>
<td>Cash collected (paid) under examination contracts, net</td>
<td>(59)</td>
<td>(246)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(4)</td>
<td>(7)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>4,124</td>
<td>2,118</td>
</tr>
<tr>
<td><strong>Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment additions</td>
<td>(145)</td>
<td>(454)</td>
</tr>
<tr>
<td>Capitalized software development costs</td>
<td>(126)</td>
<td>-</td>
</tr>
<tr>
<td>Principal payments received on note receivable</td>
<td>529</td>
<td>-</td>
</tr>
<tr>
<td>Purchases of investment securities</td>
<td>(4,714)</td>
<td>(6,984)</td>
</tr>
<tr>
<td>Proceeds from sale of investment securities</td>
<td>2,309</td>
<td>3,967</td>
</tr>
<tr>
<td>Cash restricted for endowment</td>
<td>(15)</td>
<td>(62)</td>
</tr>
<tr>
<td>Net cash used by investing activities</td>
<td>(2,162)</td>
<td>(3,533)</td>
</tr>
<tr>
<td><strong>Financing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal payments on capital leases</td>
<td>(60)</td>
<td>(57)</td>
</tr>
<tr>
<td>Cash contributions restricted for endowment</td>
<td>15</td>
<td>62</td>
</tr>
<tr>
<td>Net cash provided (used) by financing activities</td>
<td>(45)</td>
<td>5</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>1,917</td>
<td>(1,410)</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, Beginning of Year</td>
<td>8,323</td>
<td>9,733</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, End of Year</td>
<td>$10,240</td>
<td>$8,323</td>
</tr>
</tbody>
</table>

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

Reconciliation of increase in net assets to net cash provided by operating activities:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$4,786</td>
<td>$1,387</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization of property and equipment</td>
<td>801</td>
<td>815</td>
</tr>
<tr>
<td>Amortization of software development costs</td>
<td>304</td>
<td>298</td>
</tr>
<tr>
<td>(Gains) losses on investment securities</td>
<td>(1,600)</td>
<td>171</td>
</tr>
<tr>
<td>Loss from investment in affiliate</td>
<td>24</td>
<td>22</td>
</tr>
<tr>
<td>Recognition of deferred rent credit</td>
<td>(56)</td>
<td>(50)</td>
</tr>
<tr>
<td>Loss on disposals of property and equipment</td>
<td>36</td>
<td>20</td>
</tr>
<tr>
<td>Write-off of software development costs</td>
<td>189</td>
<td>-</td>
</tr>
<tr>
<td>Contributions restricted for endowment</td>
<td>(10)</td>
<td>(56)</td>
</tr>
<tr>
<td>Changes in assets and liabilities (Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>(277)</td>
<td>185</td>
</tr>
<tr>
<td>Prepaid expenses and other non-current assets</td>
<td>49</td>
<td>(159)</td>
</tr>
<tr>
<td>Decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable, accrued expenses, and other liabilities</td>
<td>(18)</td>
<td>(230)</td>
</tr>
<tr>
<td>Deferred revenues</td>
<td>(104)</td>
<td>(285)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$4,124</td>
<td>$2,118</td>
</tr>
</tbody>
</table>

Non-cash Investing and Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note receivable interest converted into principal</td>
<td>$144</td>
<td>-</td>
</tr>
<tr>
<td>Leasehold improvements paid by landlord</td>
<td>-</td>
<td>$89</td>
</tr>
<tr>
<td>Contributions receivable restricted for endowment</td>
<td>-</td>
<td>$19</td>
</tr>
</tbody>
</table>

See Accompanying 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.

Note 2. Significant Accounting Policies
Basis of presentation
These financial statements have been prepared on the accrual basis of accounting.

Principles of consolidation
Included in these financial statements are the accounts of CPT. All inter-entity accounts and transactions of the Association and CPT (collectively “NASBA”) are eliminated in consolidation.

Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the 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, and cash is maintained in Federal Deposit Insurance Corporation (“FDIC”) insured financial institutions, which management believes are financially strong. At July 31, 2013, the portion of the balance exceeding the FDIC insurance limits was $120,000.

Receivables, note receivable and credit policies
Receivables are primarily 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 are 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, 2013 or 2012.

Prepaid expenses
Prepaid expenses consist primarily of prepaid insurance premiums, equipment maintenance contracts and subscription services.
Note 2. Significant Accounting Policies (Continued)

Investment securities
NASBA generally invests all resources in excess of anticipated working capital requirements in U.S. Treasury and Federal Agency obligations, corporate obligations, fixed income and equity investment funds, and pooled accounts which may contain alternative 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.

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 financial statements.

Investment in affiliate
NASBA's investment in an affiliate is carried at the initial fair value recorded 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, a loss is recorded 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.

Software development costs
Costs associated with the development of software for internal use are capitalized and amortized over the software's useful life or, if shorter, the period for which contractual services that utilize the software are rendered. 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.

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 reported 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 9.

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.
Note 2. Significant Accounting Policies (Continued)

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 its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code.

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, 2013 and 2012. 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 2010.

Contributed services
Many individuals contribute significant amounts of time to NASBA's activities. The value of these individuals' services is not recorded in the 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.

Reclassifications
Certain prior year information has been reclassified to conform to the current year presentation. In addition, the consolidated statements of cash flows reflect a change in presentation from the indirect method to the direct method.

Subsequent events
Management has evaluated all material events and transactions that occurred from the date of the financial statements through September 23, 2013, which is the date that the financial statements were available to be issued, for possible recognition or disclosure. There were no material subsequent events that required adjustments to or disclosure in the financial statements.

Note 3. Contributions Receivable
Contributions receivable consist of the following pledges and are included in receivables at July 31, 2013 and 2012:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts due in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>79</td>
<td>44</td>
</tr>
<tr>
<td>One to five years</td>
<td>39</td>
<td>76</td>
</tr>
<tr>
<td>Total contributions receivable</td>
<td>118</td>
<td>120</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Present value of total contributions receivable</td>
<td>116</td>
<td>117</td>
</tr>
<tr>
<td>Less current contributions receivable</td>
<td>79</td>
<td>44</td>
</tr>
<tr>
<td>Non-current contributions receivable</td>
<td>$ 37</td>
<td>$ 73</td>
</tr>
</tbody>
</table>

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. Diversification of the portfolio is managed through three primary asset classes of equity, fixed income and alternative investments. The alternative asset class provides portfolio risk-versus-return characteristics that are attractive from a diversification standpoint in that such investments are not correlated with the equity and fixed income asset classes.

Additional information on the asset classes is disclosed in Note 5.

At July 31, investment securities consisted of the following:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td>$11,946</td>
<td>$9,437</td>
</tr>
<tr>
<td>Exchange-traded funds</td>
<td>2,391</td>
<td>2,199</td>
</tr>
<tr>
<td>Separately managed accounts</td>
<td>3,597</td>
<td>2,767</td>
</tr>
<tr>
<td>Managed pool accounts</td>
<td>1,932</td>
<td>1,458</td>
</tr>
<tr>
<td>Total Investment Securities</td>
<td>$19,866</td>
<td>$15,861</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$820</td>
<td>$616</td>
</tr>
<tr>
<td>Realized and unrealized gains (losses) on investments</td>
<td>1,600</td>
<td>(171)</td>
</tr>
<tr>
<td>Investment fees and expenses</td>
<td>(88)</td>
<td>(84)</td>
</tr>
<tr>
<td>Total Investment Income</td>
<td>$2,332</td>
<td>$361</td>
</tr>
</tbody>
</table>
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, 2013 and 2012, the valuation method used for asset measurement measured at 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 method used for Level 2 investment securities is the net asset value of the managed pool accounts in which they are invested as reported by the investment company. Such values are derived from the value of the underlying investments. NASBA has no Level 3 assets. There have been no changes in the valuation methods used.

The fair value of investment securities at July 31, 2013 within the fair value hierarchy is as follows:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mutual Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap</td>
<td>$1,233</td>
<td>$1,233</td>
<td>$ -</td>
</tr>
<tr>
<td>U.S. Mid-Cap</td>
<td>1,036</td>
<td>1,036</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Small-Cap</td>
<td>1,020</td>
<td>1,020</td>
<td>-</td>
</tr>
<tr>
<td>International</td>
<td>3,423</td>
<td>3,423</td>
<td>-</td>
</tr>
<tr>
<td>Alternative strategy</td>
<td>712</td>
<td>712</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government, corporate</td>
<td>2,531</td>
<td>2,531</td>
<td>-</td>
</tr>
<tr>
<td>High yield</td>
<td>840</td>
<td>840</td>
<td>-</td>
</tr>
<tr>
<td>International</td>
<td>835</td>
<td>835</td>
<td>-</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>316</td>
<td>316</td>
<td>-</td>
</tr>
<tr>
<td><strong>Exchange-Traded Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap</td>
<td>1,609</td>
<td>1,609</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government, corporate</td>
<td>693</td>
<td>693</td>
<td>-</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>89</td>
<td>89</td>
<td>-</td>
</tr>
<tr>
<td><strong>Separately Managed Accounts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap</td>
<td>3,597</td>
<td>3,597</td>
<td>-</td>
</tr>
<tr>
<td><strong>Managed Pool Accounts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative investments</td>
<td>1,932</td>
<td>-</td>
<td>1,932</td>
</tr>
<tr>
<td><strong>Total Investment Securities</strong></td>
<td>$19,866</td>
<td>$17,934</td>
<td>$1,932</td>
</tr>
</tbody>
</table>
Note 5. Fair Value Accounting (Continued)

The fair value of investment securities at July 31, 2012 within the fair value hierarchy is as follows:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap</td>
<td>$820</td>
<td>$820</td>
<td>$-</td>
</tr>
<tr>
<td>U.S. Mid-Cap</td>
<td>741</td>
<td>741</td>
<td>-</td>
</tr>
<tr>
<td>U.S. Small-Cap</td>
<td>745</td>
<td>745</td>
<td>-</td>
</tr>
<tr>
<td>International</td>
<td>2,628</td>
<td>2,628</td>
<td>-</td>
</tr>
<tr>
<td>Alternative strategy</td>
<td>624</td>
<td>624</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government, corporate</td>
<td>2,375</td>
<td>2,375</td>
<td>-</td>
</tr>
<tr>
<td>High yield</td>
<td>640</td>
<td>640</td>
<td>-</td>
</tr>
<tr>
<td>International</td>
<td>680</td>
<td>680</td>
<td>-</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>184</td>
<td>184</td>
<td>-</td>
</tr>
<tr>
<td>Exchange-Traded Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap</td>
<td>1,271</td>
<td>1,271</td>
<td>-</td>
</tr>
<tr>
<td>Fixed income securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Government, corporate</td>
<td>815</td>
<td>815</td>
<td>-</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>113</td>
<td>113</td>
<td>-</td>
</tr>
<tr>
<td>Separately Managed Accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large-Cap</td>
<td>2,767</td>
<td>2,767</td>
<td>-</td>
</tr>
<tr>
<td>Managed Pool Accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative investments</td>
<td>1,458</td>
<td>-</td>
<td>1,458</td>
</tr>
<tr>
<td>Total Investment Securities</td>
<td>$15,861</td>
<td>$14,403</td>
<td>$1,458</td>
</tr>
</tbody>
</table>

Of the total managed pool accounts at July 31, 2013 and 2012, $1,333,000 and $873,000, respectively, was invested with an investment company in which redemption is typically permitted on a quarterly basis with written notice generally no later than the 25th day of the month prior to the redemption date. The total amount of all requested redemptions from the managed pool for a quarter may be limited. Although the offer of redemption requires approval of the Board of Directors of the investment company, the redemption has been offered on a quarterly basis since inception. The remaining balance of the managed pool account may be redeemed on a daily basis.

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 2013 and 2012, NASBA did not measure any nonfinancial assets at fair value or recognize any amounts in the financial statements related to changes in fair value for nonfinancial assets.

Note 6. Note Receivable

NASBA has a promissory note (the “note”) with a wholly-owned subsidiary of the affiliate (“subsidiary of investee”) discussed in Note 7. The note bears interest at the Wall Street Journal Prime Rate plus 1.75%, which at July 31, 2013 equals 5%. The rate is reset annually on August 1 and currently remains at 5%. There are sixteen quarterly payments remaining over the next four years. As a provision of the note, $144,000 of accrued interest through July 31, 2012 was converted into principal during fiscal 2013. Interest payments on the note in the amount of $122,000 were received during fiscal 2013.
Note 7. Investment in Affiliate

NASBA has a 20% interest in a limited liability company. This investment is accounted for under the equity method. The balance of $954,000 and $978,000 at July 31, 2013 and 2012, respectively, represents the initial carrying value reduced by NASBA’s share of the affiliate’s cumulative losses.

Following is a summary of the financial position and results of operations of the affiliate as of and for the fiscal year ended July 31:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$2,016</td>
<td>$2,028</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>91</td>
<td>139</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>6,617</td>
<td>7,024</td>
</tr>
<tr>
<td>Total assets</td>
<td>$8,724</td>
<td>$9,191</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>2,334</td>
<td>2,121</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>1,621</td>
<td>2,180</td>
</tr>
<tr>
<td>Stockholder’s equity</td>
<td>4,769</td>
<td>4,890</td>
</tr>
<tr>
<td>Total liabilities and stockholder’s equity</td>
<td>$8,724</td>
<td>$9,191</td>
</tr>
</tbody>
</table>

Note 8. Property and Equipment

Property and equipment at July 31 consists of the following:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office and computer equipment</td>
<td>$2,493</td>
<td>$2,991</td>
</tr>
<tr>
<td>Furniture</td>
<td>1,320</td>
<td>1,436</td>
</tr>
<tr>
<td>Building and leasehold improvements</td>
<td>2,097</td>
<td>2,112</td>
</tr>
<tr>
<td>Total Property and Equipment</td>
<td>5,910</td>
<td>6,539</td>
</tr>
<tr>
<td>Accumulated depreciation and amortization</td>
<td>(4,159)</td>
<td>(4,096)</td>
</tr>
<tr>
<td>Net Property and Equipment</td>
<td>$1,751</td>
<td>$2,443</td>
</tr>
</tbody>
</table>

During fiscal 2013 and 2012, $775,000 and $189,000, respectively, of property and equipment, primarily office and computer equipment, were disposed because they were no longer in service.

Note 9. Temporarily and Permanently Restricted Net Assets

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

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time-restricted</td>
<td>$32</td>
<td>50</td>
</tr>
<tr>
<td>Purpose-restricted</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td>Total Temporarily Restricted Net Assets</td>
<td>$62</td>
<td>78</td>
</tr>
</tbody>
</table>

Permanently restricted net assets at July 31 include:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment fund</td>
<td>$95</td>
<td>$85</td>
</tr>
<tr>
<td>Total Permanently Restricted Net Assets</td>
<td>$95</td>
<td>$85</td>
</tr>
</tbody>
</table>

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.

Note 10. 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:

<table>
<thead>
<tr>
<th>Parties to the Agreement</th>
<th>Initial Term</th>
<th>Number of Renewal Options</th>
<th>Renewal Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>NASBA and AICPA</td>
<td>15 years</td>
<td>Unlimited</td>
<td>2 years</td>
</tr>
<tr>
<td>NASBA, AICPA and Prometric</td>
<td>5 years</td>
<td>2</td>
<td>5 years</td>
</tr>
</tbody>
</table>

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.
Note 10. Agreements to Provide Examination Services (Continued)

Effective August 13, 2010, NASBA entered into an agreement (the “International Agreement”) with the AICPA to allow the examination to be delivered by Prometric in international locations. In addition, effective February 1, 2011, NASBA and AICPA entered into an agreement (the “CBT International Agreement”) with Prometric for the delivery of the examination in certain international locations. A replacement CBT International Agreement became effective August 1, 2013. 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 fee from candidates under the Domestic Agreement and AICPA fees under the Domestic and International Agreements. These funds are held in escrow accounts and are disbursed when services are provided. During each of the fiscal years 2013 and 2012, NASBA collected and transferred approximately $50,000,000 to the escrow accounts on behalf of the respective parties to the agreements. At July 31, 2013 and 2012, these escrow funds amounted to $21,000,000 and $22,000,000, respectively. At July 31, 2013, no portion of the escrow funds balance exceeded FDIC insurance limits. Escrow funds and the related obligations are not reported in the financial statements because they do not represent assets or obligations of NASBA.

Note 11. 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 $691,000 for fiscal 2013 and $777,000 for fiscal 2012. NASBA funds its obligation through annual contributions made after the end of the December 31 plan year and 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, 2013 and 2012, the accumulated postretirement benefit obligation was determined by an independent actuarial valuation to be $262,000 ($251,000 non-current and $11,000 current) and $267,000 ($251,000 non-current and $16,000 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 and the change in the benefit obligation:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Components of net periodic cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 27</td>
<td>$ 17</td>
</tr>
<tr>
<td>Interest cost</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(23)</td>
<td>56</td>
</tr>
<tr>
<td>Net periodic postretirement benefit cost</td>
<td>12</td>
<td>82</td>
</tr>
<tr>
<td>Plan participants’ contributions</td>
<td>20</td>
<td>21</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(37)</td>
<td>(37)</td>
</tr>
<tr>
<td>Net change in benefit obligation</td>
<td>(5)</td>
<td>66</td>
</tr>
<tr>
<td>Benefit obligation at beginning of year</td>
<td>267</td>
<td>201</td>
</tr>
<tr>
<td>Benefit obligation at end of year</td>
<td>$ 262</td>
<td>$ 267</td>
</tr>
</tbody>
</table>

The discount rate used to value the obligation was 4.2% in fiscal 2013 and 3.3% in fiscal 2012. The assumed medical trend rate is 7.5% declining to 4% over a period of 7 years and the assumed dental trend rate is a constant 4%. The effect on the accumulated postretirement benefit obligation of a one percentage point change in the assumed health care cost trend rate is shown below:

<table>
<thead>
<tr>
<th>(In thousands)</th>
<th>1% Increase in Rates</th>
<th>1% Decrease in Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Postretirement Benefit Obligation Effect</td>
<td>$ 40</td>
<td>$ (30)</td>
</tr>
</tbody>
</table>

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. Employer contributions were $17,000 for both fiscal 2013 and 2012. The following table shows actuarial projections of expected future postretirement benefit payments in thousands:

<table>
<thead>
<tr>
<th>Fiscal</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>11</td>
</tr>
<tr>
<td>2015</td>
<td>18</td>
</tr>
<tr>
<td>2016</td>
<td>20</td>
</tr>
<tr>
<td>2017</td>
<td>24</td>
</tr>
<tr>
<td>2018</td>
<td>20</td>
</tr>
<tr>
<td>2019 through 2023</td>
<td>117</td>
</tr>
</tbody>
</table>
Note 12. Capital Leases
During fiscal 2013 and 2012, NASBA leased office equipment under capital leases. NASBA is obligated at July 31, 2013 with future minimum lease payments in thousands as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2014</td>
<td>$ 62</td>
</tr>
<tr>
<td>Less imputed interest</td>
<td>2</td>
</tr>
<tr>
<td>Current Obligation</td>
<td>$ 60</td>
</tr>
</tbody>
</table>

The depreciated cost of the office equipment under the capital leases is approximately $56,000 and $115,000 at July 31, 2013 and 2012, respectively.

Note 13. Commitments
NASBA leases office space under operating leases that expire at various dates through fiscal 2020. 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 in thousands are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2014</td>
<td>$ 1,477</td>
</tr>
<tr>
<td>Fiscal 2015</td>
<td>1,540</td>
</tr>
<tr>
<td>Fiscal 2016</td>
<td>1,459</td>
</tr>
<tr>
<td>Fiscal 2017</td>
<td>1,385</td>
</tr>
<tr>
<td>Fiscal 2018</td>
<td>256</td>
</tr>
<tr>
<td>Thereafter</td>
<td>305</td>
</tr>
<tr>
<td>Minimum Lease Payments</td>
<td>$ 6,422</td>
</tr>
</tbody>
</table>

NASBA subleases a portion of the office space leased to the subsidiary of Investee. The current term of the sublease is through May 31, 2014. Under the agreement, the sublease automatically renews for up to three additional twelve-month periods following the current term. Either party may terminate the lease effective one year from the date of notification unless both parties agree to a shorter period. If not terminated prior, the sublease will expire on May 31, 2017. Total minimum rentals to be received in the future under the noncancellable lease term as of July 31, 2013 are $133,000.

Net rent expense charged to operations for office space in fiscal 2013 and 2012 totaled $1,315,000 and $1,323,000, respectively.

Rent expense for fiscal 2013 and 2012 has been reduced by $138,000 and $134,000, respectively, from sublease income.

As a part of these leases, NASBA has accrued rent payable of $405,000 and $402,000 at July 31, 2013 and 2012, respectively which is included in other long-term liabilities. In addition, NASBA has deferred rent credits of approximately $256,000 ($200,000 non-current and $56,000 current) and $311,000 ($255,000 non-current and $56,000 current) at July 31, 2013 and 2012, respectively.

NASBA is obligated at July 31, 2013 under various service agreements. Minimum payments remaining for these commitments are $239,000 in fiscal 2014 and $176,000 in fiscal 2015.

Note 14. Discontinued Operations
During fiscal 2011, NASBA sold, exchanged and redeemed all of its ownership in its wholly-owned subsidiary, Professional Credential Services (“PCS”). NASBA incurred approximately $37,000 in nonrecurring expenses related to PCS in fiscal 2012 which are classified as discontinued operations.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal 2014</td>
<td>$ 62</td>
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<tr>
<td>Fiscal 2015</td>
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<tr>
<td>Fiscal 2016</td>
<td>2</td>
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<tr>
<td>Fiscal 2017</td>
<td>2</td>
</tr>
<tr>
<td>Fiscal 2018</td>
<td>2</td>
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<tr>
<td>Thereafter</td>
<td>2</td>
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