

NASBA

2014 ANNUAL REPORT

R E L E V A N C E

MISSION DRIVEN



MEMBER FOCUSED



BE RELEVANT

“BE PROACTIVE. BE INVOLVED.
BE HEARD. BE AGGRESSIVE. BE SMART.”
- CARLOS E. JOHNSON, CPA, ED.D.



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NASBA

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.**

NASBA IS COMMITTED TO:

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 authority 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

NASBA

National Association of State Boards of Accountancy



LEADERSHIP. SERVICE. ADVOCACY.

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



NASBA

LEADERSHIP

RELEVANT INFLUENCE



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, Carlos E. Johnson, CPA, Ed. D. and Colleen K. Conrad, CPA

LETTER FROM NASBA LEADERSHIP

This past year, NASBA has seen significant successes in all of our strategic goals and has continued to improve processes, infrastructure and efficiencies. More importantly, as we achieve our goals, we are focusing on the future of NASBA. With the completion of the improvements to our New York office and the recent signing of a new lease of our facilities in Nashville, we continue building and cultivating a collaborative workplace environment that will take us to new levels of performance towards our mission, "To enhance the effectiveness and advance the common interests of the Boards of Accountancy."

The theme of this year's Annual Meeting is "RELEVANCE." We began this year with Chair Carlos Johnson's inaugural address wherein NASBA and Boards of Accountancy were challenged to do more to improve our branding, recognition and relevance. That challenge resulted in unprecedented efforts at developing new or stronger relationships in the area of accounting education, federal and international representation, and support for Boards of Accountancy in their branding endeavors. Boards of Accountancy across the nation have made tremendous strides in their stakeholder relevance and branding through high quality newsletters, annual reports, videos and other mediums with the support of NASBA's Communications Department. This year's Annual Meeting, held in our nation's capital, is reflective of NASBA's enhanced relationships. Leaders from federal agencies, education and regulation will be attending and presenting.


NASBA's increased efforts in state board relations, state society relations and legislative guidance have paid measurable dividends this year. The recent signing of mobility legislation in the Commonwealth of Puerto Rico takes us to 52 states and jurisdictions, with only three jurisdictions (Hawaii, Guam and CMNI) remaining. We have provided legislative support and resources to states and territories across the country that have resulted in positive outcomes and enhanced protection of the public. Through our regular visits with Boards of Accountancy, we have improved communications with state boards, and ensured we have identified and provided the support and resources needed.

NASBA's volunteers, through committees, governance and meeting participation, contributed countless hours of professional services and leadership to NASBA. Our volunteer network is the foundation of the success NASBA has enjoyed. This year, new task forces, groups and committees studied and made recommendations for improving the diversity of state boards, identifying and nurturing leadership, and reviewing the nomination and election processes. The guidance, recommendations and support provided by NASBA committees and working groups will ensure that we continue to improve in all we do.

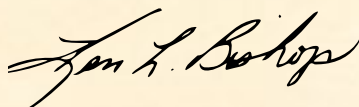
The financial viability of NASBA is critical for providing the support and services to our state boards. We ended our fiscal year with positive results greater than budget, and provided a new record amount of direct support to Boards of Accountancy and our mission. The new business entity, NASBA International Evaluation Services (NIES), providing high quality transcript evaluations for examination eligibility, now is accepted by 47 state boards and is continuing to grow. NASBA recently launched a new for-profit company, Aequo International Inc., which will leverage the investment and expertise gained through NIES to provide top quality evaluation services for non-accounting related examinations and licensure, and for institutions of higher education. All of NASBA's products and services, including our premier CPA Examination Services (CPAES) and the CPE Registry, posted very successful years.

NASBA's Center for the Public Trust (CPT) continues to play the critical role of being NASBA's ethics arm. The momentum and success in establishing StudentCPT chapters across the U.S. continues to grow. The core mission of recognizing accounting and corporate leaders and organizations demonstrating positive and ethical behavior, augmented by the efforts at instilling and promoting strong ethical underpinning for future business and accounting leaders, makes the Center for the Public Trust a great representation of NASBA and Boards of Accountancy.


NASBA and Boards of Accountancy, end this year being more relevant, better branded and more effective in promoting and enhancing public protection. Thank you for the tremendous support and trust you have placed in the leadership, volunteers and staff of NASBA.



Carlos E. Johnson, CPA, Ed. D.
Chair, 2013-2014



Ken L. Bishop
President & Chief Executive Officer



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



2013 - 2014

BOARD OF DIRECTORS

OFFICERS

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

Walter C. Davenport, CPA (NC)
Vice Chair

Gaylen R. Hansen, CPA (CO)
Past Chair

E. Kent Smoll, CPA (KS)
Treasurer

Kenneth R. Odom, CPA (AL)
Secretary

DIRECTORS-AT-LARGE

Donald H. Burkett, CPA (SC)

Janice L. Gray, CPA (OK)

Richard Isserman, CPA (NY)

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

Telford A. Lodden, CPA (IA)

Harry O. Parsons, CPA (NV)

Laurie J. Tish, CPA (WA)

EXECUTIVE DIRECTORS' LIAISON

Mark H. Crocker, CPA, CGMA (TN)

REGIONAL DIRECTORS

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

A. Carlos Barrera, CPA (TX)
Southwest Regional Director

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

John F. Dailey, Jr., CPA (NJ)
Northeast Regional Director

Tyrone E. Dickerson, CPA (VA)
Middle Atlantic Regional Director

W. Michael Fritz, CPA (OH)
Great Lakes Regional Director

Richard N. Reisig, CPA (MT)
Mountain Regional Director

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

OUTSIDE LEGAL COUNSEL

Noel L. Allen

NASBA STAFF

Ken L. Bishop
President & CEO

Colleen K. Conrad, CPA
Executive Vice President & COO

**“WE ARE MORE THAN REGULATORS — WE ARE MEMBERS OF
THE COMMUNITY THAT WE REGULATE.”**

CARLOS E. JOHNSON, CPA, Ed.D.



NASBA's BOARD OF DIRECTORS 2013-14 – Top row (left to right): John F. Dailey, Jr. (NJ) Northeast Regional Director; Mark H. Crocker (TN) Executive Directors' Liaison; Jimmy E. Burkes (MS) Southeast Regional Director; Harry O. Parsons (NV) Director-at-Large; Kenneth R. Odom (AL) Director-at-Large and Secretary; Donald H. Burkett (SC) Director-at-Large; Donald F. Aubrey (WA) Pacific Regional Director; Douglas W. Skiles (NE) Central Regional Director. Center row (left to right): E. Kent Smoll (KS) Director-at-Large and Treasurer; Richard N. Reisig (MT) Mountain Regional Director; Raymond N. Johnson (OR) Director-at-Large; Telford A. Lodden (IA) Director-at-Large; Richard Isserman (NY) Director-at-Large; A. Carlos Barrera (TX) Southwest Regional Director; Tyrone E. Dickerson (VA) Middle Atlantic Regional Director; W. Michael Fritz (OH) Great Lakes Regional Director. Bottom row (left to right): Laurie J. Tish (WA) Director-at-Large; Noel L. Allen, Outside Legal Counsel; Colleen K. Conrad, Executive Vice President & COO; Ken L. Bishop, President & CEO; Carlos E. Johnson (OK) Chair; Walter C. Davenport (NC) Vice Chair; Gaylen R. Hansen (CO) Past Chair; Janice L. Gray (OK) Director-at-Large.



STAFF DIRECTORS

**“EVERY SINGLE NASBA EMPLOYEE BUYS INTO THE MISSION
OF SUPPORTING OUR STATE BOARDS.”**

- KEN L. BISHOP

Alfonzo Alexander

President, NASBA Center for the Public Trust;
Chief Relationship Officer, NASBA

Ed Barnicott

Vice President, Strategic Planning & Program Management

Michael Bryant, CPA

Senior Vice President & Chief Financial Officer

Maria-Lisa Caldwell, Esq.

Chief Legal Officer; Director, Compliance Services

Colleen K. Conrad, CPA

Executive Vice President & Chief Operating Officer

Lisa Dampf

Chief Human Resources Officer

Louise Dratler Haberman

Vice President, Information & Research

Daniel Dustin, CPA

Vice President, State Board Relations

Cheryl Farrar

Chief Information Officer

Rebecca Gebhardt

Associate Director, Regulatory Compliance Programs

Roy Hall

Chief Information Security Officer

Patricia Hartman

Director, Client Services

John Johnson

Director, Legislative & Governmental Affairs

Thomas Kenny

Director, Communications

Jessica Luttrull, CPA

Associate Director, National Registry

Chris Mays

Associate Director, Client Services

Jeff Oliver

Infrastructure Services Director

Onita Porter, CPA

CPA Exam Review Board Director

James Suh

President & CEO, Aequo International;
Director, Continuous Improvement & Analytics, NASBA

Troy Walker, CPA

Director, Finance/Controller

Kenny Wyatt

Application Services Director



VOICES IN THE ACCOUNTING WORLD

2013-14 NASBA APPOINTMENTS TO REGULATORY BODIES AND PROFESSIONAL ACCOUNTING ORGANIZATIONS

AICPA Accounting and Review Services Committee – Janice Gray

**AICPA Auditing Standards Board – William Hunter Cook, Elizabeth Gantnier,
David Miller, Joshua Partlow, Richard Reisig**

**AICPA Board of Examiners – Wendy Perez (Past Chair), Allan Cohen,
Mari DeVries, Steve DelVecchio, Russ Friedewald, Barbara Ley, Leslie Mostow,
Miley W. (Bucky) Glover, Thomas Winkler**

**AICPA Board of Examiners Content Subcommittee – Barry Berkowitz,
Steve DelVecchio, Mari DeVries, Ray Stephens, Thomas Winkler**

**AICPA Board of Examiners State Board Committee – Barbara Ley (Chair),
James Corley, Bobby Creech, Mark Crocker, David deSilva,
Roberta Newhouse, Willie Sims, Daniel Sweetwood**

AICPA National Peer Review Committee – Mark Hobbs, Arthur Sparks

AICPA Peer Review Board – G. Alan Long

AICPA Professional Ethics Executive Committee – John Dailey, Raymond Johnson

FASB Private Company Council – Billy Atkinson (Chair), Diane Rubin

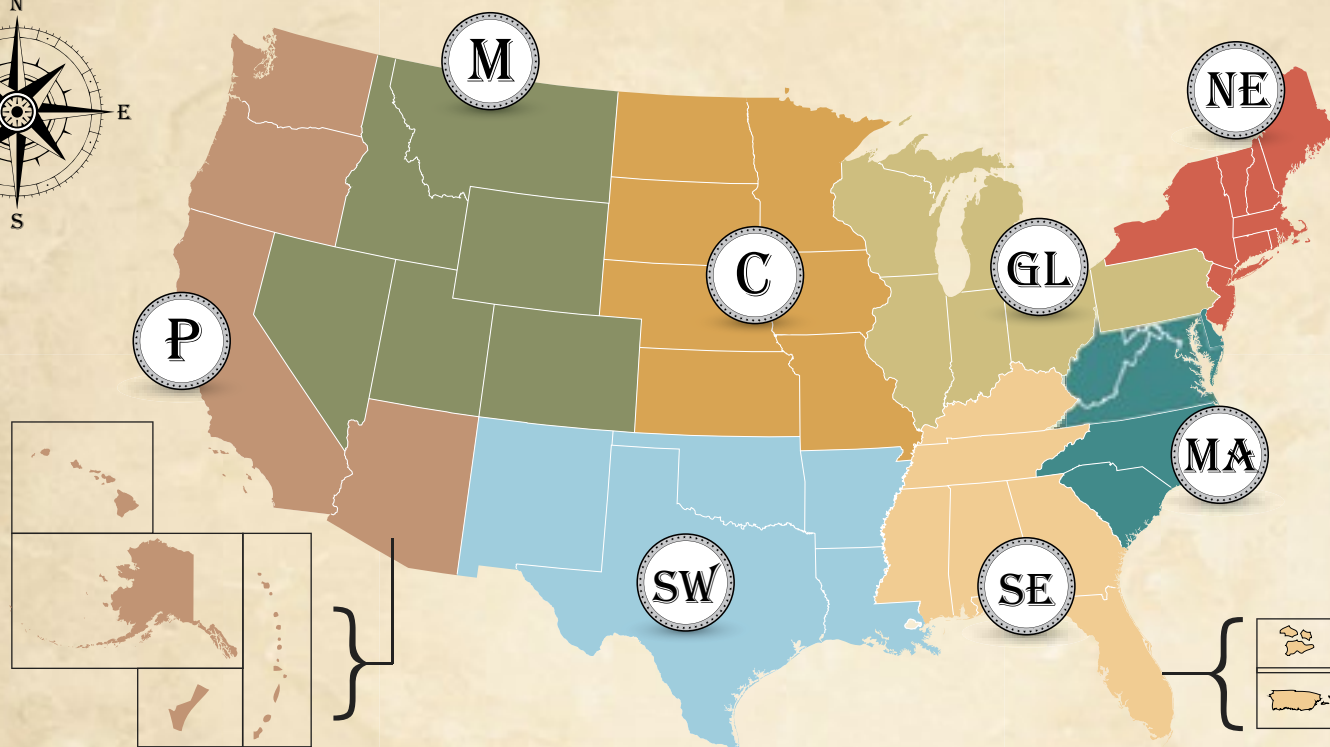
IAASB Consultative Advisory Group – Gaylen Hansen

IAESB Consultative Advisory Group – Raymond Johnson

IESBA Consultative Advisory Group – Gaylen Hansen

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

REGIONAL MAP



PACIFIC
Alaska
Arizona
California
CNMI
Guam
Hawaii
Oregon
Washington

MOUNTAIN
Colorado
Idaho
Montana
Nevada
Utah
Wyoming

SOUTHWEST
Arkansas
Louisiana
New Mexico
Oklahoma
Texas

CENTRAL
Iowa
Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

GREAT LAKES
Illinois
Indiana
Michigan
Ohio
Pennsylvania
Wisconsin

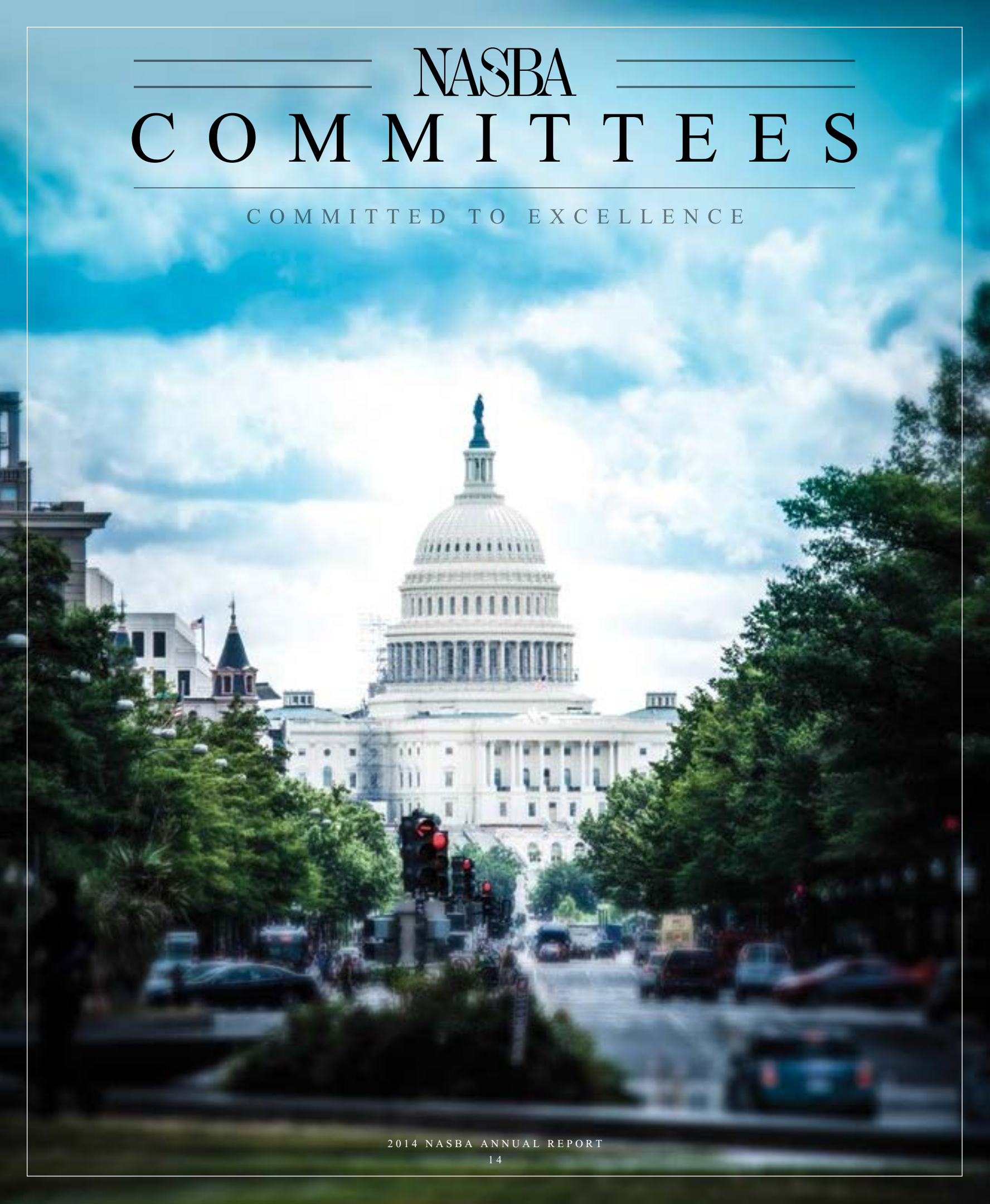
SOUTHEAST
Alabama
Florida
Georgia
Kentucky
Mississippi
Puerto Rico
Tennessee
Virgin Islands

MIDDLE ATLANTIC
Delaware
District of Columbia
Maryland
North Carolina
South Carolina
Virginia
West Virginia

NORTHEAST
Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Rhode Island
Vermont

NASBA COMMITTEES

COMMITTED TO EXCELLENCE



ACCOUNTANCY LICENSEE DATABASE/CPAVERIFY COMMITTEE

Serve as an Advisory Committee to support the ongoing operations of the Accountancy Licensee Database (ALD) and corresponding CPAVerify resources and initiatives.

With 47 boards now on the ALD, 45 on CPAVerify and many more implementations in progress, NASBA is now in the home stretch of 100% participation in the national database.

Data set enhancements such as adding firm records and disciplinary data remains a high priority. Many boards upgraded to new licensing systems throughout the year, requiring a fresh implementation of their ALD data feeds with the assistance of NASBA staff.

The Committee has continued to advise on decisions regarding new initiatives. This year's focus included:

- Planning a 2020 vision for the future of the ALD tool and its data
- Approval of a new firm disciplinary email alert
- Development of a framework for the approved uses of the ALD and a policy regarding external uses is in process
- Leveraging existing firm data to offer efficiencies to boards with regard to Peer Review
- Use of the ALD for improved communication between boards, specifically for mobility and discipline – a new policy and technical solution were devised by the Joint ALD/ Enforcement Resources Committee
- Analyzing whether a report function might work to enhance value of the ALD for board staff
- Saving boards time and increasing the sample size for the Uniform CPA Examination Practice Analysis
- Leveraging existing relationships with Federal Agencies, while building additional ones, to make boards' enforcement efforts more effective
- A new deceased email alert was developed and launched to help boards keep accurate records.



Committee Members

Chair: Laurie J.Tish (WA); Vice Chair: Dan Sweetwood (NE); Members: Patti Bowers (CA), Clifford Cooks (DC), Cheryl M. Guiddy (ID), Wade A. Jewell (VA), Ransom Jones (MS), Kathleen Thompson (AK), Viki A. Windfeldt (NV); Staff Liaisons: Rebecca Gebhardt and Elizabeth Stanton



NASBA Treasurer E. Kent Smoll, CPA is serving his third year as chair of the Administration & Finance Committee.

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. 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 works with management and volunteer leadership to review financial policies, monitor financial performance and assess enterprise risk.

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

Operational and capital budgets as approved by the Board of Directors were discussed by the Committee with management at all quarterly meetings. Through this process, the Committee analyzed variances from the budgets, reviewed Management's Discussion and Analysis of the differences, and ascertained that fiscal activities were on track and appropriately managed. During fiscal 2014, the Administration and Finance Committee conferred with management throughout the process of negotiating the extended lease for the Nashville office space. In evaluating insurable risks, the Administration and Finance Committee supported management's recommendation to increase the liability limits of its CyberSecurity policy. In addition, working in conjunction with the NASBA Board of Directors, the Committee made recommendations to reduce the risk exposure of the long-term investments fund.

Committee Members

Chair: E. Kent Smoll (KS); Members: Walter F. D'Olive, III (AL), Walter C. Davenport (NC), Rocky L. Duckworth (TX), David L. Miller (MS), 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.

The NASBA Awards Committee held its annual request for nominations May 1 - July 1, 2014. At the close of the nomination period, the Committee participated in an extensive review of the nomination materials as well 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 18, 2014 meeting.

The 2014 NASBA award recipients include: David A. Vaudt, CPA, of Iowa (William H. Van Rensselaer Public Service Award), Richard Isserman, CPA, of New York (NASBA Distinguished Service Award) and Viki A. Windfeldt of Nevada (Lorraine P. Sachs Standard of Excellence Award). NASBA will formally recognize these recipients during the 107th Annual Meeting in Washington, D.C., November 3-5, 2014.



David Vaudt



Richard Isserman



Viki Windfeldt

27

Total William H. Van Rensselaer Public Service Award recipients

16

Total NASBA Distinguished Service Award recipients

7

Total Lorraine P. Sachs Standard of Excellence Award recipients

Committee Members

Chair: Mark P. Harris (LA); Members: Robert B. Cagnassola (NJ), Bobby Creech (SC), Michael T. Daggett (AZ), Sandra A. Suran (OR), Richard Sweeney (WA); Staff Liaison: Cassandra Gray

BYLAWS COMMITTEE

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

The NASBA Bylaws Committee had an active and productive year. Conducting several meetings via telephone and one in-person, the Committee recommended Bylaws changes to the NASBA Board of Directors covering four components of the current NASBA Bylaws.

The Committee clarified the term "ex officio" in the Bylaws by adding non-voting to the Bylaws in each location where ex officio is mentioned. This change enables the Bylaws to be consistent with Robert's Rules of Order and be clear as to the intent of the association regarding voting privileges in the Bylaws.

The Committee also recommended changes clarifying the role of the NASBA Audit Committee. The changes accurately reflect modern practices of an audit committee and its operation under a charter. They also make provisions for the appropriate approvals needed to publish the NASBA Annual Report.

The Committee recommended changes to confirm that the NASBA Executive Committee, without the NASBA president, officially serve as the Compensation Committee. This change makes the Bylaws consistent with current practice.

Finally, the Committee recommended the waiver of associate dues for past NASBA chairs and sitting NASBA Board of Directors. This change takes into consideration the work and effort of NASBA Board members who contribute to the organization without compensation.

All of the recommended changes were accepted by the NASBA Board of Directors and will be voted on by the full membership at the NASBA Annual Business Meeting. The Committee is happy with the work accomplished this year, and looks forward to additional items it will address next year.

Committee Members

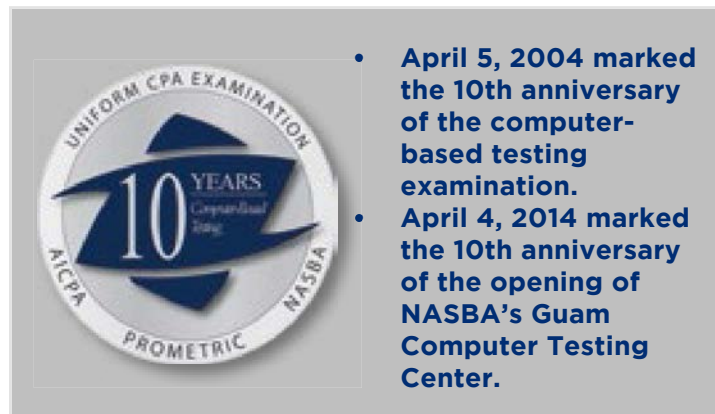
Chair: Jimmy E. Burkes (MS); Members: James J. Carroll (OH), James S. Ciarcia (CT), Richard G. David (MI), James Wyatt Goad (AR), Thomas W. Winkler (IL); Staff Liaisons: Alfonzo Alexander and John Johnson

CBT ADMINISTRATION COMMITTEE

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

In fiscal year 2014, the Computer Based Testing Administration Committee addressed the following issues:

- Discussed various examinee misconduct and state boards' statutes/rules for dealing with such misconduct
- Reviewed and compared historical pass rates for each of the four examination sections, with input provided to AICPA Board of Examiners Examination Team
- Discussed challenges with the growth of the CPA profession, and brainstormed suggestions for state boards to assist in increasing CPA Examination pool
- Participated in discussion with, and provided input to, the AICPA Board of Examiners Examination Team regarding the upcoming Uniform CPA Examination Practice Analysis
- Drafted a NASBA response to the Invitation to Comment regarding the AICPA Board of Examiners document "Maintaining the Relevance of the Uniform CPA Examination"



Committee Members

Chair: Richard N. Reisig (MT); Members: Kent Absec (ID), Robert N. Brooks (NC), Richard C. Carroll (KY), Thomas DeGroot (MO), C. Jack Emmons (NM), Margaret A. Houston (OH), Benjamin C. Steele (NV), Phyllis Walker (IL); Staff Liaison: Patricia Hartman

COMMUNICATIONS COMMITTEE

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

To date, a total of 15 Boards of Accountancy are participating in NASBA's communications outreach program whereby boards can receive complimentary editorial, design and distribution assistance for customized e-Newsletters, brochures, annual reports and videos. This year, the Committee introduced the addition of Public Service Announcements (PSAs) to the menu of complimentary offerings.

Committee Members

Chair: Donald F. Aubrey (WA); Members: Jim Abbott (ND), Patricia A. Crecco (NY), Sally Flowers (CA), Lisa R. Hearne (NC), James Kelley (IL), Shelley Laracuate (IA), Stephanie Saunders (VA), Judy A. Thomas (CO), Kevin P. Tracy (RI); Staff Liaisons: Cassandra Gray and Thomas G. Kenny

Communications Committee initiatives for the 2013-14 committee cycle focused on providing increased creative services to Boards of Accountancy, continuing education on the value of social media, encouraging the exchange of communications best practices and introducing enhancements to NASBA meetings.

In an effort to strengthen the learning curve of members in the area of social media, the Committee provided on-site social media tutorials and assistance during the 2014 Regional Meetings and featured helpful tips and information in *E-Digital* - NASBA's e-newsletter for Board of Accountancy executive directors.

Additionally, the Committee hosted a discussion on communications best practices during the Board Communications Luncheon, held during the Eastern and Western Regional Meetings. Board of Accountancy representatives are encouraged to submit samples of their communications outreach to the Committee each year.

As a way to enhance NASBA meetings, the Committee was instrumental in NASBA's offering of electronic meeting materials and also spearheaded the launch of the "Dine Around" program that encourages networking among current state board members.



COMPLIANCE ASSURANCE COMMITTEE

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

The Compliance Assurance Committee (CAC) achieved the following milestones during the 2013-14 committee cycle:

- Completed Part 2 of the video training series for Boards of Accountancy and their Peer Review Oversight Committees (PROCs).
 - Part 2: NASBA Guide to Operating a PROC - 1) Managing the Process and 2) Documentation and Reporting were completed and posted in the PROC Resources section of nasba.org.
 - Part 1: NASBA Guide to Developing a PROC - 1) First Steps and 2) PROC Organization were completed last year.
- Added the level of service that triggers a peer review for each state to NASBA's Accountancy Licensing Library (ALL) research tool for reference by boards, firms and individuals.
- Presented a session on PROCs (Who, Why, What and How) at the 2014 NASBA Legal Conference in Savannah, GA.
- The CAC and NASBA approved and released the 2011-13 Report on Oversight of the National Peer Review Committee (NPRC). The report documents were shared with each board as well as announced and posted on nasba.org and the PROC Resources webpage.
- Held the annual face-to-face CAC meeting and attended the joint AICPA Standards Task Force/NASBA CAC meeting in Denver on August 6, 2014. Discussions included the current Department of Labor (DOL) findings, enhancing audit quality, Preparation Services exposure draft, white paper on Recommendations for Dealing with Failed Reports and planning for the 2015 PROC Summit.
- Kicked off new initiative of hosting biennial public committee conference call for all PROCs.
- Set the date, location and venue for the 2015 PROC Summit.

The 2015 PROC Summit will be held in Nashville, TN, on July 10, 2015 at the Omni Hotel.

Committee Members

Chair: Janice L. Gray (OK); Members: Kristal L. Bernert (CO), Frederick G. Briggs (NH), Robert B. Cagnassola (NJ), Elizabeth Gantnier (MD), James P. Gero (OH), Mark T. Hobbs (SC), Edwin G. Jolicoeur (WA), Henry J. Krostich (FL), G. Alan Long (KY), Michael S. McClure (NE), Arthur L. Sparks, Jr. (TN); Staff Liaison: Leona Johnson

CPA EXAMINATION REVIEW BOARD (ERB)

AUGUST 1, 2013 – JULY 31, 2014

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, 2013.

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 jurisdictions of the United States of America 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 2014, for the work performed during the 2013 calendar year. The ERB stated the results of the 2013 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, 2013."



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.

Committee Members

Chair: Ronald E. Nielsen (IA); Vice Chair: O. Whitfield Broome (VA); Immediate Past Chair: Nicholas J. Mastracchio (NY); Members: Lela "Kitty" D. Pumphrey (ID), Douglas E. Warren (TN), Consultants: Steven M. Downing (IL), Michael W. Harnish (WA); Staff Liaison: Onita Porter, CPA, Examination Review Board Director; Additional Support Staff: Shawn Jackson, CPA, Examination Review Board Audit Manager

CPE COMMITTEE

Oversee the CPE Working Group and related Statement on Standards for Continuing Professional Education (CPE) Programs. Also, develop and promote uniform rules and requirements for continuing professional education among the jurisdictions.

As reported in the prior year, the CPE Committee began the process of researching and considering a national strategy to standardize CPE requirements across jurisdictions. In February 2014, the CPE Committee established a task force, named the CPE Model Rule Task Force (Task Force), to perform a comprehensive review and evaluation of all of the information and data impacting and influencing CPE and CPE compliance. The Task Force is comprised of all facets of the stakeholders to the CPE compliance area including executive directors and members of state accountancy boards, state societies, counsel to State Boards of Accountancy, educators, CPE providers and the AICPA.

The Task Force has met several times during 2014 and the project is well underway. The ultimate goal of the Task Force is to make a recommendation for a model rule regarding CPE requirements that would ultimately be presented to the Uniform Accountancy Act Committee for consideration as recommended action to maximize CPE regulation, value and compliance.

The Statement on Standards for Continuing Professional Education (CPE) Programs (Standards) was last revised in January 2012. In connection with the 2012 Standards revision process, procedures were put in place so that the Standards would be reviewed and

evaluated every two years.

The Standards review period began in April 2014 and followed the review and evaluation process used in 2012. The Standards have been reviewed in their entirety by the CPE Standards Working Group. In addition, the Working Group is considering innovations, trends and techniques in CPE, as well as ideas and suggestions related to clarifications and modifications of the 2012 Standards. The Working Group will make its recommendation to the CPE Committee, which in turn makes recommendations to the Joint AICPA/NASBA CPE Standards Committee. The Joint Committee will then make its recommendation to the respective AICPA and NASBA Boards of Directors. Any revisions approved by the boards will be made available for public comment.

The National Registry Summit was held in Nashville, TN, on September 18-19, 2014. The Summit featured engaging speakers on the use of games and gamification to drive engagement in learning. The Summit also provided opportunities for knowledge sharing through panel presentations and networking through breakout sessions.

Committee Members

Chair: John F. Dailey, Jr. (NJ); Members: Mary F. Bernard (RI), Maria E. Caldwell (FL), Ryan S. Cook (MO), Gerald E. Denor (WI), Robert F. Fay (OH), James Gottfried (OH), Patricia O'Sullivan (KS), Joshua W. Partlow (VT), Mark S. Robinson (MA), D. Lynn Smith (AZ), Thomas T. Ueno (HI); Staff Liaison: Jessica Luttrull

**“NASBA IS AN ORGANIZATION MADE UP OF PEOPLE
WITH A TREMENDOUS CONCERN, DEDICATION
AND PASSION FOR THEIR PROFESSION.”
- GAYLEN R. HANSEN, CPA**

DIVERSITY GROUP

Develop a diversity program that ensures the NASBA culture is open and inclusive of women and minorities, and provides opportunities for service and leadership.

The Diversity Group met in Dallas on January 10, 2014, held several workgroup calls, and a conference call in October. The Group has focused its work during the year on two recommendations made by the original Diversity Task Force. Two workgroups have been formed to work on the recommendations as follows:

Maria Caldwell & Dolly Lalvani: Recommendation #11 - *“Help expand the diversity of NASBA’s volunteer base by developing and distributing resources that encourage Boards of Accountancy to emphasize the importance of diversity to those who nominate, recruit and/or appoint the members of the Board.”*

This workgroup has been able to meet once and is looking at a variety of initiatives including:

- Working with the State Society Relations Committee to encourage governors to make diversity a priority when appointing qualified Board of Accountancy members,
- Reaching out to a variety of ethnic professional organizations to encourage member CPAs to become involved in regulation

(e.g., ALPFA, Ascend, NABA) and,

- Working with other NASBA stakeholders to develop a strategy for engaging state leadership (e.g., Governors, Lt. Governors, Attorney Generals) on a broad range of issues of interest to the Boards of Accountancy and NASBA.

Leonard Sanchez and Willie Sims: Recommendation #10

“Develop engagement programs that bring NASBA’s staff, Executive Committee, current Board of Directors’ members and the Nominating Committee members together with volunteers; providing opportunities to become familiar with potential volunteer leaders. Examples may include luncheon roundtables, breakfast groups, exercise groups, or similar networking functions at Regional Meetings.”

In June, Tyrone Dickerson and Leonard Sanchez led breakout sessions on diversity at the NASBA Regional Meetings.



Group Members

Chair: Tyrone E. Dickerson (VA); Members: Maria E. Caldwell (FL), Dolly Lalvani (PA), Leonard R. Sanchez (NM), Willie B. Sims, Jr. (MS); Staff Liaison: Ed Barnicott

EDUCATION COMMITTEE

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

The Education Committee began its work year with an organizing meeting in Chicago, IL last fall. The meeting was well attended by Committee members, and it launched the development of subcommittees appointed to work on key initiatives identified by NASBA leadership. These key initiatives included refining the Committee charge, enhancing the Accounting Education Research Grants program, assessing external initiatives impacting accountancy regulation, and increasing involvement in academic accounting organizations.

The Committee identified new interest and focus areas for the Accounting Education Research Grants program to compliment the areas already included. The subcommittee assigned to the program worked with NASBA staff to disseminate information marketing the program. In the spring, the Committee selected four grants that NASBA funded or supported with data.

Another subcommittee evaluated the International Accounting

Education Standards Board’s new, revised standards. Upon review, the subcommittee determined that the new standards have no significant impact on the United States standards. The Committee is also reviewing the new AACSB standards to identify any potential implications for NASBA to consider.

This year was also very encouraging in NASBA’s efforts to increase relationships with the academic accounting organizations. Various committee members, NASBA leaders and staff participated in the annual meetings of the AACSB, Accounting Programs Leadership Group, Beta Alpha Psi, American Accounting Association, as well as other organizational meetings during the committee year. This involvement led to the publishing of a NASBA article in the AAA Magazine and other relationship advancements.



Committee Members

Chair: Thomas R. Weirich (MI); Members: Tawannah G. Allen (NC), Terry M. Bayless, Sr. (ID), Robert J. Cochran (VA), Todd C. Craft (WI), David de Silva (NY), Kevin M. Fountain (RI), Daniel L. Fulks (KY), Sharon Morrow (IL), Angela L. Pannell (MS), John E. Peterson (SD), Melanie G. Thompson (TX); 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 focuses on sharing enforcement information between federal agencies and the boards. The quarterly distribution of the *Enforcement Report* continues to include new sources of information as they become available. The *Enforcement Report* includes any publicly available disciplinary information from the SEC, PCAOB, IRS and AICPA. The information is cross-referenced against the licensing data available in the Accountancy Licensee Database (ALD) to assist boards in identifying disciplinary matters which may involve licensees.

In June 2014, NASBA received a copy of the Department of Labor's EBP audit list and created state-specific spreadsheets to provide to each Board of Accountancy. A similar state-specific listing taken from the Federal Clearinghouse Audit database was distributed to the boards to help boards identify firms in their state performing audits. NASBA is also in the process of obtaining a listing of PTIN holders from the IRS to assist the boards in identifying those individuals who hold themselves out as a CPA to the IRS without proper state licensure by an accountancy board.

A series of tutorial presentations utilizing the Brainshark platform are in production to assist boards in navigating the different processes for obtaining investigatory or disciplinary information

from the various federal agencies. Information regarding the IRS, DOL and SEC was added to the Enforcement Tools web page to assist boards in their efforts to obtain enforcement information from federal agencies. The quarterly *Enforcement Newsletter* continues to discuss the "hot topics" in the enforcement arena and are also archived on the Enforcement Tools web page.

The Enforcement Resource Committee and ALD Committee formed a joint subcommittee to consider enforcement issues arising from cross-border practice and, in particular, whether ALD or another tool could be used to help capture such enforcement data to assist boards in regulating their licensees.

A policy for cross-border enforcement guidelines was developed, approved by both Committees, and then added to the Enforcement Resources Guide housed on the Enforcement Tools web page of nasba.org.

Committee Members

Chair: Harry O. Parsons (NV); Members: Larry Brown (OR), Donald R. Burgard (PA), Sharron M. Cirillo (DE), Robert Helm (MO), Walter C. Kannaday, III (SC), John M. Kledis (NC), Patrick C. McGuire (WY), Thomas J. Murphy (MD), Leonard M. Romaniello, Jr. (CT), Randall Ross (OK), Michael J. Swartz (MI), Patrick M. Thorne (NV), Frank X. Trainor (NC), Michael Weinschel (CT); Staff Liaison: Stacey L. Grooms

**"LIFE IS JUST A JOURNEY.
I HAVE BEEN KNOCKED DOWN EIGHT TIMES
AND GOT UP NINE. YOU CAN'T FAIL IF YOU DON'T TRY."
- RICHARD C. SWEENEY, CPA**

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 Ethics and Strategic Professional Issues Committee met to discuss a number of relevant exposure drafts during the 2013-2014 committee year. The Committee has produced, participated in producing or is presently working on the following exposure draft responses:

Issuer	Subject	Due Date
PEEC	Definition of "Those Charged with Governance"	11/10/13
PEEC	Conflict of Interest	01/27/14
IESBA	2013 IESBA Strategic Work Plan 2014- 2018	01/27/14
IESBA	Non-Assurance Services	08/18/14
IESBA	Long Associations of Personnel with an Audit or Assurance Client	11/12/14
PEEC	Breaches of Independence Requirements	08/15/14
PEEC	Omnibus Proposal of Revised Interpretations	10/29/14

Ray Johnson, Chair of the Ethics and Strategic Professional Issues Committee led a discussion at the NASBA Regional Meetings surrounding the current landscape associated with various jurisdictions' codes of professional conduct, differences between the AICPA Code of Professional Conduct and the code in various

jurisdictions, and the overall goal of achieving greater consistency in various jurisdictions' codes of professional conduct.

Many attendees were not totally familiar with the state of their jurisdiction's current code of conduct. Two major differences were identified between the AICPA Code of Professional Conduct and various state rules:

- Issues of withholding client work product for non-payment of fees (client records).
- Issues associated with requirements for written documentation regarding commission arrangements and contingent fee arrangements.

There was general support for taking steps to achieve more consistency among jurisdictions. The major concern raised about achieving consistency with the AICPA Code of Professional Conduct revolved around (1) identified differences, and (2) the optics to state legislatures or an attorney general of adopting a code of professional conduct that was not the regulator's code.



Committee Members

Chair: Raymond N. Johnson (OR); Members: Ellen K. Adkins (SC), Catherine R. Allen (NJ), Barry M. Berkowitz (PA), Dian T. Calderone (VA), Dean L. Condie (ID), Steven Corbeille (WI), Michael T. Daggett (AZ), Craig Hirai (HI), Sheldon P. Holzman (IL), Thomas G. Neill (WA), Michael Nickerson (ME), Felicia R. O'Carroll (NV), M. Chad Singletary (AL), Robert Snodgrass (IA); Staff Liaison: Ed Barnicott

EXECUTIVE DIRECTORS COMMITTEE

Support Executive Directors in their roles with Boards of Accountancy.

The Executive Directors Committee had a very successful meeting in Savannah, GA. Several changes in format were implemented; the annual Executive Directors and State Board Staff Conference was pushed back one day later in the week to begin on Tuesday to avoid weekend travel for the attendees, and the Conference went paperless. In an effort to eliminate the need for binders and bags, all information was downloadable to iPads or computers. Conference attendees were educated on "Nano" learning and the CPETracker offered by NASBA. An update on NASBA technology was offered, and attendees were given a brief introduction to relations between state boards and state societies.

The big topic this year was building the relationship between state boards and the federal agencies so that executive directors and board staff can be more effective regulators. The Department of Labor released information to the AICPA that was then pushed out to the state societies which then, in many cases, made its way to the state boards regarding individuals and firms who were

performing ERISA audits, but were not having the appropriate peer reviews completed. The IRS released a PTIN list which encompassed all individuals who had registered for a PTIN, and this was distributed to the state boards so that determinations could be made if those individuals held the proper licensures to practice. Overall, this year's Conference was a very successful and beneficial meeting.

In addition, this year the Executive Directors Committee was made a Standing Committee of NASBA in 2014. The executive directors are very appreciative of this recognition of their commitment and service to the organization.

Committee Members

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

GLOBAL STRATEGIES COMMITTEE

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

The focus of the Global Strategies Committee during 2014 has been on defining a strategy for NASBA that would serve the organization well in the international arena. As the Committee worked through the year, it was determined that more discussion with NASBA leadership was necessary to define NASBA's intentions and objectives in the global accounting environment.



After such discussion, the Global Strategies Committee recommended to leadership that the Forum of International Accounting Regulators (FIAR) be suspended indefinitely and that the international issue monitoring duties of the Global Strategies Committee be reassigned to NASBA's subject matter committees (Ethics, Education, Regulatory Response and others). NASBA leadership accepted these recommendations.

Committee Members

Chair: A. Carlos Barrera (TX); Members: Samuel K. Cotterell (ID), Ruben A. Davila (CA), Howard S. Engle (IL), Theodore W. Long, Jr. (OH), Marc Moyers (VA), John B. Peace (AR), Mark Sellner (MN), Layne R. Simmons (AZ); Staff Liaisons: Ed Barnicott and Colleen K. Conrad

INTERNATIONAL QUALIFICATIONS APPRAISAL BOARD

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

IQAB, a joint committee with the AICPA, held conference calls on January 9, August 11 and October 6 with an in-person meeting held March 28 in Dallas. In addition, the IQAB task forces each held conference calls throughout the year. As directed by NASBA and AICPA leadership, the IQAB members considered the pros and cons of state recognition of foreign credentialed professionals without the need for a mutual recognition agreement. IQAB Chair Ted Lodden had the committee compose a document listing arguments for and against such recognition, which was shared with NASBA and AICPA leadership.

Task forces also continued to work on mutual recognition agreement evaluations started in previous years, as well as renewals of existing agreements.

A task force continued to monitor developments in the new examination and education program used by the South African Institute of Chartered Accountants, in hopes of completing a mutual recognition agreement with that body. As of this date, that new examination had not yet been administered and no agreement was finalized. This agreement might lead to a similar one with the Institute of Chartered Accountants in Zimbabwe, which has the same qualification program.

As the Institute of Chartered Accountants in New Zealand and the Institute of Chartered Accountants in Australia are merging programs, a task force continued to monitor how these programs would be melded together and how that would affect the renewal of the mutual recognition agreements that exist through IQAB.

Agreements with the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants in Scotland have been under development for several years as the United Kingdom's Financial Reporting Council has held additional designations, besides the Chartered Accountant, need to be included in the mutual recognition agreements. An IQAB task force is continuing to negotiate with the UK bodies.

The unification of the accounting profession in Canada, including the Canadian Institute of Chartered Accountants into CPA Canada, will impact the mutual recognition agreement among the U.S., the Instituto Mexicano de Contadores Públicos and the CICA (now CPA Canada). A task force is monitoring this merger as well and at the March 28 meeting, IQAB approved a memorandum of understanding extending the agreement until December 31, 2016. The NASBA and AICPA Boards of Directors subsequently approved the extension, as did the leaders of the IMCP and CPAC.

An education task force is considering the best benchmarks for determining the substantial equivalence of U.S. CPA education and non-U.S. designations' required entry-level education.

The determination by NASBA and the state boards of acceptable pathways for recognition of international professionals will determine the future activities of IQAB.

Board Members

Chair: Telford A. Lodden (IA); Chair Emeritus: William Treacy (TX); Members: Jeffrey A. Leiserowitz (KS), Jose Ramon Rodriguez (NC), Ying Sa (IA), Kathleen J. Smith (NE); Staff Liaisons: Louise Dratler Haberman and Patricia Hartman



LEADERSHIP DEVELOPMENT GROUP

NASBA recognizes the need and importance of identifying and developing individuals for future leadership positions both within NASBA and for external appointments in the sphere of accounting regulation. The Leadership Development Group is made up of individuals who are recognized as leaders in the accounting profession and will make recommendations to the chair as to how best to identify, recruit, develop and promote a diverse pool of men and women for these important appointments.

The Leadership Development Group, a collection of well-respected leaders representing a variety of areas within the accounting profession, was appointed by NASBA Chair, Carlos Johnson. During its two meetings and ongoing follow-up work, the Group made significant progress toward accomplishing its purpose. The goal for the Group is to help NASBA leadership develop a strategy to identify and prepare future leaders of NASBA. When complete, the Group's work will better enable NASBA to identify Board of

Accountancy members who can become NASBA leaders and represent NASBA in national and global forums.

Current outcomes from the Group include developing a list of key competencies for NASBA leaders, and the creation of a new competency tool to assist with committee selection. The Group also identified relevant accounting and other professional organizations that will be helpful in identifying future Board of Accountancy and NASBA members. At this time, the Group is working on an overall strategy of how NASBA can work with State CPA Societies to prepare their leaders for future Board of Accountancy positions.

Group Members

Chair: Carlos E. Johnson (OK); Members: Samuel K. Cotterell (ID), J. Michael Kirkland (NY), George Krull (IL), Cathy Landau-Painter (DC), Sandra Suran (OR); Staff Liaisons: Alfonzo Alexander and Ken L. Bishop

LEGISLATIVE SUPPORT COMMITTEE

Assist the Director of Legislative and Governmental Affairs with the development of legislative strategies to enhance Boards of Accountancy effectiveness. Develop a network to assist in carrying out legislative strategies.

The most significant outcome of the department of Legislative and Governmental Affairs over the last year has been its ability to identify and follow legislation through NASBA's legislative tracking system. The legislative tracking system enhances NASBA's ability to fulfill its public protection responsibilities. The Legislative Support Committee regards the legislative bill tracking program as an important step toward furthering the effectiveness and advancing the common interests of all Boards of Accountancy. This system will allow boards to become more readily aware of key pieces of legislation in their jurisdictions and around the country that could greatly impact their regulatory capacity.

Under the leadership of John Johnson, and through the use of bill tracking protocols that were programmed with search queries written by Mr. Johnson, NASBA monitors in real-time legislation affecting the accounting profession within the 50 states, Puerto Rico, the District of Columbia, and the U.S. Congress. During the 2014 legislative sessions, more than 750 Board of Accountancy-related bills were identified and monitored. Of those, 233 were classified as "high-priority," meaning legislation that either has a direct impact on the regulation of the accounting profession, or legislation that contained existing statutory language, which, if

amended during the legislative process, could have an impact on the regulation of the profession.

In addition to forming an external network with various groups, it is equally important to establish a strong internal network program. With that said, the Legislative Support Committee will launch their Key Person Contact (KPC) program following the November 2014 mid-term elections. The KPC program serves as a nexus for transmitting information to legislators and reporting information about proposed or pending legislation to NASBA. Each NASBA member will be receiving an e-mail asking them to identify those in the legislative and executive branches of government with whom they have a personal and/or professional relationship. The Committee believes that identifying and cultivating these relationships will pay dividends in the future.

The work accomplished by the Committee in 2014 will assist John Johnson when consulting with all Boards of Accountancy on their legislative strategies.

Committee Members

Chair: Donald H. Burkett (SC); Members: Jennifer Brundige (TN), 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



NOMINATING COMMITTEE

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

Nominating Committee members met in Nashville on March 31 to recommend a nominee for 2014-2015 vice chair. As part of the vice chair selection process, the leadership qualifications of each candidate were thoroughly examined by the Committee. Committee members attended both the Eastern and Western Regional Meetings to further familiarize themselves with candidates put forward to fill expiring Board positions and met in St. Louis on June 12 to recommend nominees. To complete the slate of nominees, the Committee had its final meeting on August 21 in Dallas. In accordance with the Bylaws, the Committee submitted its final report to Chair, Carlos Johnson.

Committee Members

Chair: Gaylen R. Hansen (CO); Nominating Committee Members Elected for 2013-2014 - Central Region: Jeffrey A. Leiserowitz (KS), Alternate: John E. Peterson (SD); Middle-Atlantic Region: Bobby R. Creech, Jr. (SC), Alternate: Barton W. Baldwin (NC); Pacific Region: Thomas T. Ueno (HI), Alternate: Ruben A. Davila, (CA); Southeast Region: Lisa Mays Stickel (TN), Alternate: Charles Calhoun, III (FL); Nominating Committee Members Elected for 2013-2015 - Great Lakes Region: Claireen Herting (IL), Alternate: Margaret A. Houston (OH); Mountain Region: Patrick M. Thorne (NV), Alternate: Karen Forrest Turner (CO); Northeast Region: Michael Weinschel (CT), Alternate: James S. Ciarcia (CT); Southwest Region: Michael A. Tham (LA), Alternate: James Wyatt Goad (MS); Staff Liaisons: Ken L. Bishop and Anita Holt

NOMINATIONS PROCESS TASK FORCE

To perform an analysis of the current nominations process, making suggestions for improvement, where needed, in an effort to increase interest in pursuing an office on the NASBA Board of Directors.

Chair Carlos Johnson appointed a special Task Force to review NASBA's existing nominations process, which has been in existence since 2004.

Task Force members are charged in conducting a full evaluation of the 10-year process to determine what has worked well and what opportunities exist for improvement. The Task Force will also explore ways in which NASBA can educate Board of Accountancy executive directors and members on the nominations process to encourage increased interest and support.

The Task Force held its first meeting in August 2014 and looks forward to proposing process improvements that will promote increased interest and participation in various Board of Directors roles.

Task Force Members

Chair: Carlos E. Johnson (OK); Members: Jim Abbott (ND), Catherine Allen (NJ), Bobby Creech (SC), Andy DuBoff (NJ), Maggie Houston (OH), Sharon Jenson (MN), Michele Stropm (NE); Staff Liaisons: Ken L. Bishop and Noel Allen

PAST CHAIR ADVISORY COUNCIL

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

The Council met in October 2013 in Maui, HI in conjunction with the 2013 NASBA Annual Meeting. Robust discussion was held regarding trending issues, topics and events, including substantial legislative and UAA-related efforts, standard setting oversight initiatives and NASBA's significant outreach with other regulators and professional bodies, both domestically and internationally. Leadership also provided operational and financial updates. Council members were asked to share their perspective and insights on all trending issues and topics.



Committee Members

Chair: Gaylen R. Hansen (CO); Members: Billy M. Atkinson (TX), Barton W. Baldwin (NC), Sarah G. Blake (AZ), Milton Brown (NJ), 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), Mark P. Harris (LA), Thomas Iino (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), Dennis P. Spackman (UT), Sandra A. Suran (OR), David A. Vaudt (CT), Michael D. Weatherwax (CO), Sam Yellen (CA); Staff Liaison: Colleen K. Conrad

REGULATORY RESPONSE COMMITTEE

Develop timely proposed responses on professional practice developments.

Chair W. Michael Fritz led the Regulatory Response Committee's discussions and drafting of responses to the following exposure drafts this year:

- PCAOB Rulemaking Docket No. 34: "Proposed Auditing Standards: The Auditor's report on an Audit of Financial Statements when the Auditor Expresses an Unqualified Opinion; The Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and Related Auditor's Report; and Related Amendments to PCAOB Standards"
- PCAOB Rulemaking Docket No. 029: "Improving the Transparency of Audits: Proposed Amendments to PCAOB Auditing Standards to Provide Disclosure in the Auditor's Report of Certain Participants in the Audit"
- Proposed Statement on Standards for Attestation Engagements: "Subject-Matter Specific Attestation Standards: Clarification and Recodification (To supersede AT Section 301, Financial Forecasts and Projections; AT Section 401, Reporting on Pro Forma Financial Information; and AT Section 601, Compliance Attestation, of Statements on Standards for Attestation Engagements)"
- Proposed Changes to the International Standards on Auditing (ISAs): "Addressing Disclosures in the Audit of Financial Statements"

In addition, the Committee reviewed the response drafted by the Ethics Committee to the International Ethics Standards Board for Accountants' "Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients."

4

Number of exposure drafts reviewed by the Regulatory Response Committee

Though the Regulatory Response Committee typically meets via conference call, the Committee held a meeting on October 7 in Nashville to develop a response to the AICPA's discussion paper on "Enhancing Audit Quality: Plans and Perspectives for the U.S. CPA Profession." Feedback on the paper is due by November 7, 2014. Compliance Assurance Committee Chair Janice Gray was in attendance to bring both Committees' ideas into the draft. Also during the meeting, the Committee discussed the International Ethics Standards Board for Accountants' "Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client." Their suggestions have been shared with the Ethics Committee, which is drafting the response to the IESBA.

Letters drafted by any of NASBA's committees are submitted to the NASBA chair and president for their review and signatures prior to submission. When topics are controversial, the regional directors can be asked to vet the response and, to prepare them for that task. Regulatory Response Committee Chair Fritz has invited the regional directors to listen to all of the Committee's discussions.



Committee Members

Chair: W. Michael Fritz (OH); Members: Gaylen R. Hansen (CO), Alan J. Bronstein (VI), Gerald W. Burns (OR), David D. Duree (TX), Tracy Harding (ME), Matthew J. Howell (MI), Mark P. Peach (MS), Steven H. Richards (AL), Ray G. Stephens (OH), Robert H. Temkin (MA), Laura Walker (IA), Scott Wright (OR); Staff Liaison: Louise Dratler Haberman

"YOU ARE SITTING WITH PEOPLE FROM ALL OVER THE COUNTRY, ACADEMIA, INDUSTRY, LARGE FIRMS, SMALL FIRMS. THIS EXPERIENCE HAS TO HELP EACH AND EVERY ONE OF US TO BECOME BROADENED — TO HAVE MORE IDEAS THAN WE OTHERWISE WOULD HAVE."

- ANDREW DUBOFF, CPA

RELATIONS WITH MEMBER BOARDS COMMITTEE

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

The Committee met as scheduled four times this year, always on the afternoon before the quarterly meetings of the Board of Directors. Over the course of the year, three sets of Focus Questions were composed by the Committee members and distributed to all Boards of Accountancy. More than 30 boards responded to each group of questions. The responses were reviewed by the regional directors, collected in a report that was distributed to all accountancy board members, including a summary report, discussed at the Committee's quarterly meetings and then any necessary action was taken by NASBA staff, as overseen by NASBA Vice President-State Board Relations Dan Dustin.

Having heard Committee Chair Douglas Skiles' report on the appreciation of conference calls held for the Central Region, this year, for the first time, all regional directors hosted conference calls with representatives from their Regions. In many cases, every state in the Region was represented on the call. The calls lasted 1-2 hours and covered topics such as: issues discussed at the Board of Directors' meetings, cross-border enforcement, monitoring continuing professional education and peer review concerns.

To enhance the New Board Member Orientation program presented in conjunction with each of the Regional Meetings, the Committee engaged in a brainstorming exercise led by Committee Chair Skiles. Based on a technique used by the Disney organization, the Committee members identified the aims of the orientation session and then divided them among those who would be speaking during the program. The goal was to achieve more interaction during the orientation, and to make the overall program more helpful to the new accountancy board members.

In support of NASBA's response process to exposure drafts, the regional directors were invited to call in to the conference calls held by the Regulatory Response Committee. This enabled the regional directors to be prepared to vet controversial responses drafted by the RRC should the NASBA chair and/or president call upon them. Several of the regional directors participated in those calls.

Committee Members

Chair: Douglas W. Skiles (NE); Members: Donald F. Aubrey (WA), A. Carlos Barrera (TX), Jimmy E. Burkes (MS), John F. Dailey, Jr. (NJ), Tyrone E. Dickerson (VA), W. Michael Fritz (OH), Richard N. Reisig (MT); Executive Directors' Liaison: Mark H. Crocker (TN); 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.

The Standard Study Group (SSG) was formed in July 2013 and completed its work in the current committee year. Chair Gaylen Hansen led the SSG as it considered substantial questions, including:

- What constitutes authoritative and who decides what is authoritative when it comes to professional standards pertaining to the accounting profession?
- What NASBA and Board of Accountancy oversight and monitoring should be considered for both authoritative and non-authoritative standard setting?
- What are best practices in standard setting which should be promoted amongst all accounting standard setters?
- How can NASBA better support Board of Accountancy representatives appointed to various standard setting bodies and other external appointees?

In carrying out its charge, the SSG conducted in-depth research regarding the standard setting process, which included interviewing representatives of various standard setters and monitoring bodies. From this research, the SSG established a list of best practices in standard setting and then analyzed current standard setters against such best practices by developing a

matrix for review.

Ultimately, the SSG completed its charge by first seeking input on its recommendations from the Boards of Accountancy at the 2014 NASBA Regional Meetings, and then presenting the recommendations to the NASBA Board of Directors at its July 2014 meeting. The SSG recommended:

- Boards of Accountancy, through NASBA, should monitor and be responsive to proposed standards, guidance and frameworks used in public accounting
- Monitoring should include a review of the issuing body's authority and best practices, as well as consideration of confusing or misleading standards/guidance
- NASBA should continue to actively solicit well-qualified nominees for positions on standard setting bodies and increase staff technical support of such appointees
- NASBA should increase efforts to keep Boards of Accountancy apprised of standard setting activities and any concerns noted during its monitoring process

As a result of the Standard Study Group's extensive research and positive input by Boards of Accountancy and the NASBA Board, incoming Chair Walter Davenport will be forming a new committee to carry out the vision of the Group.

Committee Members

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 K. Conrad and Louise Dratler Haberman

"I TRULY BELIEVE THAT THE PROFESSION OF ACCOUNTING IS AN INTEGRAL FACET TO SOCIETY AND I FEEL SO LUCKY TO BE ABLE TO HAVE THE OPPORTUNITY TO WORK WITH ALL OF YOU [STATE BOARDS OF ACCOUNTANCY] AND BE PART OF THE PROTECTION OF THE PUBLIC INTEREST."

- DIANE M. RUBIN, CPA

STATE SOCIETY RELATIONS COMMITTEE

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

NASBA believes fostering greater dialogue and collaboration between state boards and state societies is essential to ensuring effective relations and advancing the common interests of the public and the profession. In working towards that goal, the State Society Relations Committee focused on the following initiatives in 2014:

- Joint State Society CEO/State Board Executive Directors Conference – The State Society Relations Committee and Executive Directors Committee are in the process of adding several joint sessions to the 2015 Executive Directors Conference. This would allow both groups to have a free exchange of ideas and to work through issues of importance.
- Board Appointments – The Committee is working with state boards and those responsible for making board appointments to ensure that appointments include individuals from diverse backgrounds who possess the proper skill sets needed.
- The National Registry – The Committee aims to gain a better

understanding of how the National Registry works and how it benefits state boards, state societies and public protection.

- Increase Society Participation in NASBA Conferences – The Committee believes that it's important for a state society to establish a relationship with its respective state board. We believe attending NASBA conferences is a great way for both groups to interact and to learn about the issues impacting the profession.

The work to be accomplished by the Committee will not only foster greater collaboration between state boards and state societies, but will also assist John Johnson, Director of Legislative and Governmental Affairs, when consulting with Boards of Accountancy regarding their legislative strategies.

Committee Members

Chair: Richard E. Jones (WA); Members: James T. Ahler (NC), Michael Colgan (PA), Loretta Doon (CA), Brad Floyd (TN), Mary 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.

The joint NASBA/AICPA UAA Committee met on February 7 in Miami; however, throughout the year conference calls of the joint committee, its task forces and the NASBA UAA Committee were held. The UAA Committee's focus this year was on adding two significant changes to the Uniform Accountancy Act. The first was a revision of the definition of "attest," to include any examination, review or agreed upon procedure engagement performed utilizing the Statement on Standards for Attestation Engagements (SSAE). The second major change to the UAA was the inclusion of a firm mobility provision, which allows a CPA firm to provide attest services in another state where it is not registered if it meets the peer review requirements and CPA-ownership requirements of the state in which it is seeking to practice. Each change was given a 90-day exposure period and written in such a way that a state could adopt only the change in the "attest" definition, without necessarily adopting firm mobility.

NASBA UAA Committee Chair Ken Odom and Committee members addressed NASBA meetings and moderated breakout sessions to ensure all states' views were heard and their concerns addressed. The Seventh Edition of the AICPA/NASBA Uniform Accountancy Act was approved by the NASBA and AICPA Boards of Directors in April and distributed to the Boards of Accountancy and other interested parties in May.

A task force of the UAA Committee continued to deliberate what work an "inactive CPA" can do. They determined the best way to approach this task was to create a question and answer document clarifying the current restrictions. Referring to Section 6(d) of the UAA, the task force members found the tasks an "inactive CPA" could perform are very limited. The task force recommended that the UAA Committee consider how Section 6(d) might be amended so that the necessary level of public protection is retained, but more of the skills of the inactive CPA might be utilized.

Consideration of how whistle-blowing might be addressed in the UAA was postponed until the International Ethics Standards Board for Accountants completes their rules on the topic. The UAA task force working on that topic had also been studying return of client records, which has also been postponed as the AICPA Professional Ethics Executive Committee is expected to readdress the matter.

The NASBA UAA Committee held a conference call on July 8 to approve revisions to the substantial equivalency chart in recognition of accountancy laws implemented in the Virgin Islands, New Hampshire and Vermont.

Committee Members

Chair: Kenneth R. Odom (AL); Members: J. Coalter Baker (TX); Barton W. Baldwin (NC); James Troy Brewer (TN), David L. Dennis (FL), Lori J. Druse (NE), Andrew L. DuBoff (NJ), Karen Garrett (AR), Robert J. Hyde (MN), John E. Patterson (OH), Donovan W. Rulien, II (AK), Michael D. Weatherwax (CO); Staff Liaisons: Louise Dratler Haberman and John Johnson

NASBA

YEAR IN REVIEW

RELEVANT MILESTONES



NASBA

YEAR IN REVIEW

UNIFORM ACCOUNTANCY ACT

Comment period on proposed revision of "attest" definition for the Uniform Accountancy Act ended on October 2013.

Comment period on Uniform Accountancy Act's firm mobility language ended on January 31, 2014.



Seventh Edition of the Uniform Accountancy Act and Model Rules is released in May 2014 containing a revised definition of "attest" and provisions for firm mobility.

HIGHLIGHTS

NASBA Board of Directors authorizes the reconfiguration of NASBA's Nashville headquarters during the October BOD Meeting in Maui, HI.



Board of Examiners begins Practice Analysis for the next version of the Uniform CPA Examination.



CPE STANDARDS REVIEW

Review of "Statement on Standards for Continuing Professional Education Providers" begins March 2014.

Board approves recommendation of NASBA/AICPA International Qualifications Appraisal Board that the renewal date for the mutual recognition agreement with CPA Canada (formerly known as the Canadian Institute of Chartered Accountants) and the Instituto Mexicano de Contadores Públicos be extended to December 31, 2016.



Tenth anniversary of the conversion of the Uniform CPA Examination to computer-based testing from a paper-and-pencil based examination and the tenth anniversary of the opening of NASBA's Guam Computer Testing Center.

PROPOSED COMMITTEE

NASBA Standards Study Group proposes creation of NASBA committee to monitor standard setters and the standard setting process to advise the state boards.



PROCESS REVIEW

Special task force to look at NASBA's nominating process meets.

PARTICIPATION IN THE ACCOUNTING WORLD

ACAUS

FEBRUARY 2014

President Bishop addresses the annual meeting of the Association of Chartered Accountants in the United States (ACAUS).

IESBA

JULY 2014

Past Chair Gaylen Hansen and Executive Vice President Colleen Conrad participate in the International Ethics Standards Board for Accountants' roundtable on Non-Compliance with Laws and Regulations.

SUMMIT

JULY 2014

Leaders of NASBA, AICPA, CPA Canada and the Instituto Mexicano de Contadores Públicos meet in Mexico City for a summit to discuss cross-border practice.

PCAOB

AUGUST 2014

Public Company Accounting Oversight Board meets with NASBA leaders in Washington, D.C.

NSA

AUGUST 2014

President Ken L. Bishop addresses National Society of Accountants' annual meeting.

PROMETRIC

SEPTEMBER 2014

Prometric President and CEO Michael Brannick comes to NASBA headquarters to meet with staff.



SPECIAL RECOGNITION



Patricia Hartman, NASBA Director of Client Services, receives the first David A. Costello Ad Astra Award.



NASBA Executive Vice President Colleen Conrad begins her term as a member of the Financial Accounting Standards Advisory Council.

Financial Accounting Standards Advisory Council (FASAC)

NASBA receives the Nashville Business Journal's 2014 Best in Business Award for a nonprofit.



accountingTODAY

President Ken L. Bishop and Past Chairs Billy M. Atkinson and David A. Vaudt among *Accounting Today's* annual Top 100 Most Influential in Accounting.



From left to right: **Ken Bishop, Billy Atkinson and David Vaudt.**

MEETINGS

106th NASBA Annual Meeting held in Maui, HI. Chair Carlos Johnson urges meeting participants to be proactive, build relationships and attract the best and the brightest to the accounting profession. FASB Chairman Russell Goldman and PCAOB Member Jeanette M. Franzel also address the meeting.

45

Boards represented at the 106th Annual Meeting

NASBA Annual Conference for Executive Directors and Board Staff and the NASBA Legal Counsel Conference held in Savannah, GA. Ian Dingwall, Chief Accountant of the Employee Benefits Security Administration, tells executive directors his department is checking peer review participation of firms auditing employee benefits plans. The EBSA's list is to be shared with the Boards of Accountancy.

Eastern Regional Meeting in Louisville, KY, draws 182 board representatives and Western Regional Meeting in St. Louis, MO, draws 184 board representatives. Chair Johnson continues to stress the importance of branding and raising awareness of the State Boards of Accountancy.

182

Board representatives attend Eastern Regional Meeting

184

Board representatives attend Western Regional Meeting



NASBA National Registry Summit
Nashville, TN • September 17-19, 2014
Looking to the Future

NASBA National Registry Summit, "Looking to the Future," held in Nashville, TN on September 18-19.



NEW ENHANCEMENT PROVIDED BY NASBA



Research options enhanced in the Accountancy Licensing Library.



Center for the Public Trust launches its Ethical Leadership Certification Program.



"Enforcement Tools" Web pages become available to the boards and the public on nasba.org.



NASBA Board approves creation of for-profit entity to provide all foreign education evaluation services not within the scope of the NASBA Articles of Incorporation.

In August 2014, NASBA launches Aequo International (pronounced Ā-Kwō) to provide "efficient, knowledgeable service that sets the benchmark in the field of international evaluations."

Fiscal year 2014 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.

NASBA CENTER FOR THE PUBLIC TRUST

The CPT's agenda for 2014 has been aggressive. The organization grew its number of StudentCPT chapters, increased participants in the 4th 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. With the vision of becoming the largest network of ethical leaders on college campuses, the 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, before they enter the marketplace. 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 has grown to 22 nationwide. The CPT gives students an engaging experience, building professional relationships while learning how to lead with integrity.

Over the past year, new student chapters were established at the College of Charleston, Florida State University, The Ohio State University, the University of Missouri at Columbia and Belmont University. The CPT is currently working with students and professionals to establish new chapters at Georgia Southern University, North Carolina A & T, University of Central Florida, Loyola University, University of North Alabama, University of Missouri at St. Louis, St. Louis University and several other institutions across the country.



The number of StudentCPT chapters across the country has grown to 22 nationwide as of September 2014.



Five new student chapters were developed this year:

- Belmont University
- College of Charleston
- Florida State University
- Ohio State University
- University of Missouri at Columbia

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 and certified over 400 students in ethical leadership. 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.



Since its introduction, the Student Ethical Leadership Certification Program has certified over 400 students in ethical leadership.

ETHICS IN ACTION STUDENT VIDEO COMPETITION

In its fifth 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 record high of 28 video submissions received in 2014. These videos received over 5,900 views on YouTube in only 10 days. The Competition continues to be an effective approach to teach business ethics to students in a fun and memorable way. This year's winning teams represented East Central University, Grand Valley State University, Liberty University, Lipscomb University, Rutgers University, University of Colorado in Colorado Springs and the University of New Mexico.



**Record number
of submissions
in 2014**

5,900+

Views on Youtube



FOURTH 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 2014 Student Leadership Conference, held in St. Louis, included 52 students representing 28 colleges and universities.



**2014
Student Leadership
Conference**

52  **Students**

28 **Colleges and
Universities**



BEING A DIFFERENCE AWARDS

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.

2013 - 2014 BOARD OF DIRECTORS

DAVID A. COSTELLO, CPA
CPT CHAIR

DONNY H. BURKETT, CPA
SECRETARY

LARRY W. 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.

O.C. FERRELL, PH.D.

LAWRENCE W. HAMILTON, MPA, ED.S.

VICKY PETETE, CPA

JOSEPH PETITO, ESQ.

LOUIS UPKINS, JR.

EXECUTIVE STAFF

KEN L. BISHOP
CEO, NASBA CPT

ALFONZO ALEXANDER
PRESIDENT, NASBA CPT

MICHAEL BRYANT, CPA
CFO, NASBA CPT

DID YOU KNOW?



The Tennessee State Board of Accountancy launches the NASBA CPE Audit Service, following its successful pilot testing by the Missouri State Board of Accountancy.



Wisconsin passes legislation that reinstates the education requirement to sit for the Uniform CPA Examination. This was achieved through the joint efforts of the Wisconsin Accounting Examining Board, the Wisconsin State Society of CPAs, the AICPA and NASBA.

8 NASBA responded to a total of 8 exposure drafts in 2014.

1,500 The Legislative and Gov'l Affairs team tracked over 1,500 pieces of legislation filed in 2014.



U.S. Virgin Islands revises Accountancy Act that had not been altered since 1957. It became the final jurisdiction to have a pathway to become substantially equivalent. The revised Act includes provisions for peer review, individual mobility and a CPE requirement.

55

All 55 jurisdictions have enacted substantial equivalency pathways.

52 jurisdictions have enacted individual mobility

52 jurisdictions have enacted peer review

52

47

Boards of Accountancy participate in the Accountancy Licensee Database.

45

Boards of Accountancy participate in CPAverify.

NASBA

PRODUCTS & SERVICES

INNOVATIVE & RELEVANT

NASBA is committed to offering an array of innovative and relevant products and services for Boards of Accountancy, CPA exam candidates, accounting professionals, learning providers, members of the academic community and the public. Whether launching a new product or service, or refining an existing offering, innovation and relevance serve as our focus and are two key contributors to NASBA's success.



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

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 Examination is your go-to resource for annual data and trends of candidates taking the CPA Examination. Statistical reports and commentary on trends in Examination 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.



TESTING ACCOMMODATIONS AND ADA COMPLIANCE



NASBA's testing accommodations team responds to complex legal and clinical testing accommodation requests. Trained and qualified personnel evaluate individual eligibility as well as negotiate and implement testing accommodations in accordance with the Americans with Disabilities Act (ADA) while maintaining the integrity of the examination.

CANDIDATE CARE



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

INTERNATIONAL QUALIFICATION EXAMINATION

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



CANADA
MEXICO
AUSTRALIA



NEW ZEALAND
IRELAND
HONG KONG

GUAM TEST CENTER



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



NASBA INTERNATIONAL EVALUATION SERVICES

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

PRODUCTS & SERVICES: LICENSURE



ACCOUNTANCY LICENSEE DATABASE

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 47 jurisdictions currently participating and several more in the implementation phase, NASBA envisions the ALD growing to include current and accurate licensing and disciplinary information for individual CPAs 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 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). Access to ALL is available for purchase by the public and is free to Boards of Accountancy.



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.



CPAmobility.org

CPAMOBILITY.ORG

With statutes approved or pending in 54 of the 55 U.S. jurisdictions, 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 CPAmobility.org, CPAs can learn whether mobility applies to their specific situation and whether firm registration or other paperwork is required – all within four clicks. Desktop and mobile access of CPAmobility.org provides a wealth of information at your fingertips.

CPE AUDIT SERVICE

NASBA offers its CPE Audit Service to Boards of Accountancy to use as an automated tool for conducting their audits of licensee compliance with their Continuing Professional Education (CPE) requirements. The platform is configured for CPAs to report CPE hours and documentation to the boards electronically, and Boards of Accountancy are provided administrative tools for evaluating submitted credits and documentation for compliance with State Board CPE rules and regulations during the audit process. This paperless process allows boards to more efficiently conduct their CPE audits and the platform is configured with each state's CPE rules to accurately calculate licensees' compliance thereby eliminating manual processes used by many boards to determine compliance.

CPAVERIFY.ORG

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 45 jurisdictions participating and several others in the active implementation phase, 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 state without having to search each Board of Accountancy's website individually.



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 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.

NASBASTORE

NASBAstore.org is a marketplace of CPA Exam products and services, including score transfers and license verifications available for use by all Boards of Accountancy. The NASBAstore serves many of the needs of today's accounting professional, including state-of-the-art printing, timely processing and distribution of CPA license cards. It is the home of NASBA's Wall Certificate Service offering creative, professional design options to enhance the appearance of licensing certificates. 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.



PRODUCTS & SERVICES: EDUCATION



LEARNING MARKET

Looking for CPE to meet your requirements? Find CPE courses anywhere in the country! Visit learningmarket.org to search through more than 8,000 CPE courses to find just what you need. You can even narrow your search by date, location, subject area, number of credit hours, CPE provider, delivery method, and more! 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 2,060 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.

PRODUCTS & SERVICES: ADDITIONAL

ENFORCEMENT RESOURCE TOOLS

With the creation of multiple new enforcement resources, a new Enforcement Tools web page was added to nasba.org to provide quick navigation to these tools and includes a section on Federal Enforcement, Enforcement Documents and Investigators & Expert Witnesses. The Federal Enforcement section includes the Quarterly Enforcement Reports and information for communicating with federal agencies. The Enforcement Documents section, includes Quarterly Enforcement Newsletters and the Enforcement Resource Guide. The Investigators & Expert Witnesses section includes the Investigator Training Series. This resource is a tutorial created on the Brainshark platform which includes six separate videos providing training on the various stages of investigating an accountancy complaint. Other tools available on the web page include the application links for any professionals wishing to submit their information into the pool of available investigators or expert witnesses, and a portal for boards to utilize to access the listing of available investigators or expert witnesses as the need arises.



Nevada State
Board of
Accountancy -
first Board of
Accountancy
newsletter
produced by
NASBA

COMMUNICATIONS & OUTREACH

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

14

Number of
newsletters
produced by
NASBA on behalf
of the Boards of
Accountancy

29

Number of mass
emails sent between
October 2013 and
September 2014 by
NASBA on behalf
of the Boards of
Accountancy

LEGISLATIVE TRACKING

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



NASBA UNIVERSITY

NASBA U is a training and networking event available exclusively to Board of Accountancy 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.



NASBA CENTER FOR THE PUBLIC TRUST

The NASBA Center for the Public Trust (CPT) exists to develop, encourage, acknowledge and promote ethical leadership. Through thought provoking seminars and conferences, the CPT promotes positive ethical behavior and equips professionals with tools to make better ethical decisions. Through its *Being a Difference* Awards, the CPT honors four ethical leaders each year, who are being a difference in their businesses and communities. As a non-profit organization, the CPT encourages contributions from individuals and corporations who are passionate about developing and promoting ethical leaders.



STUDENT CENTER FOR THE PUBLIC TRUST

The CPT 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 student-run organizations, based on college campuses throughout the United States. Membership is open to both undergraduate and graduate students of every major. Students have the opportunity to participate in a student leadership conference, ethics video competition, community service activities and *Campus Being a Difference* Awards. StudentCPT events also feature dynamic speakers and case studies to help students break down ethical issues and make the best decisions. Chapter events also provide opportunities to network with business leaders throughout NASBA, Boards of Accountancy and beyond.

ETHICAL LEADERSHIP CERTIFICATION PROGRAM

The Ethical Leadership Certification Program prepares students and business professionals to lead with integrity as they face complex decisions in their careers. This program prepares ethical leaders with tools to understand how to make the best possible decisions, even if they involve choosing between competing values such as loyalty, honesty and confidentiality. This certification program uses interactive presentations, videos and thought provoking poll questions to break down the causes, effects and solutions of real-world ethical dilemmas. Participants must answer 80% of the certification's exam questions correctly in order to receive their ethical leadership certification. This certification is currently available to college students, and a new version will soon be available for business professionals.



**“OUR FOCUS IS PROMOTING, DEVELOPING, ENCOURAGING
AND ACKNOWLEDGING ETHICAL LEADERSHIP.”**

- ALFONZO ALEXANDER

THE YEAR IN PHOTOS



(L to R): NASBA Past Chair Gaylen Hansen, Public Company Accounting Oversight Board Member Jeanette M. Franzel, NASBA President & CEO Ken Bishop and NASBA Chair Carlos Johnson.



The 106th NASBA Annual Meeting was held in Maui, HI. In attendance at the conference were 273 Board representatives and interested parties plus 245 guests. There were 46 voting delegates present.



(L to R): NASBA Chair Carlos Johnson, Guam Lt. Gov. Raymond Tenorio and Guam Board Chair John Onedera celebrate during the reception for the 10th Anniversary of the Guam Test Center.



(L to R): NASBA President and CEO Ken Bishop, Chief Accountant of the DOL Employee Benefits Security Administration (EBSA) Ian Dingwall, NASBA Vice Chair Walter Davenport and NASBA Chair Carlos Johnson.



Mercedes Pratt of the University of New Mexico speaks on behalf of the CPT Student Leadership Conference during the Western Regional Meeting.



Members from many departments of NASBA's office were proud to be present when NASBA was awarded the Best in Business Award by the *Nashville Business Journal*.



NASBA FINANCIAL STATEMENTS

NATIONAL ASSOCIATION OF
STATE BOARDS OF ACCOUNTANCY, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2014 AND 2013



National Association of State Boards of Accountancy

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

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

September 29, 2014

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, 2014 and 2013, 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.

A handwritten signature in black ink, appearing to read "Ken L. Bishop".

Ken L. Bishop
President & Chief Executive Officer

A handwritten signature in black ink, appearing to read "Michael R. Bryant".

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



National Association of State Boards of Accountancy

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

REPORT OF MANAGEMENT

September 29, 2014

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

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Fiscal 2014 Management's Discussion and Analysis

The National Association of State Boards of Accountancy, Inc. ("NASBA") continued to elevate the impact and relevance of Boards of Accountancy in serving the public interest. Fiscal 2014 spending related to regulation and public protection activities increased over the prior year by 4% and reflects a greater level of program activities than in fiscal 2013. These activities are discussed in the paragraphs that follow. The fiscal 2014 increase in regulation and public protection resource dedication continues the trend from fiscal 2013—a year over year expansion from the prior year.

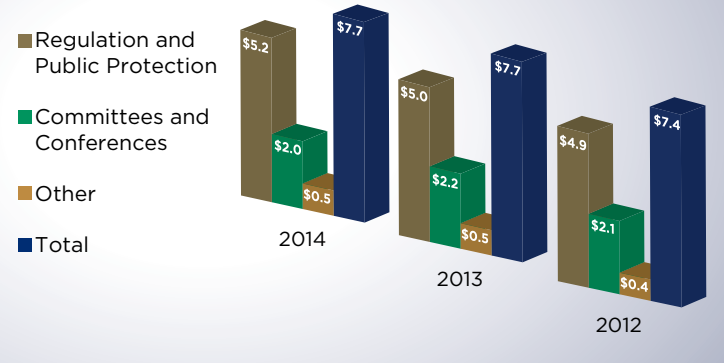
Examination, licensing and related services provide support to Boards of Accountancy in fulfilling their responsibilities related to CPA Examination candidate processing as well as the licensing of regulated members of the accounting profession within their jurisdiction. These program services are comprised of CPA Examination Services, the National Candidate Database, NASBA International Evaluation Services, NASBA Licensing Services, the NASBA Report on the CPA Exam and the National Registry of CPE Sponsors (the "Registry"). Approximately 282,000 sections were processed through the National Candidate Database, which is the gateway to the CPA Examination for applicants that qualify. Approximately 4% of the sections were from candidates who registered to test at international locations.

The Registry continues to grow in the number of approved sponsors. At the end of fiscal 2014, there were over 2,000 approved sponsors. The National Registry Summit held in September 2013 represented the second year of a renewed approach to this event and it was rewarded with an increase in attendance from the previous year. The trend of increasing attendance continued into the September 2014 conference. From a mission perspective, the CPE Committee and task forces continue their work on the Statement on Standards for Continuing Professional Education Programs (the "Standards") with the objective of improving the Standards through uniformity of rules related to continuing professional education for all Boards of Accountancy. The CPE Committee recognizes that learning is in a transformative period where technology, social media, and gamification create new challenges and opportunities for CPE providers and consumers.

NASBA's Member services group assists 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 2014, activities

Mission-related Member Services

In Millions



included the annual meeting, two regional conferences, and a combined executive directors and board staff conference. NASBA provided support to twenty-six committees, and related task forces, throughout the fiscal year. The number of committees and volunteers serving on committees increased compared to the prior year. Additional financial support was provided to assist Boards of Accountancy in their role as regulators through the Accountancy Licensee Database, along with its public counterpart CPAverify. Mission spending also was directed to CPE Audit Services, which assists Boards of Accountancy with continuing professional education audits, direct support to Boards of Accountancy on regulatory issues, and the involvement of NASBA leadership with numerous other accounting, regulatory, and educational organizations.

Additionally, Member services includes the ethics-related activities of the NASBA Center for the Public Trust ("CPT"). CPT is the primary avenue for fulfilling NASBA's strategic mission objective related to ethics in the profession. During fiscal 2014, the chief focus continued to be the expansion of Student Center for the Public Trust ("StudentCPT") campus chapters and the growth of the Ethical Leadership Certification program. There are twenty-two StudentCPT chapters at universities across the nation with eight additional campus groups that will activate in the first half of fiscal 2015. At the annual Student Leadership Conference, representatives from twenty-eight universities engaged in an intensive two-day conference to build their ethical foundation and guiding principles as leaders. The Ethical Leadership Certification program for students has gained traction in its use by professors in their classroom curriculum. Through the *Being A Difference* Award, CPT recognizes individuals practicing high standards of ethical business leadership.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Program Revenue

Total consolidated program revenue related to unrestricted net assets was \$28.1 million in fiscal 2014. This is an increase of 0.4% from the fiscal 2013 amount of \$28.0 million. The following table compares program revenue related to unrestricted net assets for fiscal 2014 and 2013:

(In millions)	2014	2013	Change
Examination, licensing and related services	\$ 27.2	\$ 27.1	0.4%
Member dues and other revenue	0.9	0.9	0.0%
Total	\$ 28.1	\$ 28.0	0.4%

Examination, licensing and related services revenue for fiscal 2014 and 2013 are comprised of the following:

(In millions)	2014	2013	Change
Client Services	\$ 16.4	\$ 15.7	4.5%
CBT Contract Services	7.8	8.7	-10.3%
Compliance Services	3.0	2.7	11.1%
Total	\$ 27.2	\$ 27.1	0.4%

The increase in Examination, licensing and related services revenue was attributable primarily to increased volume in the Client Services group for NASBA's International Evaluation Services and CPA Examination Services. Fiscal 2014 was the second full year of operations for International Evaluation Services. This service had significant growth in the number of Boards of Accountancy utilizing this service. The decrease in revenue from fiscal 2013 for CBT Contract Services relates to an overall decrease in the number of candidates applying for the CPA Examination to test at both domestic and international locations. The decrease was to a large degree concentrated in states not served by CPA Examination Services. Additionally, in fiscal 2013, CBT Contract Services had non-recurring revenue from a contract partner. Compliance Services experienced revenue growth from the increase in Registry members and from a fee increase related to a contract renewal with a major customer. Current fiscal year revenue for Member dues and other revenue, which includes contributions and services for CPT, tracked the prior fiscal year.

Program Expenses

Total consolidated program expenses in fiscal 2014 were \$24.8 million compared to \$25.6 million in fiscal 2013. This is a decrease of 3.1% from the prior year. The following table compares program expenses for fiscal 2014 and 2013:

(In millions)	2014	2013	Change
Examination, licensing and related services	\$ 17.1	\$ 17.9	-4.5%
Member Services			
Regulation and public protection	5.2	5.0	4.0%
Committees and conferences	2.0	2.2	-9.1%
Other	0.5	0.5	0.0%
Total	\$ 24.8	\$ 25.6	-3.1%

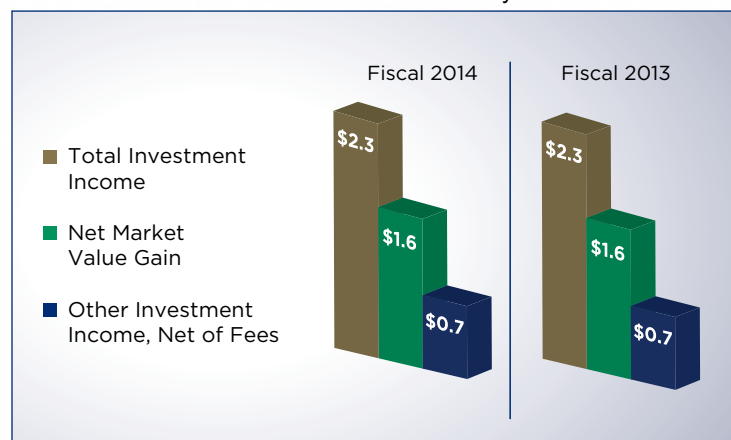
The decrease in Examination, licensing and related services expenses primarily relates to lower credit card fees and testing-related expenses in Client Services and CBT Contract Services. Another component of the expense decline is in the Compliance Services group which experienced lower amortization expense due to a nonrecurring fiscal 2013 charge for the write-off of software development costs.

Expenses incurred in fiscal 2014 for Member services were comparable to fiscal 2013. The decrease in expenses for committees and conferences resulted from two conferences held in fiscal 2013 that were not repeated in fiscal 2014 and a reduction in professional fees incurred on behalf of committees in fiscal 2014 as compared to 2013.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Investment Income

Investment income for fiscal 2014 and 2013 was \$2.3 million. Investment income amounts are net of related investment fees and expenses. The following chart displays the components of investment income in millions for both fiscal years:



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 by the NASBA Investment Committee. Management has reduced risk around short-term liquid investments via programs which provide full Federal Deposit Insurance Corporation coverage of the funds.

The total return for NASBA's long-term fund for fiscal 2014 and 2013 was 10% and 14%, respectively. Although investment income was comparable for both fiscal years, the average balance of the long-term fund was significantly higher during fiscal 2014 than during fiscal 2013 which results in the lower fiscal year return.

In August 2014, NASBA sold \$11.8 million of the investment securities to invest in lower-risk investment securities such as federally-insured certificates of deposit, United States treasury and federal agency securities, and corporate notes with an investment grade rating or better. An additional \$700,000 was tendered in July 2014 of which the proceeds will be received in October 2014.

Cash Flow and Financial Position

Cash increased by \$1.6 million in fiscal 2014 compared to an increase of \$1.9 million in fiscal 2013. Both the fiscal 2014 and 2013 increases primarily result from cash from operating activities during the year. Of the total amount used by investing activities, \$3.1 million and \$2.4 million in fiscal 2014 and 2013, respectively, related to the net amount invested in the long-term fund including reinvested dividends. In addition to the long-term fund investment activities, \$0.5 million of principal was received related to the note receivable from the affiliate. The total principal balance of the note receivable at July 31, 2014 and 2013 is \$1.6 million and \$2.1 million, respectively. The equity investment in the affiliate decreased by \$0.5 million during fiscal 2014 as a result of both a net loss from operations and a writedown of the investment.

Net Assets Five-year Trend

Fiscal 2014 was NASBA's most successful year in terms of financial results. During fiscal 2014, NASBA increased unrestricted net assets by \$5.1 million to \$38.1 million. Because of continuing positive outcomes, NASBA is able to maintain and enhance activities that preserve the public trust through the effective regulation of the accounting profession at the Board of Accountancy level. In addition to sustaining these activities, a strong financial foundation is a key element of increasing the Boards of Accountancy relevance and influence in the professional and regulatory communities.



**NATIONAL ASSOCIATION OF STATE BOARDS
OF ACCOUNTANCY, INC.**



National Association of State Boards of Accountancy

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

REPORT OF AUDIT COMMITTEE

September 29, 2014

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

The Audit Committee (the "Committee") of the National Association of State Boards of Accountancy, Inc. for the year ended July 31, 2014, 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., including the safeguarding of assets and other resources against unauthorized acquisition, use or disposition;
- The Committee adopted an amended Audit Committee Charter and, upon approval by the Board of Directors, implemented the charter to govern the Committee's scope of responsibilities and actions;
- After the completion of the audit, the Committee, along with members of senior management, met with the independent auditors to discuss the results of the audit and, without senior management present, the Committee discussed privately with the independent auditors any matters of concern of the independent auditors; and
- The Committee met privately with senior management to discuss and consider the credentials and performance of the independent auditors and will make a recommendation to the Board of Directors as to the appointment of an independent audit firm for the year ending July 31, 2015.

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, 2014.

Respectfully submitted,

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

By: 

Richard D. Isserman, CPA, Chair

Other Members of the Committee

Jimmy E. Burkes, CPA
Jefferson Chickering, CPA
Janice L. Gray, CPA
Thomas G. Prothro, CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the National Association of State Boards of Accountancy, Inc. and subsidiary, which comprise the consolidated statements of financial position as of July 31, 2014 and 2013, 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, 2014 and 2013, 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 29, 2014

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

For Years Ended July 31,
In Thousands

	2014	2013
Program Revenue		
Examination, licensing and related services	\$ 27,211	\$ 27,117
Member services, dues and other revenue	858	898
Total program revenue	<u>28,069</u>	<u>28,015</u>
Program Expenses		
Examination, licensing and related services	17,106	17,888
Member services:		
Regulation and public protection	5,237	5,007
Committees and conferences	1,981	2,206
Other	477	476
Total program expenses	<u>24,801</u>	<u>25,577</u>
Excess of Program Revenue Over Program Expenses	3,268	2,438
Net Assets Released from Restriction	41	46
Investment Income	2,308	2,332
Loss from Investment in Affiliate	<u>(523)</u>	<u>(24)</u>
Increase in Unrestricted Net Assets	5,094	4,792
Change in Temporarily Restricted Net Assets		
Temporarily restricted contributions and investment income	11	30
Net assets released from restriction	(41)	(46)
Decrease in Temporarily Restricted Net Assets	<u>(30)</u>	<u>(16)</u>
Increase in Permanently Restricted Net Assets from Contributions	<u>1</u>	<u>10</u>
Increase in Net Assets	5,065	4,786
Net Assets, Beginning of Year	33,039	28,253
Net Assets, End of Year	<u>\$ 38,104</u>	<u>\$ 33,039</u>

See Accompanying Notes to Consolidated Financial Statements

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

July 31,
In Thousands

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,794	\$ 10,240
Receivables	1,650	1,843
Note receivable	529	529
Prepaid expenses	445	375
Total current assets	<u>14,418</u>	<u>12,987</u>
Investments and Other Assets		
Investment securities, at fair value	24,491	19,866
Note receivable	1,057	1,586
Investment in affiliate	431	954
Other assets	204	212
Total investments and other assets	<u>26,183</u>	<u>22,618</u>
Property and Equipment	5,959	5,910
Less accumulated depreciation and amortization	4,312	4,159
Net property and equipment	<u>1,647</u>	<u>1,751</u>
Software Development Costs	4,918	4,918
Less accumulated amortization	4,364	4,167
Net software development costs	<u>554</u>	<u>751</u>
Total assets	<u>\$ 42,802</u>	<u>\$ 38,107</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,736	\$ 3,992
Deferred revenues	151	104
Capital lease	-	60
Other current liabilities	68	56
Total current liabilities	<u>3,955</u>	<u>4,212</u>
Long-term Liabilities	743	856
Total liabilities	<u>4,698</u>	<u>5,068</u>
Net Assets		
Unrestricted	37,976	32,882
Temporarily restricted	32	62
Permanently restricted	96	95
Total net assets	<u>38,104</u>	<u>33,039</u>
Total liabilities and net assets	<u>\$ 42,802</u>	<u>\$ 38,107</u>

See Accompanying Notes to Consolidated Financial Statements

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For Years Ended July 31,
In Thousands

	2014	2013
Operating Activities		
Cash received for services	\$ 29,920	\$ 29,320
Cash received for membership dues	302	299
Cash received from donors to NASBA Center for the Public Trust	161	180
Interest and dividends received	845	820
Cash paid to employees, vendors and others	(26,906)	(26,432)
Cash received from examination candidates for examination partners	48,412	50,081
Cash paid to escrow accounts for examination partners	(48,034)	(50,140)
Interest paid	(2)	(4)
Net cash provided by operating activities	4,698	4,124
Investing Activities		
Property and equipment additions	(547)	(145)
Capitalized software development costs	-	(126)
Principal payments received on note receivable	529	529
Purchases of investment securities	(5,997)	(4,714)
Proceeds from sale of investment securities	2,932	2,309
Cash restricted for endowment	(6)	(15)
Endowment fund reinvested dividends	(1)	-
Net cash used by investing activities	(3,090)	(2,162)
Financing Activities		
Principal payments on capital leases	(60)	(60)
Cash contributions restricted for endowment	6	15
Net cash used by financing activities	(54)	(45)
Net Increase in Cash and Cash Equivalents	1,554	1,917
Cash and Cash Equivalents, Beginning of Year	10,240	8,323
Cash and Cash Equivalents, End of Year	\$ 11,794	\$ 10,240

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

	2014	2013
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 5,065	\$ \$4,786
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	643	801
Amortization of software development costs	197	304
Gains on investment securities	(1,560)	(1,600)
Loss from investment in affiliate	523	24
Recognition of deferred rent credit	(56)	(56)
Loss on disposals of property and equipment	8	36
Write-off of software development costs	-	189
Contributions restricted for endowment	(1)	(10)
Gains on endowment fund investment securities	(1)	-
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	188	(308)
Prepaid expenses and other assets	(54)	80
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	(301)	(18)
Deferred revenues	47	(104)
Net cash provided by operating activities	<u>\$ 4,698</u>	<u>\$ 4,124</u>
Non-cash Investing and Financing Activities		
Note receivable interest converted into principal	<u>\$ -</u>	<u>\$ 144</u>

See Accompanying Notes to Consolidated Financial Statements

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

Note 1. Organization and Nature of Operations

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

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

The Association is the sole member of the NASBA Center for the Public Trust, Inc. ("CPT"), a subsidiary nonprofit, public benefit corporation.

Note 2. Significant Accounting Policies

Basis of presentation

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

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 in financial institutions which management believes are financially strong. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. From time to time, cash and cash equivalents exceed FDIC

limits. At July 31, 2014, the portion of the balance exceeding the FDIC insurance limits was approximately \$300,000.

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, 2014 or 2013.

Prepaid expenses

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

Investment securities

NASBA generally invests all resources in excess of anticipated working capital requirements in U.S. Treasury and Federal Agency obligations, corporate obligations, 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.

CPT's restricted endowment funds are invested in accordance with an investment policy approved by the CPT Board of Directors and are generally invested in the same type of investment securities as NASBA.

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.

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

Note 2. Significant Accounting Policies (Continued)

Investment in affiliate

NASBA's investment in an affiliate is 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, an adjustment is made to record the loss if deemed other than a temporary decline. This investment is discussed more fully in Note 7.

Property and equipment

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

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 received are classified as increases in unrestricted net assets. Permanently restricted net assets have donor-imposed restrictions in which the principal will remain permanently invested. All restricted net assets are associated with CPT and are discussed more fully in Note 11.

Revenue recognition

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

Management and administrative costs

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

Income taxes

The Association is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(6) and applicable state tax statutes. CPT is exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state tax statutes. The Association and CPT are subject to tax on any income unrelated to their exempt purposes, unless that income is otherwise excluded by the Internal Revenue Code.

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, 2014 and 2013. 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 2011.

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.

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

Note 3. Contributions Receivable

Contributions receivable consist of the following pledges at July 31, 2014 and 2013:

(In thousands)	2014	2013
Amounts due in:		
Less than one year	\$ 67	\$ 79
One to five years	17	39
Total contributions receivable	84	118
Less unamortized discount	1	2
Present value of total contributions receivable	83	116
Less current contributions receivable	64	74
Non-current contributions receivable	\$ 19	\$ 42

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

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:

(In thousands)	2014	2013
Mutual funds	\$ 14,952	\$ 11,946
Exchange-traded funds	3,099	2,391
Separately managed accounts	4,164	3,597
Managed pool accounts	2,276	1,932
Total Investment Securities	\$ 24,491	\$ 19,866

On July 25, 2014, NASBA tendered \$700,000 of an investment security that will be redeemed based on the unaudited net asset value of the security as of September 30, 2014. The redemptions for this security are discussed more fully in Note 5. Additionally, in August 2014, approximately \$11,800,000 of the total investment securities were sold. Investment securities in each category were sold. The value sold from each category approximated the relative percentage of the respective category to total investment securities

at July 31, 2014. The proceeds were invested primarily in federally-insured certificates of deposit, direct obligations of the U.S. Government, its agencies and instrumentalities, and corporate notes with an investment grade rating or better.

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

(In thousands)	2014	2013
Interest and dividends	\$ 851	\$ 820
Realized and unrealized gains on investments	1,560	1,600
Investment fees and expenses	(103)	(88)
Total Investment Income	\$ 2,308	\$ 2,332

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, 2014 and 2013, the valuation method used to determine fair value for Level 1 investment securities is the last reported sales price on the last business day of the fiscal year reported by the active markets in which the individual securities are traded. The valuation 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Fair Value Accounting (Continued)

The fair value of investment securities at July 31, 2014 and 2013 within the fair value hierarchy is as follows:

(In thousands)	2014			2013		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Mutual Funds						
Equity securities	\$ 8,365	\$ 8,365	\$ -	\$ 7,424	\$ 7,424	\$ -
Fixed income securities	5,710	5,710	-	4,206	4,206	-
Alternative investments	877	877	-	316	316	-
Exchange-Traded Funds						
Equity securities	2,978	2,978	-	1,609	1,609	-
Fixed income securities	-	-	-	693	693	-
Alternative investments	121	121	-	89	89	-
Separately Managed Accounts						
Equity securities	4,164	4,164	-	3,597	3,597	-
Managed Pool Accounts						
Alternative investments	2,276	-	2,276	1,932	-	1,932
Total Investment Securities	\$ 24,491	\$ 22,215	\$ 2,276	\$ 19,866	\$ 17,934	\$ 1,932

Of the total managed pool accounts at July 31, 2014 and 2013, approximately \$1,691,000 and \$1,333,000, 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 2014 and 2013, 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 the affiliate's wholly-owned subsidiary. The note bears interest at the Wall Street Journal Prime Rate plus 1.75%, which at July 31, 2014 equals 5%. The rate is reset annually on August 1 and currently remains at 5%. There are twelve quarterly payments remaining over the next three 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 amounts of \$96,000 and \$122,000 were received during fiscal 2014 and 2013, respectively.

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 \$431,000 and \$954,000 at July 31, 2014 and 2013, respectively, represents the initial carrying value reduced by NASBA's share of the affiliate's cumulative net losses and a writedown of the investment.

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

(In thousands)	2014	2013
Current assets	\$ 1,710	\$ 2,016
Property and equipment, net	76	91
Other long-term assets	5,635	6,617
Total assets	\$ 7,421	\$ 8,724
Current liabilities	\$ 2,515	\$ 2,334
Long-term liabilities	1,058	1,621
Stockholder's equity	3,848	4,769
Total liabilities and stockholder's equity	\$ 7,421	\$ 8,724

(In thousands)	2014	2013
Revenue	\$ 8,413	\$ 8,945
Net loss	865	121

At the beginning of fiscal 2014, the affiliate began amortizing goodwill over ten years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Property and Equipment

Property and equipment at July 31 consists of the following:

(In thousands)	2014	2013
Office and computer equipment	\$ 2,553	\$ 2,493
Furniture	1,306	1,320
Building and leasehold improvements	2,100	2,097
Total Property and Equipment	5,959	5,910
Accumulated depreciation and amortization	(4,312)	(4,159)
Net Property and Equipment	\$ 1,647	\$ 1,751

Note 9. Software Development Costs

Net software development costs remaining to be amortized at July 31, 2014 are as follows in thousands:

Fiscal 2015	\$ 197
Fiscal 2016	196
Fiscal 2017	118
Fiscal 2018	43
Total Net Software Development Costs	\$ 554

Note 10. Long-term Liabilities

Long-term liabilities at July 31 consist of the following:

(In thousands)	2014	2013
Accrued rent payable	\$ 378	\$ 405
Deferred rent credit	144	200
Accumulated postretirement benefit obligation	221	251
Total Long-term Liabilities	\$ 743	\$ 856

Note 11. Temporarily and Permanently Restricted Net Assets

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

(In thousands)	2014	2013
Time-restricted		
Multi-year pledges	\$ 17	\$ 32
Endowment investment income	2	-
Purpose-restricted		
Student Center for the Public Trust	13	30
Total Temporarily Restricted Net Assets	32	62

Permanently restricted net assets at July 31 include:

(In thousands)	2014	2013
Endowment contributions receivable	\$ 11	\$ 17
Endowment fund	85	78
Total Permanently Restricted Net Assets	\$ 96	\$ 95

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.

Included in unrestricted net assets are \$67,000 of unrestricted net assets for CPT.

Note 12. Agreements to Provide Examination Services

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

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

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

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

NASBA also collects the Prometric and AICPA fees from candidates related to the examination. These funds are held in escrow accounts and are disbursed when services are provided. At July 31, 2014 and 2013, these escrow funds amounted to approximately \$21,000,000. At July 31, 2014, the portion of the escrow funds balance that exceeded FDIC insurance limits was \$750,000. Escrow funds and the related obligations are not reported in the financial statements because they do not represent assets or obligations of NASBA.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 13. Retirement Plan and Other Postretirement Benefits

NASBA maintains a 401(k) plan which allows employee and employer contributions for all full-time employees meeting specified requirements. Expenses related to NASBA's funding of the retirement plan amounted to approximately \$702,000 and \$691,000 for fiscal 2014 and 2013, respectively. 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, 2014 and 2013, the accumulated postretirement benefit obligation was determined by an independent actuarial valuation to be \$233,000 (\$221,000 noncurrent and \$12,000 current) and \$262,000 (\$251,000 noncurrent and \$11,000 current), respectively, and is included in the consolidated statements of financial position.

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

(In thousands)	2014	2013
Components of net periodic cost (credit):		
Service cost	\$ 30	\$ 27
Interest cost	10	8
Actuarial gain	(54)	(23)
Net periodic postretirement benefit cost (credit)	(14)	12
Plan participants' contributions	15	20
Benefits paid	(30)	(37)
Net change in benefit obligation	(29)	(5)
Benefit obligation at beginning of year	262	267
Benefit Obligation at End of Year	\$ 233	\$ 262

The discount rate used to value the obligation was 3.8% in fiscal 2014 and 4.2% in fiscal 2013. The assumed medical trend rate is 7.5% graded uniformly to 4% over a period of 6 years and the assumed dental trend rate is a constant 4%. The approximate effect on the accumulated postretirement benefit obligation of a one percentage point change in the assumed health care cost trend rate is shown below:

(In thousands)	1% Increase in Rates	1% Decrease in Rates
Accumulated Postretirement Benefit Obligation Effect	\$ 45	\$ (35)

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 \$15,000 and \$17,000 for fiscal 2014 and 2013, respectively. The following table shows approximate actuarial projections of expected future postretirement benefit payments in thousands:

Fiscal 2015	\$ 12
Fiscal 2016	16
Fiscal 2017	21
Fiscal 2018	17
Fiscal 2019	16
Fiscal 2020 through 2024	94

Note 14. Capital Leases

NASBA leased office equipment under capital leases which ended in fiscal 2014. The depreciated cost of the office equipment under the capital leases was approximately \$56,000 at July 31, 2013. In August 2014, NASBA leased office equipment under a capital lease which ends in fiscal 2019. The annual minimum lease payments will be \$11,000.

Note 15. Commitments

In September 2014, NASBA extended its Nashville office space operating lease for approximately ten years. NASBA has commitments for office space under operating leases that expire at various dates through fiscal 2028. Total scheduled rent payments under these leases are amortized to rent expense on a straight-line basis over the terms of the leases. Minimum lease payments are as follows in thousands:

Fiscal 2015	\$ 1,540
Fiscal 2016	1,459
Fiscal 2017	1,385
Fiscal 2018	902
Fiscal 2019	1,481
Thereafter	13,185
Minimum Lease Payments	\$ 19,952

NASBA subleases a portion of the leased office space to the affiliate's wholly-owned subsidiary. The current term of the sublease is through May 31, 2015. Under the agreement, the sublease automatically renews for up to two 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. As of July 31, 2014, total minimum rentals to be received in the future under the noncancelable lease term are approximately \$137,000.

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Note 15. Commitments (Continued)

Net rent expense charged to operations for office space in fiscal 2014 and 2013 totaled approximately \$1,342,000 and \$1,315,000, respectively. Rent expense for fiscal 2014 and 2013 has been reduced by approximately \$144,000 and \$138,000, respectively, from sublease income.

NASBA is obligated at July 31, 2014 under various service agreements. Minimum payments remaining for these commitments are approximately \$191,000 in fiscal 2015.

Note 16. Subsequent Events

Management has evaluated all material events and transactions that occurred from the date of the financial statements through September 29, 2014, which is the date that the financial statements were available to be issued. Other than the subsequent events disclosed in Notes 4 and 15, there were no material subsequent events that required adjustments to or disclosure in the financial statements.