



NASBA

EMBRACING THE **FUTURE**

2015 ANNUAL REPORT

EMBRACING THE FUTURE

"We need to accept change and embrace the future – even without seeing it. We need to be ready to move forward confidently based on the strong knowledge that we have."

— Walter C. Davenport, CPA

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.

LETTER FROM NASBA LEADERSHIP

NASBA has reached and surpassed all of our strategic goals and has continued to improve processes, infrastructure and efficiencies during this year while being steadfastly focused on our mission: *"To enhance the effectiveness and advance the common interests of the Boards of Accountancy."* Our enhanced financial wherewithal has given us unprecedented capability and capacity to provide services and support for Boards of Accountancy. As the trusted common voice of the boards, it is critical that the volunteers and staff of NASBA remain vigilant in nurturing and protecting the effective regulation of the accountancy profession.

This year's Annual Meeting's theme is: Embracing the Future. In his inaugural address, in November 2014, Chair Walter C. Davenport challenged us to: *"Embrace the future without seeing it."* It was prophetic in that this year has presented us with new challenges and opportunities that we could not have foretold. As a well-funded, well-governed and resource rich organization, NASBA has effectively responded, and will continue to respond, to those challenges and will leverage our capabilities to take advantage of opportunities. NASBA has taken action on issues such as the Department of Labor's findings of employee benefit plan audit deficiencies, the California initiative to measure state effectiveness, the disparate evaluations of international transcripts and the radical departures from traditional higher education models. The assessment, planning and positive outcomes that were accomplished this year are examples of what we had to do as a relevant organization. Each of these important topics will be on the agenda of this year's Annual Meeting.

NASBA has continued to work to build on its relationship with Boards of Accountancy. The enhanced relationships and trusted dialog resulting from our senior staff and volunteers attending, presenting and participating in board meetings across the nation, have given us the capability to continually reassess and refresh the ways that NASBA can support and improve the Boards of Accountancy. We are all grateful for the hospitality and serious decorum we have experienced everywhere we have attended a meeting. Everyone benefits when Boards of Accountancy are aware of state, national and international issues and activities that might impact them or their role in public protection. NASBA continues to grow its capability in fulfilling this important role.

The lifeblood of NASBA is our volunteers. Each year, our volunteer network of Board of Accountancy members, former board members, board staff and relevant stakeholders, such as the members of the NASBA State Society Relations Committee, provide countless hours of invaluable knowledge through participating in committees, task forces, governance and standard setting bodies. This year, NASBA committees' work resulted in a significant number of accomplishments. Almost every state and territory is represented in these volunteer groups, creating a dynamic and diverse network of talented individuals.

NASBA cannot do the things we do without being financially viable. We ended the fiscal year with positive results greater than budget, while again providing a new record level of direct support to Boards of Accountancy and increasing the monetary reserves necessary, both for meeting our contractual mandates and being well prepared for the future. We continually work to improve the efficiencies of our operations and to seek new business opportunities. NASBA's entry into the determination of eligibility for examination and licensure, specifically in the area of international transcript evaluations, has a positive financial component, but, more importantly, it has raised the bar of integrity, accuracy and quality of those evaluations.

NASBA's Center for the Public Trust (CPT) accomplished the best year in its 10-year history. The continued growth of StudentCPT chapters across the United States and the expansion into new areas such as Ethics Certification are making a profound impact on the lives of tomorrow's business leaders. As the ethics arm of NASBA continues to grow in relevance and success, the leadership of NASBA is proud of its investment in the Center for the Public Trust.

NASBA ends the year a more relevant, more effective, financially stronger and better branded organization. We have taken on important challenges such as diversity, gaining real success through our efforts. We have begun construction on our infrastructure in Nashville for the "NASBA of the Future" headquarters. We have continued to harden and improve our information technology systems and capabilities. We have a wonderful and capable staff that is diverse, multilingual, well-educated — and dedicated and proud of their roles in supporting Boards of Accountancy.

Thank you for the continued support and trust you have placed in the leadership, volunteers and staff of NASBA.



Walter C. Davenport, CPA
Chair, 2014-2015



Ken L. Bishop
President & Chief Executive Officer



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

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



From left to right: Colleen K. Conrad, CPA, Walter C. Davenport, CPA, and Ken L. Bishop

2014 - 2015 BOARD OF DIRECTORS

OFFICERS

Walter C. Davenport, CPA (NC)
Chair

Donald H. Burkett, CPA (SC)
Vice Chair

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

Laurie J. Tish, CPA (WA)
Secretary

E. Kent Smoll, CPA (KS)
Treasurer

DIRECTORS-AT-LARGE

A. Carlos Barrera, CPA (TX)
Director-at-Large

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

Janice L. Gray, CPA (OK)
Director-at-Large

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

Telford A. Lodden, CPA (IA)
Director-at-Large

Harry O. Parsons, CPA (NV)
Director-at-Large

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

REGIONAL DIRECTORS

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

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

Robert J. Cochran, CPA, Ph.D. (VA)
Middle Atlantic Regional Director

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

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

Janeth Glenn, CPM, CPA (Inactive Registrant)
Central Regional Director

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

Benjamin C. Steele, CPA (NV)
Mountain Regional Director

EXECUTIVE DIRECTORS' LIAISON

Russ Friedewald (IL)

NASBA STAFF

Ken L. Bishop
President & CEO

Colleen K. Conrad, CPA
Executive Vice President & COO

Noel L. Allen, Esq. (NC)
Outside Legal Counsel



NASBA BOARD OF DIRECTORS, 2014-15 – Bottom row (left to right): John F. Dailey, Jr. (NJ) Northeast Regional Director; Laurie J. Tish (WA) Director-at-Large; Donald H. Burkett (SC) Vice Chair; Ken L. Bishop, President & CEO; Walter C. Davenport (NC) Chair; Carlos E. Johnson (OK) Past Chair; Janice L. Gray (OK) Director-at-Large; Benjamin C. Steele (NV) Mountain Regional Director. Center row (left to right): Russ Friedewald (IL) Executive Directors' Liaison; Raymond N. Johnson (OR) Director-at-Large; E. Kent Smoll (KS) Treasurer; W. Michael Fritz (OH) Great Lakes Regional Director; J. Coalter Baker (TX) Southwest Regional Director; A. Carlos Barrera (TX) Director-at-Large; Noel L. Allen (NC) Outside Legal Counsel; Richard N. Reisig (MT) Director-at-Large. Top row (left to right): Maria E. Caldwell (FL) Southeast Regional Director; Jimmy E. Burkes (MS) Director-at-Large; Edwin G. Jolicoeur (WA) Pacific Regional Director; Harry O. Parsons (NV) Director-at-Large; Telford A. Lodden (IA) Director-at-Large; Janeth Glenn (NE) Central Regional Director; Robert J. Cochran (VA) Middle Atlantic Regional Director; Colleen K. Conrad, Executive Vice President & COO.

STAFF DIRECTORS

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

Ed Barnicott Vice President, Strategic Planning & Program Management

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

Maria-Lisa Caldwell, Esq. Chief Legal Officer and Director, Compliance Services

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

John Levy Interim Software Services Director

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 A. Walker, CPA Director, Finance & Controller

**EVERY SINGLE
EMPLOYEE BUYS
INTO THE MISSION
OF SUPPORTING
OUR STATE BOARDS**

VOICES IN THE ACCOUNTING WORLD

2014 - 2015

NASBA APPOINTMENTS TO REGULATORY BODIES & 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

Michael Daggett (Vice Chair)

Barry Berkowitz

Allan Cohen

Steve DelVecchio

Russ Friedewald

Miley W. (Bucky) Glover

Leslie Mostow

Roberta Newhouse

Thomas Winkler

AICPA Board of Examiners Content Subcommittees

Jeanne Dee

Steve DelVecchio

Peter D'Olive

Ken Odom

Thomas Winkler

AICPA Board of Examiners State Board Committee

Roberta Newhouse (Chair)

James Corley

Mark Crocker

David deSilva

James Gottfried

Pamela Ivey

Ying Sa

Willie Sims

AICPA National Peer Review Committee

Mark Hobbs

Arthur Sparks

AICPA Peer Review Board

G. Alan Long

AICPA Professional Ethics Executive Committee

Carlos Barrera

Richard David

Raymond Johnson

Michael Schmitz

Laurie Tish

FASB Private Company Council

Billy Atkinson (Chair)

Diane Rubin

IAASB Consultative Advisory Group

Gaylen Hansen

IESBA Consultative Advisory Group

Gaylen Hansen

COMMITTEES

Regarded as a cornerstone of support within the organization, NASBA appoints as many as 30 committees and task forces annually. Through the work of these committees, NASBA volunteers and staff address current and emerging issues affecting State Boards of Accountancy. Topics range from ethics, education, and global regulation in accounting principles to the development of model rules for the member boards' consideration.

On the following pages, the Committees provide reports from their work during 2014-15.

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

ACCOUNTANCY LICENSEE DATABASE (ALD)/ CPAVERIFY COMMITTEE

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

In January, CPAVerify.org integrated data from the 50th State Board of Accountancy. As a result, the public version of the ALD database now houses CPA license information for over 97 percent of U.S. CPAs throughout the world, marking an unprecedented degree of data sharing among state regulatory boards. Reaching the 50-board milestone on both the ALD and CPAVerify is a great example of how NASBA and boards work together to positively impact the profession and protection of the public. The Committee has continued to advise on decisions regarding new initiatives. This year's focus included:

- Issuing a press release regarding CPAVerify.org achieving critical mass of 50 participating boards
- Working toward an official statistic of licensed and active individuals, a number that is only achievable by leveraging ALD's unique ability to link records across states lines
- Continued work on a framework for the approved uses of the ALD as well as an approval process for new requests to secure authorization from Committee and NASBA management
- Data collection campaign to have Employer Identification Number (EIN) added to ALD feeds to cross reference firm data in ALD with peer review data in the Facilitated State Board Access database (FSBA) to offer efficiencies to boards with regard to Peer Review compliance
- Investigating tactical ways to leverage data from Federal Agencies and ALD to bolster the boards' enforcement efforts
- Planning a 2020 Vision for the future of the ALD tool and its data.

Chair:

Laurie J. Tish (WA)

Members:

Ryan S. Cook (MO)
Clifford Cooks (DC)
Cheryl M. Giddy (ID)
Ransom Jones (MS)
Jeffrey J. Truitt (NC)
Viki A. Windfeldt (NV)

Staff Liaisons:

Rebecca Gebhardt
Elizabeth Stanton

PLANNING A VISION FOR THE FUTURE



ADMINISTRATION AND FINANCE COMMITTEE

Oversee and monitor the fiscal operations of the Association.

Chair:
E. Kent Smoll (KS)

Members:
Donald H. Burkett (SC)
Robert B. Cagnassola (NJ)
Rocky L. Duckworth (TX)
Theodore W. Long, Jr. (OH)
David L. Miller (MS)

Staff Liaisons:
Michael R. Bryant
Troy A. Walker

The Administration & Finance Committee monitors and provides oversight to the fiscal operations of NASBA, Aequo and the NASBA Center for the Public Trust. Aequo is a wholly-owned, for profit subsidiary which began operations in fiscal 2015. E. Kent Smoll, CPA, NASBA Treasurer, is serving his fourth year as chair of the Committee. The Board of Directors relies on the Administration & Finance Committee to review the financial performance from operations and the use of resources for mission-focused activities. The Committee 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 advisors' performance in managing the invested funds, and monitors compliance with the board-approved investment policy.

Operational and capital budgets as approved by the Board of Directors 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 2015, the Administration & Finance Committee received updates on the progress of NASBA's planned office space renovation which begins construction in the fall of 2015. In addition, working in conjunction with the NASBA Board of Directors, the Committee evaluated the risk exposure of long-term investments and provided oversight to the process of restructuring NASBA's long-term investments to an allocation approximating one-half of the portfolio to investment grade fixed income investments.

AUDIT COMMITTEE

The summary for the Audit Committee can be found in the Financial Section on page 52.

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.



SAMUEL K. COTTERELL, CPA



KENNETH R. ODOM, CPA



DANIEL R. SWEETWOOD

The 2015 Call for Award Nominations was held April 20 - June 29, 2015. The NASBA Awards Committee met on July 14, 2015 to review the nominations and make recommendations for the William H. Van Rensselaer Public Service Award, the NASBA Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award.

This year's award recipients are Samuel K. Cotterell, CPA, of Idaho (William H. Van Rensselaer Public Service Award), Kenneth R. Odom, CPA, of Alabama (NASBA Distinguished Service Award) and Daniel R. Sweetwood of Nebraska (Lorraine P. Sachs Standard of Excellence Award).

NASBA will formally recognize these recipients during the 108th Annual Meeting in Dana Point, CA, October 25-28.

Chair:

Gaylen R. Hansen (CO)

Members:

Jimmy E. Burkes (MS)

Bobby R. Creech, Jr. (SC)

Andrew L. DuBoff (NJ)

Viki A. Windfeldt (NV)

Staff Liaison:

Cassandra A. Gray

RECOGNIZING THOSE WHO HAVE
BEEN INSTRUMENTAL IN SHAPING
THE FUTURE REGULATION OF THE
PROFESSION

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.

Chair:
Edwin G. Jolicoeur (WA)

Members:
James J. Carroll (OH)
Richard G. David (MI)
James Wyatt Goad (AR)
John B. Peace (AR)

Staff Liaisons:
Alfonzo Alexander
John Johnson

The NASBA Bylaws Committee was very active and productive this year, meeting six times. The Committee recommended amendments covering five areas of the current NASBA Bylaws.

The Committee proposed clarifications to the regional directors' roles to include presiding over the Region's annual meeting. If a regional director is unable to preside, the NASBA chair would designate a replacement to preside. The regional director may not vote in the Region's annual meeting unless serving as a state board's designated voting representative.

In addition, the Committee recommended changes formalizing the Nominating Committee selection process as follows. Should there be a deadlocked vote in the election of a Region's Nominating Committee member or alternate, an ad hoc meeting of representatives of the Region's Boards of Accountancy could be called to complete the election. Failing that, the Board of Directors would elect the member or alternate.

The Committee also recommended that individuals may be appointed to only one partial/unexpired term of the Board of Directors. Currently, there is no limit to such appointments.

To ensure the experience and qualifications of potential NASBA vice chair candidates, the Committee recommended to increase the required NASBA Board service for vice chair candidates from one year to two years.

The Committee proposed allowing the Nominating Committee to meet telephonically for matters other than deliberating or voting on candidates. The current Bylaws require all Nominating Committee meetings be in-person. The recommendation also clarifies the role and purpose of the Nominating Committee alternate.

Finally, terms of the chair and vice chair of the Examination Review Board would be allowed to extend an additional year to meet the objectives of that Board.

All of the recommended Bylaws amendments were approved by NASBA's Board of Directors and will be voted upon by the full membership at the NASBA Annual Business Meeting.



CBT ADMINISTRATION COMMITTEE

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

The Committee drafted the initial response to the AICPA's Invitation Comment and Exposure Draft, Maintaining the Relevance of the Uniform CPA Examination, with input from the Executive Directors Committee. The Committee met in person on June 29, 2015 in Nashville, TN, and on September 24, 2015 in Denver, CO. The agendas covered a variety of administrative and operational topics including potential changes to the Testing Administration Model (TAM), potential changes to the Uniform Accountancy Act (UAA), the rewrite of NASBA's National Candidate Database/Gateway records archiving policies and changes to the examination break policy. Committee members also participated in the July 1, 2015 conference call with the AICPA's Board of Examiners (BOE).

Chair:

Richard N. Reisig (MT)

Members:

Kent Absec (ID)

Robert N. Brooks (NC)

Richard C. Carroll (KY)

C. Jack Emmons (NM)

M.A. "Maggie" Houston (OH)

Nicole Kasin (SD)

Nina B. Kavich (NE)

John J. Sheehan (MO)

Benjamin C. Steele (NV)

Staff Liaison:

Patricia Hartman



PLANNING FOR THE FUTURE OF THE CPA EXAMINATION



COMMUNICATIONS COMMITTEE

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

Chair:
Janeth Glenn (NE)

Members:
Jim Abbott (ND)
Jefferson Chickering (NH)
Sally Flowers (CA)
Lisa R. Hearne (NC)
James G. Kelley (IL)
Shelley Laracuenta (IA)
Stephanie Saunders (VA)
Judy A. Thomas (CO)
Kevin P. Tracy (RI)

Staff Liaisons:
Cassandra A. Gray
Thomas G. Kenny

The Communications Committee conducted monthly conference calls throughout the year and hosted an in-person Committee meeting on February 20, in Tampa, FL.

Communications Outreach has served as the Committee's primary focus for the 2014-15 committee cycle. In June, the Committee hosted Board Communications Breakfast Meetings during the 2015 NASBA Regional Meetings. Joe Campos, President of the California Board of Accountancy, and Kelli Anderson, Communications Manager with the Virginia Board of Accountancy, served as featured speakers, sharing insights on communication tools and best practices that have strengthened their respective board's outreach efforts among licensees, exam candidates, academic institutions, state CPA societies and the public.

With the support of NASBA's Communications Department, the Committee's Communications & Outreach Initiative continues to grow. Through the program, NASBA offers complimentary editorial, design and distribution assistance for customized newsletters, brochures, annual reports, public service announcements (PSAs) and videos. To better promote the program and process for requesting creative services, a series of web pages were created on *NASBA.org* to provide boards an online resource for viewing creative guidelines, templates and work samples.

As of September 2015, the Communications Department provides complimentary creative services to a total of 25 Boards of Accountancy, with several additional boards expressing interest.

In an effort to support Board of Accountancy social media initiatives, the Committee was also instrumental in having links to various state board social media platforms (e.g., Facebook, Twitter and LinkedIn) added to the state board listing on *NASBA.org*.

Additionally, the Committee has begun to participate in Regional conference calls hosted by NASBA regional directors to provide communication updates and to assess the communications outreach needs among member boards.

The Committee will continue its dialogue regarding communications outreach in October during the Board Communications Breakfast held at NASBA's 108th Annual Meeting in Dana Point, CA.

COMPENSATION COMMITTEE

The Compensation Committee was established pursuant to the Bylaws of the association for the primary purpose of acting on behalf of the NASBA Board of Directors in establishing the appropriate compensation for the President & CEO. The Committee is comprised of the Executive Committee and meets annually.

Chair:

Walter C. Davenport (NC)

Members:

Donald H. Burkett (SC)

E. Kent Smoll (KS)

Carlos E. Johnson (OK)

Laurie J. Tish (WA)

COMPLIANCE ASSURANCE COMMITTEE

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

The Compliance Assurance Committee (CAC) accomplished the following items during the 2014-15 committee cycle:

- Best practice recommendations regarding failed peer reviews: The Committee finalized the Failed Report Guidance document and issued the document to all Board of Accountancy executive directors and PROCs upon receiving approval from NASBA leadership. The document is also housed on the PROC Resource web page on nasba.org and will be included in the Enforcement Resource Guide.
- Responded to the AICPA Peer Review Board exposure draft related to SSARS 21 engagements, two AICPA exposure drafts relating to peer review and Practice Monitoring of the Future (PMOF) Concept Paper, and also provided feedback recommendations for peer review related changes to the UAA and Model Rules.
- The CAC and NASBA approved and released the 2013-14 Report on Oversight of the National Peer Review Committee (NPRC). The report documents were shared with each board and posted on nasba.org and the PROC Resources web page.
- Hosted the second bi-annual PROC/CAC conference call on May 13, 2015 with over 30 attendees.
- Held the annual face-to-face CAC meeting and hosted the Joint AICPA Standards Task Force/ NASBA CAC meeting in Nashville, TN, on July 9, 2015. Discussions included changes in peer review: poor performers, loss of peer reviewers, enhanced oversight process, enhancing audit quality, preparation services, voluntary public file, and NASBA strategic planning survey results.
- Hosted the 2015 PROC Summit in Nashville, TN, on July 10, 2015, at the Omni Hotel, with over 80 attendees representing 30 states.

Chair:

Janice L. Gray (OK)

Members:

Frederick G. Briggs, Jr. (NH)

Jimmy E. Burkes (MS)

James P. Gero (OH)

Mark T. Hobbs (SC)

Henry J. Krostich (FL)

G. Alan Long (KY)

Michael S. McClure (NE)

Arthur L. Sparks, Jr. (TN)

Laura Walker (IA)

Jeremy Watson (AR)

Staff Liaison:

Leona Johnson

CONTINUING PROFESSIONAL EDUCATION (CPE) COMMITTEE

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

Chair:

Maria E. Caldwell (FL)

Members:

John F. Dailey, Jr. (NJ)

Gerald E. Denor (WI)

Robert F. Fay (OH)

James Gottfried (OH)

John McManus (DE)

Faye D. Miller (ND)

Joshua W. Partlow (VT)

Mark S. Robinson (MA)

D. Lynn Smith (AZ)

Thomas T. Ueno (HI)

Michael D. Weatherwax (CO)

As reported in the prior year, the CPE Committee established the CPE Model Rule 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 met several times in 2015 and is finalizing its recommendation on a CPE model rule to present to the Uniform Accountancy Act Committee for consideration as recommended action to maximize CPE regulation, value and compliance.

On May 19, 2015, a joint press release by NASBA and the AICPA announced the issuance of the Exposure Draft of the proposed changes to the Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*). The public comment period is open through October 1, 2015. Among the most significant proposed revisions is the addition of nano-learning and blended learning as two new delivery methods for CPE programs. The effective date of any final approved changes to the *Standards* is expected in the fall of 2016.

Staff Liaison:

Jessica Luttrull

The National Registry Summit was held in Washington, D.C., on September 10-12, 2015. The Summit, themed "Learning in Action," featured engaging speakers that are experts on topics that are part of the proposed changes to the *Standards*. The Summit also provided opportunities for knowledge sharing through panel presentations and networking through breakout sessions.

IDENTIFYING FACTORS THAT IMPACT THE FUTURE OF CPE STANDARDS



CPA EXAMINATION REVIEW BOARD

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, 2014.

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

The ERB issued its Annual Report to the Boards of Accountancy of the 55 U.S. jurisdictions at the NASBA Regional Meetings in June 2015 for the work performed during the 2014 calendar year. The ERB stated the results of the 2014 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, 2014."

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

Chair:
Ronald E. Nielsen (IA)

Vice Chair:
Douglas E. Warren (TN)

Members:
O. Whitfield Broome (VA)
Henry J. Krostich (NY)
Lela "Kitty" D. Pumphrey (ID)

Consultants:
Steven M. Downing
Suzanne Lane
Michael W. Harnish

Staff Liaison:
Onita Porter



FINDING NEW PATHS TO ENHANCE FUTURE EXAMINATIONS

DIVERSITY COMMITTEE

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

Chair:
Tyrone E. Dickerson (VA)

Members:
Linda E. Harris (MT)
Dolly Lalvani (PA)
Ying Sa (IA)
Leonard R. Sanchez (NM)
Willie B. Sims, Jr. (MS)

Staff Liaison:
Ed Barnicott

The Diversity Committee met twice during the 2015 committee year: once in Nashville, TN, in January, and once by conference call in July. The Nashville meeting was also attended by Walter Davenport, NASBA Chair, Donny Burkett, NASBA Vice Chair and Ken Bishop, NASBA President and CEO. This meeting focused on defining specific deliverables for the Committee. These included;

- Completing the bi-annual Diversity Survey of the Boards (23 BOAs responded).
- Encouraging the Nominating Committee to make diversity a priority.
- Developing a letter to be sent to state Governors encouraging diversity in board appointments.
- Encouraging NASBA leadership to champion diversity through media contacts and meetings.
- Utilizing NASBA staff contacts with the boards to communicate the value of diversity among boards.
- Evaluating opportunities to promote diversity among regulators through digital media.
- Engaging ethnic and women's professional groups to promote board service.

Other activities promoting diversity through the year include;

- A presentation at the Executive Directors' Conference in Tampa, FL, in March, by Ralph Thomas, CEO & Executive Director, New Jersey Society of CPAs, and Ed Barnicott, NASBA VP, Strategic Planning and Program Management, on "Board Nomination Process & Delivery."
- Attendance at the National Association of Black Accountants (NABA) Annual Conference in June by Walter Davenport, NASBA Chair, and Alfonzo Alexander, NASBA Chief Relationship Officer.
- A panel on diversity is planned for the 2015 NASBA Annual Meeting in Dana Point, CA.

PROMOTING DIVERSITY FOR THE FUTURE OF SERVICE AND LEADERSHIP

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 Nashville, TN, 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:

- understanding evolving educational delivery methodologies,
- the accreditation process of these methodologies,
- enhancing the Accounting Education Research Grants program, and
- competency and experienced based granting of college credit.

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 two grants that NASBA funded and supported with data.

Another subcommittee evaluated the development of an Advanced Placement accounting course to introduce accounting as a career to students as early in their academic career as possible.

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 Association to Advance Collegiate Schools of Business (AACSB), Accounting Programs Leadership Group (APLG), Beta Alpha Psi, American Accounting Association (AAA), as well as other organizational meetings during the committee year.

Chair:

Robert J. Cochran (VA)

Members:

Tawannah G. Allen (NC)
Terry M. Bayless, Sr. (ID)
David de Silva (NY)
Rick Elam (MS)
Daniel L. Fulks (KY)
Carlos E. Johnson (OK)
Rhonda Kodjayan (IL)
Nicholas J. Mastracchio (FL)
Marianne Mickelson (IA)
Angela L. Pannell (MS)
Ola M. Smith (MI)
Gregg M. Taketa (HI)
Thomas R. Weirich (MI)

Staff Liaisons:

Alfonzo Alexander
James Suh

FOSTERING FUTURE RELATIONSHIPS WITH ACCOUNTING ORGANIZATIONS

ENFORCEMENT RESOURCES COMMITTEE

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

Chair:

Harry O. Parsons (NV)

Members:

Larry Brown (OR)

Michael M. Guinigundo (OH)

Robert J. Helm (MO)

Regina D. Hunter (MA)

Nicola Neilon (NV)

Emily R. Rollins (WA)

Randall Ross (OK)

John C. Sizer, Jr. (AZ)

Douglas W. Skiles (NE)

Michael J. Swartz (MI)

Frank X. Trainor (NC)

Staff Liaison:

Stacey L. Grooms

The Enforcement Resources Committee, being led by Chair Harry Parsons, continues to promote enforcement through the quarterly distribution of the *Enforcement Quarterly Report* and the *Enforcement Newsletter*. The *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 ALD to assist boards in identifying those disciplinary matters which may involve their licensees. The *Newsletter* is also distributed to all executive directors to discuss the current enforcement issues facing boards and to highlight tools created by the Enforcement Resources Committee to assist boards in these areas.

In anticipation of the DOL Audit Report release, information regarding board action was gathered from each board which received a DOL direct referral during the past 10 years. This information provided documentary proof that Boards of Accountancy are proactively pursuing enforcement in matters that have been directly referred from the DOL. The DOL has recently approved a consent form that can be signed by a licensee allowing a board to obtain the DOL's investigative file in order to expedite board action on a DOL referral. A similar consent process has been developed with the AICPA. The Committee will be hosting webinars in order to educate the boards regarding these new methods for handling referrals.

The "Guiding Principles of Enforcement" were developed and each board was individually contacted to gain a better understanding of the enforcement process in each jurisdiction. The California Board of Accountancy adopted the "Guiding Principles" as the basis of their legislatively mandated substantial equivalency evaluation of enforcement practices among all 55 jurisdictions. NASBA will be performing the jurisdictional comparison to the "Guiding Principles" in order to assist the California Board of Accountancy, protect the confidentiality of enforcement data gathered from boards, and to promote a culture of enforcement at all boards for the protection of the public as well as the regulation of the profession.

PROTECTING THE FUTURE OF THE PUBLIC

ETHICS COMMITTEE

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

The Ethics Committee has met three times, once in January in Dallas, TX, and twice by conference call. Committee meetings have centered on discussion of relevant exposure drafts as well as establishing Committee priorities including;

- Identifying ethics related issues faced by the boards and how NASBA can be of assistance
- Working toward adoption of the AICPA Code of Professional Conduct to improve uniformity among the boards.

During the 2015 committee year, the Ethics Committee has addressed the following issues raised by the International Ethics Standards Board for Accountants (IESBA):

- A potential restructuring of the IESBA Code of Professional Conduct
- A proposal to strengthen the ethical responsibilities of professional accountants in business
- The appropriate ethical response on the part of professional accountant to noncompliance with laws and regulations (NOCLAR). This includes whether a professional accountant can breach client confidentiality and report NOCLAR to appropriate authorities.

These issues are important to state boards as they are often addressed by the AICPA Professional Ethics Executive Committee (PEEC) if ethical changes are adopted by IESBA.

The Committee also responded to an exposure draft from PEEC addressing independence issues that arise during the merger of CPA firms.

Chair:

Raymond N. Johnson (OR)

Members:

Ellen K. Adkins (SC)
Catherine R. Allen (NJ)
Barry M. Berkowitz (PA)
Jon W. Cain, Sr. (WV)
Michael T. Daggett (AZ)
Craig K. Hirai (HI)
James M. Holland (VA)
Sheldon P. Holzman (IL)
Marc Moyers (VA)
Thomas G. Neill (WA)
Michael Schmitz (ND)
Richard Silverman (NH)
Lydia M. Washington (NY)

Staff Liaison:

Ed Barnicott

EXECUTIVE DIRECTORS COMMITTEE

Support Executive Directors in their roles with Boards of Accountancy.

The Executive Directors Committee represents the executive directors of the 55 Boards of Accountancy and serves as a means of outreach to the executive directors. The Committee was responsible for coordinating the 33rd Annual Conference for Executive Directors and Board Staff which was held in Tampa, FL, in March 2015. In an effort to build relationships and in conjunction with the State Society Relations Committee, joint sessions were included with state society CEOs and presidents. The conference held discussion on topics covering: Board and Society Relations, U.S. Supreme Court Decision in Antitrust Case, Board Nomination Process and Diversity, Impact of Marijuana Laws on Boards, Mobility Enforcement, CPA Examination Practice Analysis, Enhancing Audit Quality, Practice Monitoring of the Future, CPE Audit Services, Federal Agency Referrals, International Education, Reliance on Accreditation, and Accounting Education and the Impact and Implementation of Nano Learning on CPE.

The Committee will continue to coordinate and plan for the 34th Annual Conference for Executive Directors and Board Staff to be held in Tucson, AZ, in March 2016.

The Committee has provided input into the AICPA's Invitation to Comment to Exposure Draft, *Maintaining the Relevance of the Uniform CPA Examination*.

Chair:

Russ Friedewald (IL)

Members:

James Corley (AR)
Doris Cubitt (SC)
Thomas DeGroodt (MO)
Ofelia Duran (CO)
Pamela Ivey (WY)
Wade A. Jewell (VA)
David Sanford (GU)

Staff Liaisons:

Daniel Dustin
Patricia Hartman

INTERNATIONAL QUALIFICATIONS APPRAISAL BOARD

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

Chair:
Telford A. Lodden (IA)

Chair Emeritus:
William Treacy (TX)

Members:
Jose Ramon Rodriguez (NC)
Kathleen J. Smith (NE)

Staff Liaisons:
Louise Dratler Haberman
Patricia Hartman

As requested by leadership at the February 6, 2015, AICPA/NASBA Summit Meeting, the International Qualifications Appraisal Board (IQAB) focused this year on how best to set up a unilateral pathway for recognition of non-U.S. professionals into the United States. At the June NASBA Regional Meetings, Committee Chair Ted Lodden discussed the need for the unilateral pathways. As globalization has created a demand for highly qualified, non-US professionals in this country and state boards are authorized to regulate those practicing public accountancy in their jurisdictions, the need for pathways for experienced auditors has become evident. Unfortunately, regulators in many countries have not recognized this need and consequently few mutual recognition agreements (MRAs) have been possible. The unilateral approach presents a workable alternative.

IQAB would invite non-U.S. credentialing bodies to offer such a pathway to their members who hold audit rights in their home country. To develop the criteria for such invitations and the procedures to be used to develop the pathways, IQAB met in Dallas, TX, on March 30 and in Chicago, IL, on July 24. Currently, the IQAB members are revising their procedures manual for the new pathways.

Consideration of how the Uniform Accountancy Act will need to be altered to allow for a unilateral pathway is in progress with the Uniform Accountancy Act Committee. Legal counsel has been consulted to ensure such a pathway meets the requirements of international, federal and state law.

Throughout the year, IQAB has also been gathering information to renew existing mutual recognition agreements (MRAs) with CPA Canada (previously CICA), Instituto Mexicano de Contadores Publicos, and the New Zealand Institute of Chartered Accountants (NZICA) and the Institute of Chartered Accountants in Australia (ICCA) (now merged into a single body). Information is still incoming from the South African Institute of Chartered Accountants, and NASBA Chair Walter Davenport and President Ken Bishop have met with their CEO, Terrence Nomembe. The MRA with the Institute of Chartered Accountants in Ireland was extended by IQAB until the end of 2015 in hopes of having experience earned in the United States being accepted by the ICAI; however, due to a Directive of the European Community that seems unlikely to happen and the agreement will come to an end. Committee Chair Lodden, NASBA Chair Davenport and President Bishop met with ICAI CEO Pat Costello in September to discuss this issue.



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, made up of individuals who are recognized as leaders in the accounting profession, 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 (LDG) completed its development of a strategy for NASBA to increase the opportunities to identify and grow its current and future leaders. The strategy includes partnering with State CPA Societies and other accounting professional organizations to identify potential Board of Accountancy members and leaders. Working with current state board members to increase the level of activity members have within NASBA is another key component of the strategy. The strategy also incorporates ways NASBA can help position and develop its volunteer leadership for national and global appointments within the profession.

NASBA senior staff members added effective dates to the tactical components of the LDG's strategy document. Once those additions were complete, Carlos Johnson presented the key components to the NASBA Board of Directors for approval in its July meeting. Now the staff and leadership are implementing the strategy.

Chair:

Carlos E. Johnson (OK)

Members:

Samuel K. Cotterell (ID)

J. Michael Kirkland (NY)

George Krull (IL)

Cathy Landau-Painter (ME)

Sandra A. Suran (OR)

Staff Liaisons:

Alfonzo Alexander

Ken L. Bishop



INCREASING OPPORTUNITIES TO IDENTIFY AND GROW FUTURE LEADERS

LEGISLATIVE SUPPORT COMMITTEE

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

Chair:
A. Carlos Barrera (TX)

Members:
Jennifer Brundige (TN)
Wanda W. Goodson (GA)
Sharon A. Jensen (MN)
Jeffrey L. Johnson (AK)
Andrea M. Kilmer (VA)
Martin C. Levin (PA)
David R. Nance (NC)
Layne R. Simmons (AZ)
Richard C. Sweeney (WA)

Staff Liaison:
John Johnson

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

Through the use of bill tracking protocols that were programmed with search queries written by John Johnson, NASBA is able to monitor 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 2015 legislative sessions, 1,138 Board of Accountancy related bills were identified and monitored. Of those, 310 were classified as "direct-impact," meaning legislation that has a significant impact on the regulation of the accounting profession. Furthermore, an additional 33 bills were classified as "high-priority," meaning that the legislation contained existing statutory language, which, if amended during the legislative process, could have an impact on the regulation of the profession.

In addition to expanding our external network with various groups in 2015, it is also equally important to establish a strong internal network program. To accomplish this task, the Legislative Support Committee launched NASBA's 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 state board member and associate received an e-mail letter inviting 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 critical dividends in the future.

ESTABLISHING A STRONG LEGISLATIVE NETWORK

NOMINATING COMMITTEE

Nominate officers and directors in accordance with NASBA's Bylaws

Nominating Committee members met in April, June and August to make their recommendations for vice chair, director-at-large and regional director. Candidates for vice chair were interviewed by members of the Nominating Committee and candidates for director-at-large and regional director were asked to send letters of interest along with their bio and or resume. Committee members were encouraged to attend both the Eastern and Western Regional Meetings to familiarize themselves with the nominees. In accordance with the Bylaws, the Committee submitted its report to the chair.

Chair:

Carlos E. Johnson (OK)

Nominating Committee Members

Elected for 2015-2016:

Central Region:

Jeffrey A. Leiserowitz (KS)

Alternate: Faye D. Miller (ND)

Great Lakes Region:

Claireen Herting (IL)

Alternate: M.A. "Maggie" Houston (OH)

Middle-Atlantic Region:

Barton W. Baldwin (NC)

Alternate: Stephanie Saunders (VA)

Mountain Region:

Patrick M. Thorne (NV)

Alternate: Karen Forrest Turner (CO)

Northeast Region:

Michael Weinshel (CT)

Alternate: James S. Ciarcia (CT)

Pacific Region: Ruben A. Davila (CA)

Alternate: Thomas T. Ueno (HI)

Southeast Region:

Steven H. Richards (AL)

Alternate: Donald R. Roland (GA)

Southwest Region:

Michael A. Tham (LA)

Alternate: James Wyatt Goad (MS)

Staff Liaisons:

Ken L. Bishop

Anita Holt

PAST CHAIR ADVISORY COUNCIL

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

The Past Chair Advisory Council met in Washington, D.C., in conjunction with NASBA's 2014 Annual Meeting. The Council heard updates regarding significant NASBA initiatives, including the formation of a new subsidiary, Aequo, as well as reports from the Standards Study Group and Leadership Development Task Force. In addition, trending issues including legislative and UAA activity, enforcement efforts and audit quality concerns were discussed and key milestones, such as the ten year anniversary of the computerized CPA Examination and the Guam Testing Center were celebrated.

Chair:

Carlos E. Johnson (OK)

Members:

Billy M. Atkinson (TX)

Barton W. Baldwin (NC)

Milton Brown (NJ)

K. Michael Conaway (DC)

Samuel K. Cotterell (ID)

Michael T. Daggett (AZ)

Albert J. Derbes (LA)

Robert C. Ellyson (FL)

Welling W. Fruehauf (PA)

Nathan T. Garrett (NC)

John M. Greene (SC)

Gaylen R. Hansen (CO)

Mark P. Harris (LA)

Thomas Iino (CA)

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)

Staff Liaison:

Colleen K. Conrad

REGULATORY RESPONSE COMMITTEE

Develop timely proposed responses on professional practice developments.

Chair:

W. Michael Fritz (OH)

Members:

W. Barclay Bradshaw (VA)

Julian I. Deal (GA)

David D. Duree (TX)

Gaylen R. Hansen (CO)

Tracy Harding (ME)

Claireen Herting (IL)

Matthew J. Howell (MI)

Marcia L. Marien (CT)

Mark P. Peach (MS)

Steven H. Richards (AL)

Carleton L. Williams (HI)

Staff Liaison:

Louise Dratler Haberman

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

- AICPA "Enhancing Audit Quality - Plans and Perspectives for the U.S." Response developed with the NASBA Compliance Assurance Committee.
- IESBA "Exposure Draft on Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client." Response developed with the NASBA Ethics Committee.
- AICPA Board of Examiners "Invitation to Comment: Maintaining Relevance of the Uniform CPA Examination." Developed with the NASBA CBT Administration Committee and Executive Directors Committee.
- AICPA Peer Review Program "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews- Preparation of Financial Statements Performed Under SSARS and the Impact on Enrollment and the Scope of Peer Review." Developed with the NASBA Compliance Assurance Committee.
- AICPA Peer Review Program "Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews – Peer reviewer Performance, Disagreements and Qualifications." Developed with the NASBA Compliance Assurance Committee.
- FAF "Working Draft of the Strategic Plan for the Financial Accounting Foundation, Financial Accounting Standards Board and Governmental Accounting Standards Board."
- IESBA "Exposure Draft on Improving the Structure of the Code of Ethics for Professional Accountants." Developed with the NASBA Ethics Committee.
- IESBA "Exposure Draft on Proposed Changes to Part C of the Code Addressing Presentation of Information and the Pressure to Breach the Fundamental Principles." Developed with the NASBA Ethics Committee.
- AICPA PEEC "Firm Mergers and Acquisitions, Proposed Interpretation." Developed with the NASBA Ethics Committee.
- FAF "Three-Year Review of the Private Company Council." Developed with the NASBA Standard-Setting Advisory Committee.
- AICPA "Practice Monitoring of the Future." Developed with the NASBA Compliance Assurance Committee.
- FASB "Not for Profit Entities and Health Care Entities Presentation of Financial Statements of Not-for-Profit Entities." Developed with the NASBA Audit Committee.
- PCAOB Staff Consultation Paper "The Auditor's Use of the Work of Specialists."
- IESBA "Responding to Non-Compliance with Laws and Regulations." Developed with the NASBA Ethics Committee.
- PCAOB "Request for Comment: Rules to Require Disclosure of Certain Audit Participants on a New PCAOB Form."
- SEC "Possible Revisions to Audit Committee Disclosures."

Letters drafted by any of NASBA's committees are submitted to the NASBA chair and president for their review and signatures prior to submission to the issuing body. When topics are controversial, the regional directors can be asked by the NASBA chair and/or president to vet the response. To prepare the regional directors in case they are called upon to comment, Regulatory Response Committee Chair Fritz has invited the regional directors to listen to all of the Committee's discussions.

RELATIONS WITH MEMBER BOARDS

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

On the day prior to each quarterly Board of Directors meeting, the Relations with Member Boards Committee met to review information received from the state boards and discuss issues that needed to be brought to the attention of the boards. As part of each meeting, the Committee met with the Executive Committee to underscore issues the states had raised. The Focus Questions, formulated by the Regional Directors and sent to all Boards for their responses, assisted the Regional Directors in monitoring issues of mutual concern. Approximately 40 state boards responded to each of the Focus Question surveys. In addition, Vice President – State Board Relations, Daniel Dustin and Director – Legislative and Governmental Affairs, John Johnson, reported at each of the Committee’s meetings on the state board visits they were making. Regional directors also attended some state board meetings.

The 2015 Regional Meetings and New Board Member Orientation Program, developed and conducted by the regional directors, were well received. The findings of the Department of Labor study of pension plan audits, proposals for the next version of the Uniform CPA Examination and impact of recent court decisions, were among the topics of high interest.

Regional conference calls were scheduled by the regional directors to touch base with their states between NASBA face-to-face meetings. Relations with Member Boards Committee Chair Jack Dailey encouraged the Regional Directors to arrange for such calls at least twice a year and to request Mr. Dustin or Mr. Johnson to report on the states’ legislative activities during those calls.

Regional directors participated in the conference calls held by the Regulatory Response Committee, to background the directors on issues they might need to vote on if a controversial NASBA response was under consideration.

Chair:

John F. Dailey, Jr. (NJ)

Members:

J. Coalter Baker (TX)

Maria E. Caldwell (FL)

Robert J. Cochran (VA)

W. Michael Fritz (OH)

Janeth Glenn (NE)

Edwin G. Jolicoeur (WA)

Benjamin C. Steele (NV)

Staff Liaison:

Louise Dratler Haberman

BRINGING EMERGING ISSUES TO THE ATTENTION OF THE BOARDS

STANDARD-SETTING ADVISORY COMMITTEE

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

Chair:
Gaylen R. Hansen (CO)

Members:
Samuel K. Cotterell (ID)
Timothy F. Egan (CT)
Raymond N. Johnson (OR)
Harry O. Parsons (NV)
Laurie J. Tish (WA)

Staff Liaisons:
Colleen K. Conrad
Louise Dratler Haberman

In its inaugural year as a full NASBA committee, the Standard-Setting Advisory Committee (SSAC) began the year by reviewing the work and report of its predecessor, the Standards Study Group, discussing its charge and determining the focus of the Committee for the year. It began the year with an environmental scan of possible trending standard-setting bodies and reviewed activities of standard-setting bodies in place. The SSAC also refined and updated the matrix used to evaluate such bodies against best practices in standard setting. Using these best practices, the SSAC chair and liaison opened dialogue with one organization which, in recent years, was referencing itself as a standard-setting body. Research as well as information provided by this organization were shared with the SSAC for review, discussion and next steps for consideration.

In addition, the SSAC provided significant input to NASBA's response to the Financial Accounting Foundation's request for feedback regarding its Three Year Review of the Private Company Council and the IFRS's Foundation's Request for Views regarding the Trustees' Review of Structure and Effectiveness. Both requests for input were heavily focussed on the standard-setting processes of these organizations.

One recommendation of the Standards Study Group was to consider how to better support Board of Accountancy representatives appointed to various standard setting bodies and other external appointees. During this fiscal year, an initiative was launched to provide more communication vehicles for such appointees and enhance staff assistance. The SSAC monitored this initiative.

Committee Chair Gaylen Hansen provided a Standard Setters Update at the 33rd Annual Conference for Executive Directors and Board Staff in March 2015.

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 in the process help to enhance Board relations with state societies.

NASBA believes that 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 2015:

- Joint State Society CEO/State Board Executive Directors Conference – NASBA’s Executive Directors Committee invited the State CPA Society CEOs to attend two half-day joint sessions during its 33rd Annual Conference for Executive Directors and Board Staff. The 2015 Conference was historical as it brought together for the first time in more than 20 years, state board executive directors and society CEOs to participate in more than 10 sessions that covered matters of mutual interest/concern, future collaboration endeavors, and enhanced communications. In anticipation of the conference, NASBA’s State Society Relations Committee worked closely with NASBA’s Executive Directors Committee to develop an exciting agenda. Presentations and discussion topics included, but were not limited to: Board nomination process and diversity; the impact of marijuana laws on the CPA profession; advancing the profession through cooperation; enhancing audit quality – in the present and for the future; practice monitoring in the future; and mobility enforcement, among others. The joint conference attracted a record number of state board executive directors and 22 state society CEOs.
- Board Diversity – The Committee continued to work with NASBA’s Diversity Committee and those responsible for making board appointments to ensure that appointments include not only women and minorities, but also diverse skill sets, firm size, geographic location within their jurisdiction, and other components that foster a multicultural board.
- CPE Ethics Project – The Committee gained a better understanding of how the NASBA Center for the Public Trust Ethics CPE Resources Program is developing original, innovative and informative ethics-related resources for state societies to exclusively use as a supplement to their current ethics CPE materials.
- 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. Attending NASBA conferences is one great way for both groups to interact and learn about the issues impacting the profession.

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

Chair:

Richard E. Jones (WA)

Members:

James T. Ahler (NC)

Michael Colgan (PA)

Loretta Doon (CA)

Brad Floyd (TN)

Mary E. Medley (CO)

Stephanie Peters (VA)

Ralph Albert Thomas (NJ)

Staff Liaison:

John Johnson

STRATEGIC PLANNING TASK FORCE

Chair:
Walter C. Davenport (NC)

Members:
Grace Berger (MT)
Ken L. Bishop (TN)
Michael R. Bryant (TN)
Donald H. Burkett (SC)
Colleen Conrad (TN)
Daniel J. Dustin (TN)
Russ Friedewald (IL)
Janice L. Gray (OK)
M. Francis D. L. Quinto Baba (GU)
Michael M. Savoy (CA)
Willie B. Sims, Jr. (MS)
Benjamin C. Steele (NV)
Michele M. Stromp (NE)

Staff Liaison:
Ed Barnicott

The Strategic Planning Task Force held a two-day workshop in Dallas, June 5-6. The meeting was focused on discussing NASBA's mission, challenges, opportunities and priorities for the 2016-2020 period.

A survey on Strategic Regulatory Issues was distributed to Board of Accountancy presidents, members and executive directors, as well as executive directors of the state societies, in May 2015. Summary results of the survey were presented to the Task Force at the June meeting in Dallas. Some of the top issues the survey identified are as follows:

- CPA pipeline - Ensuring there is an adequate supply of qualified applicants for the CPA license to provide necessary services in the future in order to protect the public interest.
- Education standards - Changing standards and delivery methods in education are significant issues that will require the boards to adopt strategies that ensure education requirements are met.
- Peer Review - Ensuring that the boards have access to effective peer review oversight programs and that information on peer review is available to the boards.
- Globalization - Globalization continues and presents unique challenges to the Boards of Accountancy, including changing international standards and recognition of foreign credentials.
- Audit Quality - Maintaining high quality standards and performance in attest work and the challenges associated with identifying sub-par audits.
- Enforcement - Ongoing need to maintain effective enforcement efforts within and amongst the states (mobility).
- Changing CPE - New methods of delivering CPE and ensuring standards are maintained.
- Technology - The impact of changing technology on the boards and opportunities to support the work of the boards to reduce workload and costs.
- Consolidation - Continuing concern that consolidation of boards will result in weaker, less effective boards.
- Uniformity - Continued efforts to bring greater uniformity to state board regulations, standards and enforcement.

The Task Force will present its final report to the NASBA Board of Directors at its October meeting.

FOCUSING ON THE FUTURE OF NASBA'S MISSION

UNIFORM ACCOUNTANCY ACT COMMITTEE

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

As a joint committee working with the AICPA UAA Committee, several issues remain on the NASBA UAA Committee's agenda. The joint committee did not meet face-to-face this year, but there were NASBA UAA Committee calls, joint task force calls and one joint task force meeting in New York City. It is anticipated that a change will be proposed for the UAA and new Model Rules related to what activities an "inactive" or "retired" CPA can participate. Task forces are also developing proposed changes to: permit unilateral, as well as mutual, recognition of international professionals; coordinate the Model Rules with the new Standards for Continuing Professional Education; and implement other administrative measures required for the next version of the Uniform CPA Examination. In addition, clarifications relative to SSARS 21 are being debated.

NASBA UAA Committee Chair Coalter Baker addressed the Regional Meetings and will address the 2015 Annual Meeting to bring the boards up-to-date with the UAA Committee's progress.

Resolving the inactive/retired CPA issue has gained importance as more baby-boomer CPAs are reaching retirement age, which in many of the large firms is 55. They possess skills that could benefit the public in a volunteer capacity as long as they remain competent. Uniformity across state lines is the goal as states now have a range of titles and work that can be performed under those titles.

Legal counsel has developed guidance for the unilateral pathway for international experienced auditors, which will be used by the UAA Committee's task force for drafting changes.

Coupled with additional projects to be launched in the fall, it is anticipated state boards will be looking at exposure drafts in the spring or summer of 2016 and, if all goes smoothly, a new edition of the UAA in early 2017.

Chair:

J. Coalter Baker (TX)

Members:

Barton W. Baldwin (NC)

David L. Dennis (FL)

Lori J. Druse (NE)

Andrew L. DuBoff (NJ)

Karen Garrett (AR)

Kenneth R. Odom (AL)

John E. Patterson (OH)

Donovan W. Rulien (AK)

Dan Sweetwood (NE)

Staff Liaisons:

Louise Dratler Haberman

John Johnson

DEVELOPING FUTURE
LAW AND RULE
CHANGES TO STAY
EVERGREEN

THE YEAR IN REVIEW

OCTOBER 2014

Middle Eastern testing centers for the Uniform CPA Examination are open to all qualified citizens and permanent residents of India as of October 1.

Fifty (50) jurisdictions are using the NASBA International Evaluation Service (NIES), accounting for more than 60 percent of the international evaluations in the marketplace.

Canadian profession completes its unification under CPA Canada, merging three professional associations.

NOVEMBER 2014

Chair Walter Davenport urges 107th NASBA Annual Meeting participants to embrace the future. He identifies the state boards' critical areas as: Enforcing our rules, Educating for optimization and Engaging talent. IRS Commissioner John Koskinen outlined the challenges facing the IRS.

NASBA responds to Board of Examiners "Invitation to Comment: Maintaining Relevance of the Uniform CPA Examination" and to AICPA discussion paper on "Enhancing Audit Quality – Plans and Perspectives for the U.S. CPA Profession."

International Ethics Standards Board for Accountants receives comments from NASBA on proposed changes to Code Addressing the Long Association of Personnel with an Audit or Assurance Client.

DECEMBER 2014

NASBA Center for the Public Trust co-hosts Baruch College's 9th Annual Ensuring Integrity Audit Conference in New York City. Former IASB Chair David Tweedie was the keynote speaker.

NASBA employees donate holiday toys to Youth Encouragement Services in downtown Nashville.

NASBA launches the Key Person Contact program by sending an email to all State Board members, associates and executive directors explaining the purpose of the program, to establish a strong internal legislative network.



APRIL 2015

NASBA Board of Directors approves the awarding of the 2015 NASBA Accounting Education Research Grants to: "Casual Effect of Changes in Business School Accreditation on CPA Exam Success Rates," from a Texas Woman's University team of researchers, and "Best Practices for Preparing International Students for the Uniform CPA Examination," from a Drexel University team.

Revisions for the *Statement on Standards for Continuing Professional Education Programs*, as appended to the Uniform Accountancy Act, were released for comment by the NASBA and AICPA Boards of Directors.

NASBA will assist California Board of Accountancy in the overall evaluation of the state boards' disciplinary processes.

MAY 2015

NASBA urges the Department of Labor to provide referrals of inadequate employee benefits plan audits performed by CPAs sent to the State Boards of Accountancy at the same time they are released to the AICPA.

NASBA Compliance Assurance Committee issues "Failed Reports Guidance" to provide guidance to state boards on how they should handle reports of failed peer reviews.

The U.S. Department of Labor's Employee Benefits Security Administration (EBSA) released its anticipated report on "Assessing the Quality of Employee Benefit Plan Audits."

JUNE 2015

NASBA praises the accomplishments of the Private Company Council in response to the FAF's three-year review of the PCC's performance.

In monitoring the legislation introduced this past year, NASBA Director of Legislative and Governmental Affairs, John Johnson, has seen several states consider a version of the "Occupational Licensing Relief and Job Creation Act," initially proposed by the American Legislative Exchange Council (ALEC).

Fifty (50) Boards of Accountancy were represented at NASBA's Regional Meetings, held July 17-19 in Coronado, CA, and June 14-16 in Baltimore, MD.

JANUARY 2015

A concept paper on what the CPA profession's practice monitoring might look like in the future is released for comment by the AICPA.

Congressman K. Michael Conaway (TX-R), NASBA Chair 2002-2003, selected as the 50th Chairman of the House Committee on Agriculture.

On January 1, the "Chartered Accountants Australia and New Zealand" formally launched. An agreement for the merged organizations is being developed by IQAB to be ready when their current MRAs are up for renewal in 2016.

2015 marks the 10th anniversary of NASBA's non-profit ethics advocacy organization, the NASBA Center for the Public Trust.



JULY 2015

The new practice analysis in support of the CPA Examination is on schedule. Boards of Accountancy are urged to make their views heard regarding the next version of the Examination.

The July 10 PROC Summit in Nashville had the largest attendance in the event's history, with 30 states participating, either through a representative of a Board of Accountancy or a State CPA Society, and a total of 90 attendees.

NASBA Board receives recommendations of NASBA's Leadership Development Task Force on raising awareness of Boards of Accountancy.

FEBRUARY 2015

CPAs are told by the AICPA to check with their State Board of Accountancy when they consider providing services to a marijuana-related business.

The Accountancy Licensee Database (ALD) and CPAverify reach the 50-Board milestone. As a result, CPAverify, now houses license information for over 97% of the world's CPAs, marking an unprecedented degree of data sharing between state regulatory boards.

The U.S. Supreme Court releases its long awaited ruling in *Federal Trade Commission v. N.C. State Board of Dental Examiners*, underscoring the need for states to exercise active supervision of a board if it delegates regulatory authority to market participants.



AUGUST 2015

The NASBA Guam Test Center joined a small group of Prometric test centers with a perfect "on-time opening," in conjunction with high scores in security and customer service.

President Ken Bishop presents keynote address at Ph.D. Project for Accounting Doctoral Students Association Conference.

NASBA representatives distribute information on "Preparing Your Students for Ethical Dilemmas – Using the Ethical Leadership Certification Program in Your Classes" and "Evaluating Your School's Performance on the Uniform CPA Examination" at American Accounting Association Annual Meeting.

MARCH 2015

Financial Accounting Foundation enters into overall assessment of the operations of the Private Company Council (PCC), as the PCC approaches its three-year anniversary in May 2015.

The 33rd NASBA Annual Conference for Executive Directors and Board Staff was the largest ever, with executive directors of State Boards of Accountancy meeting with executive directors of State CPA Societies, reviving a joint event last staged approximately a score of years ago. One of NASBA's biggest issues this year continues to be education – specifically accreditation.

20th Annual Conference for Board of Accountancy Legal Counsel held. Investigators were invited to participate along with board legal counsel, as investigations were a key topic of the meeting.



SEPTEMBER 2015

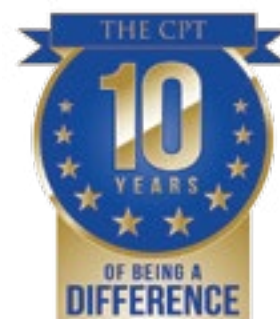
CPA Canada anticipates 3,000 candidates will take the initial offering of their Common Final Examination (CFE), to be administered September 16-18, 2015.

"Maintaining the Relevance of the Uniform CPA Examination" released for comment by the Board of Examiners.

CPT begins holding a series of ethics town hall meetings on university campuses discussing the Rita Crundwell embezzlement case.

NASBA CENTER FOR THE PUBLIC TRUST

As the NASBA Center for the Public Trust (CPT) celebrated its 10th anniversary during fiscal year 2015, the organization worked alongside NASBA leadership and members, CPT Board members and other partners to continue being a difference in the business ethics arena. With this support, the CPT has experienced significant growth and expansion.



The organization grew its number of StudentCPT chapters, increased participation in the 5th Annual Student Leadership Conference, launched the Ethics CPE Resources Program, and developed a Professional Ethical Leadership Certification & Training 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. Further, StudentCPT chapters offer an environment where ethical behavior and ideas can flourish.

The chapters create opportunities for students to network with the business community and develop professional leadership skills. The number of StudentCPT chapters has grown to 27 nationwide.

Over the past year, new student chapters were established at Belmont University, Georgia Southern University, North Carolina A&T State University, Southeast Missouri State University, University of Central Florida and Vanderbilt University.

The CPT is currently working with students and professionals to

establish new chapters at Colorado Mesa University, Creighton University, Fisk University, Saint Louis University, Tennessee State University, University of Colorado - Denver, University of Louisiana – Lafayette, University of Missouri in St. Louis, University of North Alabama, and several other institutions across the country.

ETHICAL LEADERSHIP CERTIFICATION & TRAINING PROGRAM

One of the largest and most impactful endeavors for the CPT is the Ethical Leadership Certification & Training Program. Funded through a grant awarded by the Daniel's Fund of Denver, CO, the CPT launched the student version of its online ethics certification program in January 2014. Since that time, over 2,000 students have either completed or are currently enrolled in the program. This program allows the CPT to utilize technology as a means to educate future leaders.

During the fall of 2015, the CPT recently expanded this program by creating a new version designed to enhance the ethical decision-making skills of business professionals.

BEING A DIFFERENCE AWARD

Continuing to acknowledge and celebrate the nation's ethical business leaders 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.



William Bock, III
General Counsel,
U.S. Anti-Doping
Agency



Kevin Brown
President, Legacy
Thinking Labs



Jonathan Porter
HR & Ethics Vice
President, Alabama
Power Company



John Sandoz
President, Adaptive
Strategies Consulting

ETHICS IN ACTION STUDENT VIDEO COMPETITION

In its sixth 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 share their views on ethics and accountability in business.

Interest in the Competition has grown each year, with a record high of 35 video submissions received in 2015. These videos received over 8,500 views and over 2,000 votes for the viewer's choice competition. The Competition continues to be an effective way to teach business ethics to students in a way that is fun, memorable and effective. This year's winning teams represented Colorado State University, Florida State University, Lipscomb University, University of Colorado – Colorado Springs and Utah State University.

ETHICS CPE RESOURCES PROGRAM

The CPT recently launched the Ethics CPE Resources Program, which is designed to provide continuing education providers with original, innovative and informative ethics-related resources.

Since State CPA Societies serve as the primary source of Ethics CPE courses for CPAs across the country, State CPA Societies are the initial recipients of the resources available through this program.

Funders and partners in the program represent the accounting profession. The development of the program was aided by financial contributions from The Accountants Coalition, AICPA, The Center for Audit Quality, PricewaterhouseCoopers, Deloitte and Ernst & Young.

FIFTH ANNUAL STUDENT LEADERSHIP CONFERENCE

The annual Student Leadership Conference brings together students from across the country who are expected to serve as leaders of existing and future StudentCPT chapters. This year's Conference was held in Baltimore, MD, and included 67 students, representing 33 colleges and universities.

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

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



2014-15 BOARD OF DIRECTORS

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Retired President & CEO, NASBA
& NASBA CPT

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

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DONALD BURKETT, CPA
CPT Secretary
Executive Vice President, Burkett Burkett &
Burkett CPAs, P.A.

CYNTHIA COOPER
CEO, The CooperGroup, LLC

LINDA FERRELL, Ph.D.
University Distinguished Chair in Business Ethics,
Jack C. Massey College of Business,
Belmont University

O.C. FERRELL, Ph.D.
University Distinguished Chair in Business Ethics,
Jack C. Massey College of Business,
Belmont University

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

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

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

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

VICKY PETETE, CPA
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JOSEPH PETITO, ESQ.
Principal – Public Policy, Pricewaterhouse
Coopers LLP

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

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CEO, NASBA CPT

ALFONZO ALEXANDER
President, NASBA CPT

MICHAEL R. BRYANT, CPA
CFO, NASBA CPT

PRODUCTS AND SERVICES

Providing outreach and assistance across every stage of the CPA lifecycle is yet another way NASBA accomplishes its mission. From CPA Examination administration, to licensure, to education, NASBA offers a menu of high-quality products and services, all designed with Board of Accountancy members, consumers and the CPA profession in mind.

Member services include, but are not limited to, association meetings, CPA Examination administration and assistance with licensing. NASBA's consumer products span across the spectrum from licensing application assistance to continuing professional education (CPE) and compliance management services.

Over the years, several additional products and services have been developed to meet the growing needs of the accounting profession. Clients include individual CPAs, CPE providers, state CPA societies and accounting firms of all sizes. NASBA will continue to provide innovative products and services to further business continuity and effectiveness. The following pages detail more about the various products, services and complementary offerings available through NASBA.



CPA Examination Services

As NASBA's flagship program, CPA Examination Services (CPAES) provides a comprehensive array of services related to the Uniform CPA Examination. A few of these services include application processing, credential evaluation 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, such as 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 the 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.

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.

GUAM TEST CENTER

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

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.



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 2,100 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.



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



NASBA 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 Canadian Institute of Chartered Accountants (CICA), Instituto Mexicano de Contadores Publicos (IMCP), Institute of Chartered Accountants in Australia (ICAA), New Zealand Institute of Chartered Accountants (NZIA), Chartered Accountants of Ireland (CAI) and the Hong Kong Institute of Certified Public Accountants (HKICPA).



The NASBA Report on the Uniform CPA Examination is your go-to resource for annual statistics and trends of candidates taking the CPA Examination. The 2015 report will feature the addition of content area breakdowns and detailed cohort tracking. Custom Reports are available to universities and Boards of Accountancy that wish to track the success of their candidates, better understand the pipeline through the examination process and compare factions within their program. This information, available only from NASBA, offers you the best overview of CPA Examination trends from around the world, regionally, and at the university level.



Sparked by the successful growth of NASBA International Evaluation Services (NIES), Aequo International was founded in 2014 to provide other professions with the same high standard of international evaluations that NASBA is able to offer the Boards of Accountancy. Working closely with state boards and university programs, Aequo International takes the time to fully understand the unique requirements of each entity to best serve both them and the candidate. Aequo International is available to provide evaluation services for all industries, and specializes in unique solutions to growing your program's international diversity with high quality candidates.



The CPA Examination Services and International Evaluations departments have teamed up to guide accounting students with the Advisory Evaluation. This service will evaluate a candidate's current education as it is viewed by the U.S. Boards of Accountancy, and list the deficiencies that need to be satisfied before they will be eligible to sit for the CPA Exam or obtain licensure in their chosen jurisdiction. Studies suggest candidates are 12% more likely to pass the CPA Exam when they sit within one year of graduation; NASBA strives to take the guesswork out of the examination process and eliminate delays for students.



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



Looking for CPE to meet your requirements? Find CPE courses anywhere in the country. Visit learningmarket.org to search through more than 8,400 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 Sponsors. Video tutorials, newsletters, sample forms, best practices and online applications are all part of the site.



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 50 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.



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/Firm licenses (initial, reciprocal, mobility/practice privilege and firm registration) for all 55 U.S. jurisdictions. Access to ALL is available for purchase by the public and is free to Boards of Accountancy as well as colleges and universities.

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 licensee compliance thereby, eliminating manual processes used by many boards to determine compliance.

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.



For more than 25 years, NASBA has provided licensing services to Boards of Accountancy and their licensees. NASBA has the capability and resources to make the initial licensure and renewal process more efficient, while boards focus on regulation. NASBA's licensing services include application processing, licensure/renewal credential evaluations, eligibility determination, license number issuance, renewal tracking, and CPE audits, while providing excellent and reliable customer service.



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 50 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.



CredentialNet, a service of the National Qualification Appraisal Service (NQAS), is an Individual Substantial Equivalency evaluation service for the purposes of mobility and/or reciprocal licensure.



NASBAstore.org is a marketplace of CPA Exam products and services, including score transfer and license verification, 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.

NASBA

Legislative Tracking System

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.



ENFORCEMENT RESOURCE TOOLS

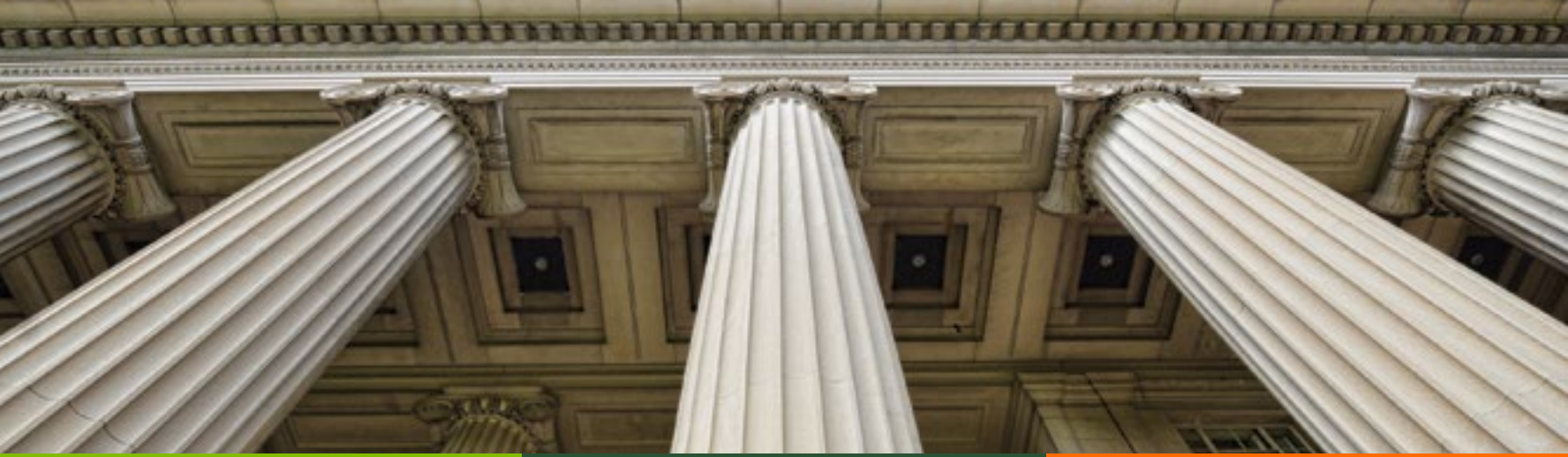
With the creation of multiple new enforcement resources, NASBA provides Enforcement Tools on NASBA.org to provide quick navigation, including sections on Federal Enforcement, Enforcement Documents and Investigators & Expert Witnesses. The Federal Enforcement section includes the Federal Agency Enforcement Series, Reports of PTIN & EBP Audits, Quarterly Enforcement Reports and information for communicating with federal agencies. The Enforcement Documents section includes quarterly *Enforcement Newsletter* and the *Enforcement Resource Guide*. The Investigators & Expert Witnesses section includes the Investigator Training Series, as well as information for becoming or retaining an Investigator or Expert Witness. The Investigator Training Series is a tutorial which includes six separate videos providing training on the various stages of investigating an accountancy complaint. Other tools available include the application links for any professionals wishing to submit their information, and a portal for boards to access the listing of investigators or expert witnesses.



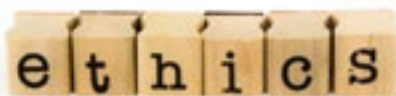
NASBA's Communications Department offers complimentary creative services to Boards of Accountancy that are attractive, relevant and audience-driven. Services include editorial consultation, video production and design for newsletters, brochures, mass email campaigns and annual reports.



NASBA "U" is a training and networking event available exclusively to Board of Accountancy executive directors and key staff. This two-day session is 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's staff, and tour the NASBA facilities.



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.



ETHICS CPE RESOURCES PROGRAM

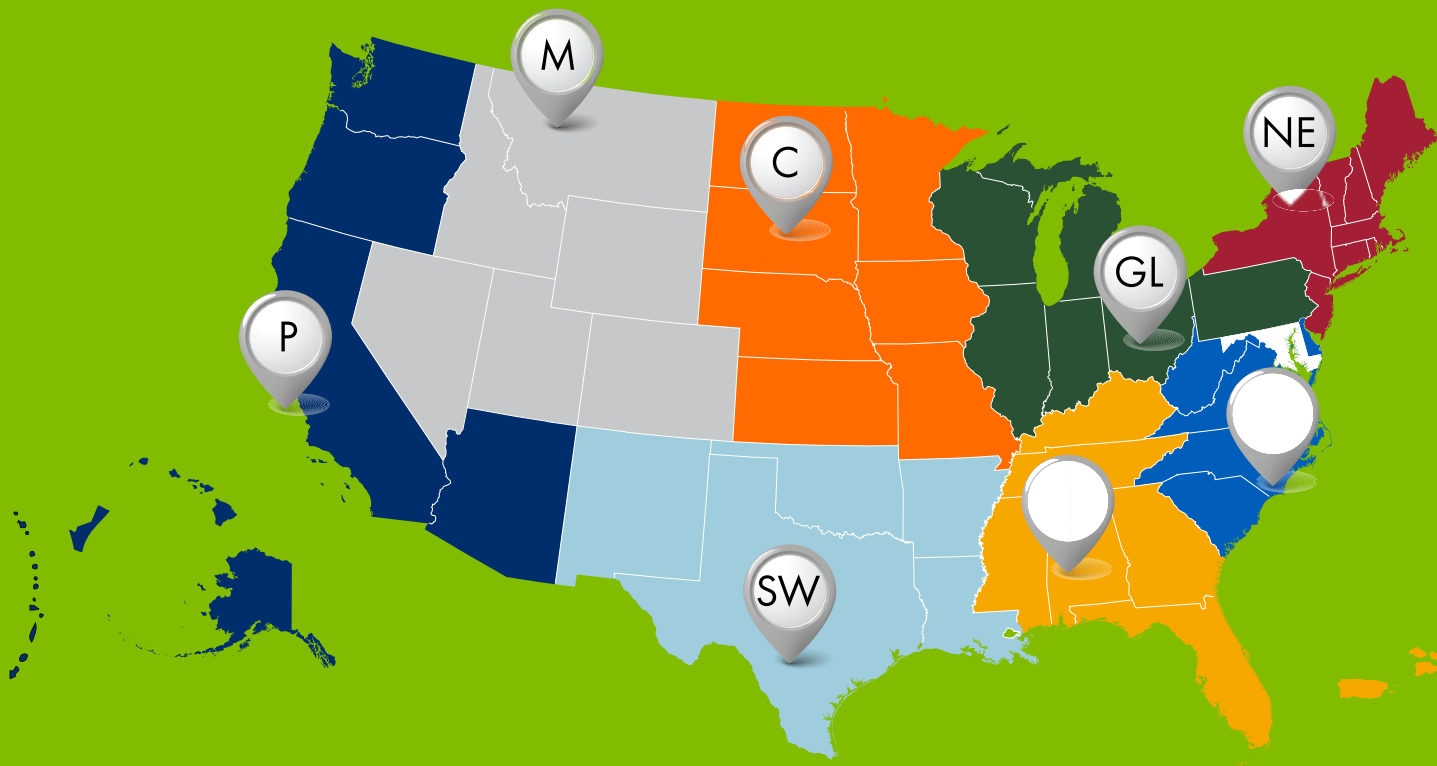
The Ethics CPE Resources Program is designed to provide continuing education providers with original, innovative and informative ethics-related resources. Since State CPA Societies serve as the primary source of Ethics CPE courses for CPAs across the country, State CPA Societies are the initial recipients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



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.

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 like loyalty, honesty and confidentiality. This certification program uses interactive presentations, videos and thought provoking 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. The CPT offers two versions of this certification program, which are geared toward college students and business professionals, respectively.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY



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CNMI
Guam
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Oregon
Washington

P

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M

SOUTHWEST

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Texas

SW

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C

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Michigan
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Wisconsin

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SOUTHEAST

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Florida
Georgia
Kentucky
Mississippi
Puerto Rico
Tennessee
Virgin Islands

SE

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District of Columbia
Maryland
North Carolina
South Carolina
Virginia
West Virginia

MA

NORTHEAST

Connecticut
Maine
Massachusetts
New Hampshire
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New York
Rhode Island
Vermont

NE

FINANCIAL STATEMENTS

National Association of State Boards
of Accountancy, Inc.

Consolidated Financial Statements

July 31, 2015 and 2014



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 17, 2015

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

To the best of our knowledge and belief, based upon a review of the consolidated financial statements of the National Association of State Boards of Accountancy, Inc. and subsidiaries at and for the years ended July 31, 2015 and 2014, including the notes thereto, as reported on by NASBA's independent auditors, LBMC, PC, such financial statements do not contain an untrue statement of a material fact as of the date hereof nor do such financial statements fail to state a material fact necessary to make the financial statements, in light of the circumstances under which they were prepared, not misleading.

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

A handwritten signature in black ink, reading "Ken L. Bishop".

Ken L. Bishop
President & Chief Executive Officer

A handwritten signature in black ink, reading "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 17, 2015

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

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

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

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

A handwritten signature in black ink, reading "Ken L. Bishop".

Ken L. Bishop
President & Chief Executive Officer

A handwritten signature in black ink, reading "Colleen K. Conrad".

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

A handwritten signature in black ink, reading "Michael R. Bryant".

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

A handwritten signature in black ink, reading "Troy A. Walker".

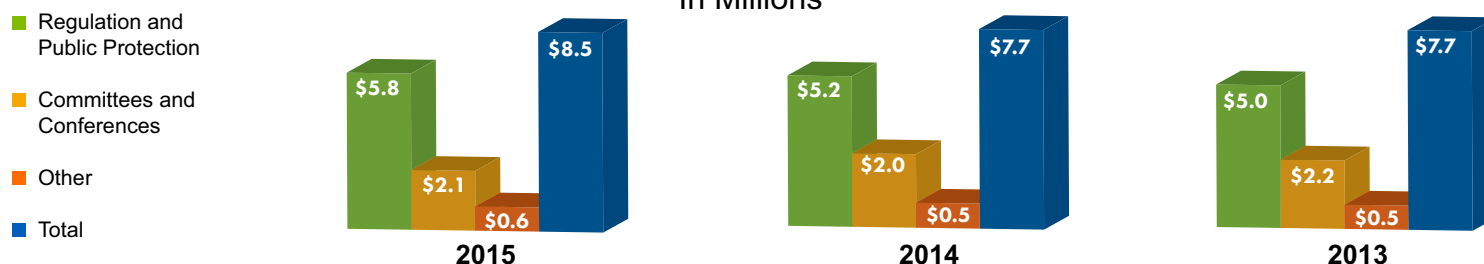
Troy A. Walker, CPA
Director, Finance & Controller

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. Fiscal 2015 Management's Discussion and Analysis

During fiscal 2015, the National Association of State Boards of Accountancy, Inc. ("NASBA") provided support to its member jurisdictional Boards of Accountancy in regards to their regulatory and licensing role of protecting the public. This was accomplished through multiple channels of mission-related Member services provided by NASBA in assisting its members. During fiscal 2015, NASBA again increased the use of its monetary resources in providing this support to and on behalf of Boards of Accountancy. As shown in the chart, all primary areas of mission-related Member services had increased spending in fiscal 2015 as compared to fiscal 2014. Expenditures in total for fiscal 2015 were \$8.5 million and represent a 10% increase over the prior year. Of the increase in year-over-year spending, 7.7% (\$5.8 million in fiscal 2015 versus \$5.2 million in fiscal 2014) related to Regulation and public protection activities. The remaining 2.3% increase was evenly split between expenses related to Committees and conferences and the NASBA Center for the Public Trust, which is included in Other.

Mission-related Member Services Expenditures

In Millions



Examination, licensing and related services includes numerous services which assist Boards of Accountancy in regulating Certified Public Accountants ("CPAs"). This encompasses assisting Boards of Accountancy in processing candidates for the CPA Examination as well as the licensing of CPAs, and other related services, after successful completion of all the licensing requirements. These activities include the services provided by 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 ("Registry"), along with other similar services benefiting Boards of Accountancy. The National Candidate Database serves as a central repository and global tracking system for all CPA Examination candidates. During fiscal 2015, approximately 287,000 sections were processed through the National Candidate Database for these candidates.

As stated in the preceding paragraph, Examination, licensing and related services includes the activities of the Registry. Only learning providers who are committed to offering high-quality continuing education programs that improve a CPA's professional competence are included as Registry participants. The National Registry Summit (the "Summit") was held for the third time in September 2014 with an increase in attendance from the previous year. This year's Summit focused on the Statement on Standards for Continuing Professional Education (CPE) Programs and the future of learning tools and techniques.

NASBA's Member services serve the Boards of Accountancy by facilitating discussions around relevant issues and by providing information and tools to Boards of Accountancy in their regulatory role. Activities included annual, regional, and Board of Accountancy staff conferences along with support for almost thirty committees and task forces, and any derived sub-committees and task forces, which met throughout the year. In addition to its annual conferences

and meetings, the biennial Peer Review Oversight Committee Summit was held in fiscal 2015. Additionally, funding to promote effective regulation and enhance public protection was provided to assist Boards of Accountancy in their role as regulators through the Accountancy Licensee Database (along with its public counterpart CPAverify), CPE Audit Service which assists Boards of Accountancy with continuing professional education audits, direct support to Boards of Accountancy related to various regulatory issues, meeting expenses for the work of committees and the involvement of NASBA's leadership with numerous other accounting and regulatory organizations.

Member services also includes the NASBA Center for the Public Trust ("CPT"). Since 2005, CPT has served as the vehicle for NASBA's ethics programs. In recent years, its impact has been magnified through campus-based student education in ethical leadership, promoting dialogue among professionals on ethical leadership in business, and honoring those who model a high standard through the *Being a Difference* Award program. During fiscal 2015, the StudentCPT program grew in many dimensions including the number of active campus chapters, the number of Ethics in Action Video Competition entries and views, the attendance at its annual Student Leadership Conference, and the number of students completing the certification program within ethics curriculums. In addition, program activities were expanded through an ethics case study film. These impactful programs and activities offer students practical training in ethical decision-making and leadership. Development of training and resources in the professional realm grew with two new programs this fiscal year. The Professional Ethical Leadership Certification program neared completion at the end of fiscal 2015 and a new program was launched to provide resources to improve the quality of ethics-related educational materials for certain continuing professional education resource libraries.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Program Revenue

Total consolidated program revenue related to unrestricted net assets was \$29.6 million in fiscal 2015. This is an increase of 5.3% from the fiscal 2014 amount of \$28.1 million. The following table compares program revenue related to unrestricted net assets for fiscal 2015 and 2014:

(In millions)	2015	2014	Change
Examination, licensing and related services	\$ 28.5	\$ 27.2	4.8%
Member services, dues and other revenue	1.1	0.9	22.2%
Total	\$ 29.6	\$ 28.1	5.3%

Examination, licensing and related services revenue for fiscal 2015 and 2014 are comprised of the following:

(In millions)	2015	2014	Change
Client Services	\$ 17.6	\$ 16.4	7.3%
CBT Contract Services	7.9	7.8	1.3%
Compliance Services	3.0	3.0	0.0%
Total	\$ 28.5	\$ 27.2	4.8%

Similar to the prior fiscal year, the increase in Examination, licensing and related services revenue was primarily attributable to increased volume for CPA Examination Services and NASBA's International Evaluation Services, both of which are included in Client Services. Fiscal 2015 continued the growth of International Evaluation Services since its inception in fiscal 2013 in both the number of states and the number of future CPA Examination candidates using the service. Revenue from CBT Contract Services and Compliance Services both tracked total revenue from the prior year.

Total current fiscal year revenue for Member services, dues and other revenue, which includes contributions and program services revenue for CPT, increased in fiscal 2015. This increase resulted from both contributions to CPT and conference fees.

Program Expenses

Total consolidated program expenses in fiscal 2015 were \$27.0 million compared to \$24.8 million in fiscal 2014. The following table compares program expenses for fiscal 2015 and 2014:

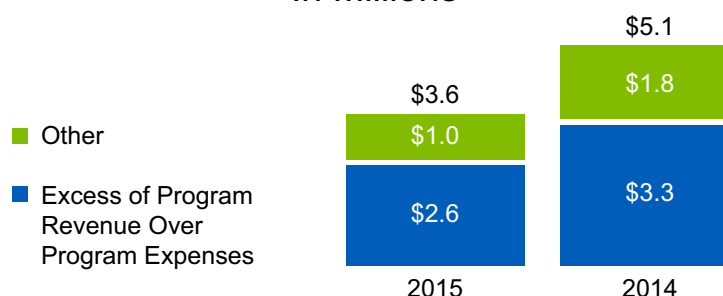
(In millions)	2015	2014	Change
Examination, licensing and related services	\$ 18.5	\$ 17.1	8.2%
Member services:			
Regulation and public protection	5.8	5.2	11.5%
Committees and conferences	2.1	2.0	5.0%
Other	0.6	0.5	20.0%
Total	\$ 27.0	\$ 24.8	8.9%

As mentioned earlier, each of the primary areas of expenses for Member services increased in fiscal 2015 compared to fiscal 2014. The largest dollar amount increase was in regulation and public protection. The increase in Examination, licensing and related services primarily relates to expenses associated with the revenue growth in International Evaluation Services. In addition, increased spending on information technology projects contributed to the increase in total expenses.

The fiscal 2015 program revenue and expenses for Examination, licensing and related services include the activities since inception of a new for-profit subsidiary, Aequo International, LLC. This wholly-owned subsidiary provides services to non-accounting related organizations comparable to the services provided by NASBA's International Evaluation Services to Boards of Accountancy.

As shown in the chart, the components of the total increase in unrestricted net assets for fiscal 2015 and 2014 primarily include the excess of program revenue over program expenses. Other activity includes net assets released from restriction, investment income, and loss from investment in affiliate.

Increase in Unrestricted Net Assets In Millions

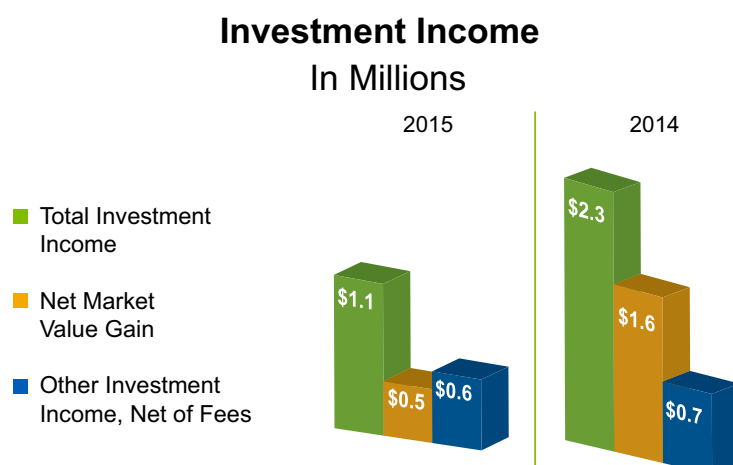


NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

Investments and Investment Income

At July 31, 2015 and 2014, long-term investment securities total \$29.7 million and \$24.5 million, respectively. Investment income for fiscal 2015 and 2014 was \$1.1 million and \$2.3 million, respectively. Both the current and prior fiscal year investment income amounts are net of related investment fees and expenses. The primary component of the decrease in investment income in fiscal 2015 from fiscal 2014 is a lesser amount of net market value gains related to long-term investments over the comparative fiscal year period. At the beginning of fiscal 2015, NASBA sold \$12.5 million of the total long-term investment securities held and invested in lower-risk investment securities, such as federally-insured certificates of deposit, U.S. Treasury and Federal Agency securities, and corporate bonds with an investment grade rating or better. Net market value gains were lower in fiscal 2015 partially due to the shift to an overall lower risk profile in the long-term portfolio along with the comparatively lower market returns than in fiscal 2014. The total return for NASBA's long-term fund for fiscal 2015 and 2014 was approximately 3% and 10%, respectively.

The chart displays investment income and the components of the net amount for both fiscal years.



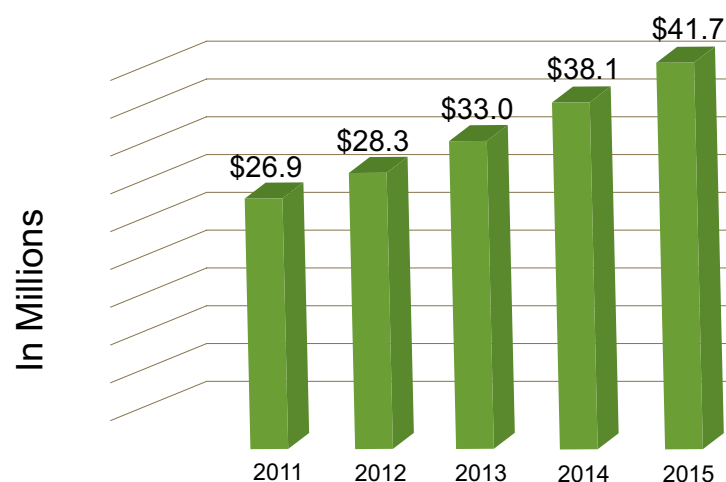
Investments are managed under a board-approved investment policy in which long-term investments are managed at the discretion of an investment advisor under oversight of the NASBA Investment Committee. Management has reduced risk around cash equivalents via programs which provide full Federal Deposit Insurance Corporation coverage of the funds.

Cash Flow and Financial Position

For fiscal 2015, total cash and cash equivalents decreased by \$0.3 million from the prior fiscal year-end balance. Comparatively, fiscal 2014 had an increase of \$1.6 million from the fiscal 2013 year-end balance. The decrease in fiscal 2015 is primarily attributable to the net increase in cash used in investing activities related to long-term investment securities as compared to fiscal 2014. Of the total amount used by investing activities, \$4.8 million and \$3.1 million in fiscal 2015 and 2014, 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 and \$0.1 million of interest related to the note receivable was collected in both fiscal 2015 and 2014. The total principal balance of the note receivable at July 31, 2015 and 2014 is \$1.1 million and \$1.6 million, respectively. The increase in net cash provided by operating activities is \$4.1 million and \$4.7 million in fiscal 2015 and 2014, respectively.

Net Assets Five-Year Trend

During fiscal 2015, NASBA continued to grow unrestricted net assets while concurrently increasing the resources it makes available for effective regulation by the Boards of Accountancy. During fiscal 2015, NASBA increased total net assets by \$3.6 million to \$41.7 million. Through positive financial results, a trend that has been sustained for several years through prudent stewardship and growth in areas such as its International Evaluation Services, NASBA has the capability to continue its increased support of the Boards of Accountancy. This financial strength is important to the Boards of Accountancy in their current regulatory role and, as NASBA and Boards of Accountancy embrace the future, their role in a world where the rate of change in the CPA profession accelerates.





National Association of State Boards of Accountancy

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REPORT OF AUDIT COMMITTEE

September 17, 2015

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. ("NASBA") for the year ended July 31, 2015, 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:

- The Committee met with the independent auditors, LBMC, PC, to discuss the proposed audit scope and timing of audit procedures, and to assess the independence of the auditors. Accounting, reporting and internal control procedures of NASBA were also discussed during the meeting;
- The Committee received a presentation from management during the meeting regarding internal controls applicable to receipts and a presentation from NASBA's Chief Information Security Officer summarizing the security program in place to address cyber attacks. The Committee arranged for the two presentations to be made to the Board of Directors;
- The Committee reviewed the Audit Committee Charter (the "Charter"), which governs the Committee's scope of responsibilities and procedures to be followed. The Committee recommended several Charter changes to the Board of Directors;
- The Committee met with senior management and the independent auditors after the completion of the audit. The Committee reviewed the results of the audit, the consolidated financial statements, the auditors' report thereon, the integrity of NASBA's financial reporting process, and the cost of the audit. The Committee also met separately with the auditors;
- The Committee met separately with senior management to consider the credentials and performance of the independent auditors and made a recommendation to the Board of Directors that LBMC, PC be reappointed independent auditors' for the year ending July 31, 2016;
- The Committee also performed the other Committee duties specified in the Charter.

Based on the above, the Committee believes that the annual independent audit was properly completed, management has maintained adequate systems and controls and followed the appropriate procedures related to financial accounting and reporting, and the Committee has fulfilled its duties in accordance with the Charter for the year ended July 31, 2015.

Respectfully submitted,

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

By: 

Richard D. Isserman, CPA, Chair

Other Members of the Committee

Alan R. Augenstein, CPA

Jeanne M. Dee, CPA

James R. Mintert, CPA

M. Chad Singletary, 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 subsidiaries, which comprise the consolidated statements of financial position as of July 31, 2015 and 2014, 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 auditors' judgment, including the assessment of the risk of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the National Association of State Boards of Accountancy, Inc. and subsidiaries as of July 31, 2015 and 2014, 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.

LBMC, PC

Brentwood, Tennessee

September 17, 2015

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

	2015	2014
Program Revenue		
Examination, licensing and related services	\$ 28,494	\$ 27,211
Member services, dues and other revenue	1,120	858
Total program revenue	<u>29,614</u>	<u>28,069</u>
Program Expenses		
Examination, licensing and related services	18,515	17,106
Member services:		
Regulation and public protection	5,824	5,237
Committees and conferences	2,110	1,981
Other	575	477
Total program expenses	<u>27,024</u>	<u>24,801</u>
Excess of Program Revenue Over Program Expenses	2,590	3,268
Net Assets Released from Restriction	18	41
Investment Income	1,079	2,308
Loss from Investment in Affiliate	<u>(135)</u>	<u>(523)</u>
Increase in Unrestricted Net Assets	3,552	5,094
Change in Temporarily Restricted Net Assets		
Temporarily restricted contributions and investment income	84	11
Net assets released from restriction	<u>(17)</u>	<u>(41)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	67	(30)
Change in Permanently Restricted Net Assets		
Permanently restricted contributions	-	1
Net assets released from restriction	<u>(1)</u>	<u>-</u>
Increase (Decrease) in Permanently Restricted Net Assets	<u>(1)</u>	<u>1</u>
Increase in Net Assets	3,618	5,065
Net Assets, Beginning of Year	<u>38,104</u>	<u>33,039</u>
Net Assets, End of Year	<u>\$ 41,722</u>	<u>\$ 38,104</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

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 11,468	\$ 11,794
Receivables	1,835	1,650
Note receivable	529	529
Prepaid expenses	676	445
Total current assets	14,508	14,418
Investments and Other Assets		
Investment securities, at fair value	29,731	24,491
Note receivable	528	1,057
Investment in affiliate	296	431
Other assets	244	204
Total investments and other assets	30,799	26,183
Property and Equipment	6,052	5,959
Less accumulated depreciation and amortization	4,802	4,312
Net property and equipment	1,250	1,647
Software Development Costs	4,933	4,918
Less accumulated amortization	4,566	4,364
Net software development costs	367	554
Total assets	\$ 46,924	\$ 42,802
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,049	\$ 3,736
Deferred revenues	243	151
Capital lease, current	10	-
Other current liabilities	73	68
Total current liabilities	4,375	3,955
Long-term Liabilities		
Capital lease, non-current	32	-
Other long-term liabilities	795	743
Total long-term liabilities	827	743
Total liabilities	5,202	4,698
Net Assets		
Unrestricted	41,528	37,976
Temporarily restricted	99	32
Permanently restricted	95	96
Total net assets	41,722	38,104
Total liabilities and net assets	\$ 46,924	\$ 42,802

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

	2015	2014
Operating Activities		
Cash received for services	\$ 30,819	\$ 29,920
Cash received for membership dues	301	302
Cash received from donors to NASBA Center for the Public Trust	412	161
Interest and dividends received	629	845
Cash paid to employees, vendors and others	(27,966)	(26,906)
Cash received from examination candidates for examination partners	48,652	48,412
Cash paid to escrow accounts for examination partners	(48,727)	(48,034)
Interest paid	(2)	(2)
Net cash provided by operating activities	<u>4,118</u>	<u>4,698</u>
Investing Activities		
Property and equipment additions	(192)	(547)
Capitalized software development costs	(15)	-
Principal payments received on note receivable	529	529
Purchases of investment securities	(23,535)	(5,997)
Proceeds from sale of investment securities	18,781	2,932
Cash restricted for endowment	(5)	(6)
Endowment fund reinvested dividends	(3)	(1)
Net cash used by investing activities	<u>(4,440)</u>	<u>(3,090)</u>
Financing Activities		
Principal payments on capital leases	(9)	(60)
Cash contributions restricted for endowment	5	6
Net cash used by financing activities	<u>(4)</u>	<u>(54)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(326)	1,554
Cash and Cash Equivalents, Beginning of Year	<u>11,794</u>	<u>10,240</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 11,468</u></u>	<u><u>\$ 11,794</u></u>

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

	2015	2014
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 3,618	\$ 5,065
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	636	643
Amortization of software development costs	202	197
Gains on investment securities	(486)	(1,560)
Loss from investment in affiliate	135	523
Recognition of deferred rent credit	(93)	(56)
Loss on disposals of property and equipment	4	8
Contributions restricted for endowment	-	(1)
Gains on endowment fund investment securities	(1)	(1)
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(190)	188
Prepaid expenses and other assets	(262)	(54)
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	463	(301)
Deferred revenues	92	47
Net cash provided by operating activities	<u>\$ 4,118</u>	<u>\$ 4,698</u>
Non-cash Investing and Financing Activities		
Capital lease obligation incurred	<u>\$ 51</u>	<u>\$ -</u>

See Accompanying Notes to Consolidated Financial Statements

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Nature of Operations

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

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

The Association is the sole member of the NASBA Center for the Public Trust, Inc. ("CPT"), a subsidiary nonprofit, public benefit corporation. The Association is also the sole member of Aequo International, LLC ("Aequo"), a Delaware single-member limited liability company, established on December 19, 2014. Aequo provides international education evaluation services for various non-accounting related occupations and institutions.

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 and Aequo. All inter-entity accounts and transactions of the Association and its subsidiaries (collectively "NASBA") are eliminated in consolidation.

Use of estimates

The preparation of 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, 2015, the portion of the balance exceeding the FDIC insurance limits was \$200,000.

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 is evaluated and reduced by a valuation allowance, if necessary. The need for an allowance is determined based on management's knowledge of its customers, contributors, the note payor, historical loss experience and existing economic conditions. Management has determined that no allowance is required at July 31, 2015 or 2014.

Prepaid expenses

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



NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Investment securities

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

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.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Income taxes

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

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.

Note 3. Contributions Receivable

Contributions receivable consist of the following pledges to CPT at July 31, 2015 and 2014:

(In thousands)	2015	2014
Amounts due in:		
Less than one year	\$ 56	\$ 67
One to five years	3	17
Total contributions receivable	59	84
Less unamortized discount	-	1
Present value of total contributions receivable	59	83
Less current contributions receivable	52	64
Non-current Contributions Receivable	\$ 7	\$ 19

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)	2015	2014
Mutual funds	\$ 10,547	\$ 14,952
Exchange-traded funds	2,063	3,099
Separately managed accounts	3,157	4,164
U.S. Government and other debt obligations	12,565	-
Managed pool accounts	1,399	2,276
Total Investment Securities	\$ 29,731	\$ 24,491

In fiscal 2014, NASBA tendered \$700,000 of a managed pool account security that was redeemed in fiscal 2015 based on the net asset value of the security as of September 30, 2014. Additionally, in fiscal 2015, \$11,800,000 of the total investment securities were sold. The redemption included securities from all investment categories in respective amounts that approximated relative proportional shares of the total value of the portfolio at July 31, 2014. The proceeds from both of these redemptions were invested in U.S. Government and other debt obligations with an investment grade rating or better.

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

(In thousands)	2015	2014
Interest and dividends	\$ 697	\$ 851
Realized and unrealized gains on investments	486	1,560
Investment fees and expenses	(104)	(103)
Total Investment Income	\$ 1,079	\$ 2,308

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2015 and 2014, the valuation method used to determine fair value for Level 1 investment securities is the last reported sales price on the last business day of the fiscal year reported by the active markets in which the individual securities are traded. The valuation methods used for Level 2 investment securities are estimates using market-based measurements, such as quoted prices for similar assets, executed trades and yield curves, for U.S. Government and other debt obligations and, for managed pool accounts, the net asset value as reported by the investment company which is derived from the value of the underlying investments. NASBA has no Level 3 assets. There have been no changes in the valuation methods used.

The fair value of investment securities at July 31, 2015 and 2014 within the fair value hierarchy is as follows:

(In thousands)	2015			2014		
	Total	Level 1	Level 2	Total	Level 1	Level 2
Mutual Funds						
Equity securities	\$ 5,829	\$ 5,829	\$ -	\$ 8,365	\$ 8,365	\$ -
Fixed income securities	4,065	4,065	-	5,710	5,710	-
Alternative investments	653	653	-	877	877	-
Exchange-traded Funds						
Equity securities	2,013	2,013	-	2,978	2,978	-
Alternative investments	50	50	-	121	121	-
Separately Managed Accounts						
Equity securities	3,157	3,157	-	4,164	4,164	-
U.S. Government and Other						
Debt Obligations						
Certificates of deposit	3,308	-	3,308	-	-	-
Treasury securities	2,508	-	2,508	-	-	-
Federal agency securities	3,490	-	3,490	-	-	-
Corporate bonds	3,259	-	3,259	-	-	-
Managed Pool Accounts						
Alternative investments	1,399	-	1,399	2,276	-	2,276
Total Investment Securities	\$ 29,731	\$ 15,767	\$ 13,964	\$ 24,491	\$ 22,215	\$ 2,276

Of the total managed pool accounts at July 31, 2015 and 2014, \$998,000 and \$1,691,000, 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 2015 and 2014, 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.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 6. Note Receivable

NASBA has a promissory note (the "note") from the affiliate's wholly-owned subsidiary. The note bears interest at the Wall Street Journal Prime Rate plus 1.75%, which at July 31, 2015 equals 5%. The rate is reset annually on August 1 and currently remains at 5%. There are eight quarterly payments remaining over the next two years. Interest payments on the note in the amounts of \$69,000 and \$96,000 were received during fiscal 2015 and 2014, 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 \$296,000 and \$431,000 at July 31, 2015 and 2014, respectively, represents the initial carrying value reduced by NASBA's share of the affiliate's cumulative net losses and a writedown of the investment in fiscal 2014.

Note 8. Property and Equipment

Property and equipment at July 31 consists of the following:

(In thousands)	2015	2014
Office and computer equipment	\$ 2,636	\$ 2,553
Furniture	1,316	1,306
Building and leasehold improvements	2,100	2,100
Total Property and Equipment	6,052	5,959
Accumulated depreciation and amortization	(4,802)	(4,312)
Net Property and Equipment	\$ 1,250	\$ 1,647

Note 9. Software Development Costs

Net software development costs remaining to be amortized at July 31, 2015 are as follows in thousands:

Fiscal 2016	\$ 201
Fiscal 2017	123
Fiscal 2018	43
Total Net Software Development Costs	\$ 367

Note 10. Other Long-term Liabilities

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

(In thousands)	2015	2014
Accrued rent payable	\$ 536	\$ 378
Deferred rent credit	44	144
Accumulated postretirement benefit obligation	215	221
Total Other Long-term Liabilities	\$ 795	\$ 743

Note 11. Temporarily and Permanently Restricted Net Assets

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

(In thousands)	2015	2014
Time-restricted		
Multi-year pledges	\$ 7	\$ 17
Endowment investment income	5	2
Purpose-restricted	87	13
Total Temporarily Restricted Net Assets	\$ 99	\$ 32

Permanently restricted net assets at July 31 include:

(In thousands)	2015	2014
Endowment contributions receivable	\$ 6	\$ 11
Endowment fund	89	85
Total Permanently Restricted Net Assets	\$ 95	\$ 96

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 at July 31, 2015 and 2014, respectively, are \$9,000 and \$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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Agreements to Provide Examination Services (Continued)

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, 2015 and 2014, these escrow funds amounted to \$21,000,000. At July 31, 2015, no portion of the \$9,000,000 escrow funds balance held in depository accounts exceeded FDIC insurance limits. The remaining balance was held in U.S. Treasury notes. Escrow funds and the related obligations are not reported in the financial statements because they do not represent assets or obligations of NASBA.

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 \$767,000 and \$702,000 for fiscal 2015 and 2014, respectively. NASBA funds its obligation through annual contributions made after the end of the December 31 plan year and generally pays all fees related to the plan.

NASBA has made available limited postretirement medical benefits for certain management-level employees with five years of service and a minimum age of 60. At July 31, 2015 and 2014, the accumulated postretirement benefit obligation was determined by an independent actuarial valuation to be \$225,000 (\$215,000 noncurrent and \$10,000 current) and \$233,000 (\$221,000 noncurrent and \$12,000 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)	2015	2014
Components of net periodic cost (credit):		
Service cost	\$ 20	\$ 30
Interest cost	8	10
Actuarial gain	(21)	(54)
Net periodic postretirement benefit cost (credit)	7	(14)
Plan participants' contributions	15	15
Benefits paid	(30)	(30)
Net change in benefit obligation	(8)	(29)
Benefit obligation at beginning of year	233	262
Benefit Obligation at End of Year	\$ 225	\$ 233

The discount rate used to value the obligation was 3.75% in fiscal 2015 and 3.8% in fiscal 2014. The assumed medical trend rate is 8% graded uniformly to 4% over a period of 8 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	\$ 32	\$ (25)

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 for fiscal 2015 and 2014. The following table shows approximate actuarial projections of expected future postretirement benefit payments in thousands:

Fiscal 2016	\$ 10
Fiscal 2017	15
Fiscal 2018	14
Fiscal 2019	14
Fiscal 2020	17
Fiscal 2021 through 2025	108

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Capital Leases

NASBA leased office equipment under a capital lease which ended in fiscal 2014. During fiscal 2015, NASBA leased office equipment under a capital lease which ends in fiscal 2019. NASBA is obligated at July 31, 2015 with future minimum lease payments as follows in thousands:

Fiscal 2016	\$ 11
Fiscal 2017	11
Fiscal 2018	11
Fiscal 2019	11
Minimum lease payments	44
Less imputed interest	2
Present value of future lease payments	42
Less non-current portion	32
Current Obligation	\$ 10

The amortized cost of the office equipment under this capital lease is \$42,000 at July 31, 2015.

Note 15. Commitments

During fiscal 2015, 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 2016	\$ 1,459
Fiscal 2017	1,385
Fiscal 2018	902
Fiscal 2019	1,481
Fiscal 2020	1,521
Thereafter	11,664
Minimum Lease Payments	\$ 18,412

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, 2016. Under the agreement, the sublease automatically renews for one additional twelve-month period 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, 2015, total minimum rentals to be received in the future under the noncancelable lease term are \$141,000.

Net rent expense charged to operations for office space in fiscal 2015 and 2014 totaled \$1,542,000 and \$1,342,000, respectively. Rent expense for fiscal 2015 and 2014 has been reduced by \$145,000 and \$144,000, respectively, from sublease income.

NASBA is obligated at July 31, 2015 under various service agreements. Minimum payments remaining for these commitments are \$42,000 in fiscal 2016 and \$7,000 in fiscal 2017.

Note 16. Income Taxes

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

(In thousands)	2015
Statutory federal income tax benefit	\$ (72)
Valuation allowance	85
Other	(13)
Income Tax Benefit	\$ -

The deferred income tax asset consists of the following:

(In thousands)	2015
Deferred income tax asset — long-term	\$ 85
Valuation allowance	(85)
Deferred Income Tax Benefit	\$ -

At July 31, 2015, Aequo had federal and state net operating loss carryforwards of \$200,000. The carryforwards expire at July 31, 2035 for federal tax purposes and July 31, 2030 for state tax purposes. The valuation allowance relates primarily to federal and state net operating loss carryforwards that may not be realized.

NASBA has adopted the recognition requirements for uncertain income tax positions and believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on NASBA's financial position, results of operations or cash flows. Accordingly, NASBA has accrued no interest or penalties related to uncertain tax positions at July 31, 2015 and 2014. 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 2012.

Note 17. Subsequent Events

Management has evaluated all material events and transactions that occurred from the date of the financial statements through September 17, 2015, which is the date that the financial statements were available to be issued. There were no material subsequent events that required adjustments to or disclosure in the financial statements.