

# NASBA

National Association of State Boards of Accountancy

# *Building* TRUST

2018 Annual Report



# Building TRUST

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

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

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

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

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# LETTER FROM NASBA LEADERSHIP

The year 2018 was a banner year for NASBA. Through fiscal and operational management, we were able to meet our strategic goals, surpass our measurable performance benchmarks (while also setting a new record in mission spending in support of the Boards of Accountancy) and end the year in the best financial position in the association's history. NASBA also invested millions of dollars in infrastructure improvements, software development and new business systems to enhance the security and services provided to Boards of Accountancy, licensees and candidates. Several of these new products and services, including the new CPE Audit Service, will be launching in early 2019.

The aforementioned achievements did not come without encountering a few bumps along the way. This year, 2018, presented some unprecedented challenges including lower than anticipated revenue due to changes in the Uniform CPA Examination and the impact of the new Gateway 2.0 (Examination Administration) software launch, both of which significantly reduced candidate applications. In 2019, we anticipate an increase in CPA Exam applicants, but will continue to monitor and report on candidate trends.

The theme of this year's Annual Meeting, "Building Trust," is particularly important as we discuss the implementation of important changes that are in front of us. First and foremost, NASBA's leadership, both volunteer and staff, understands the importance of the trust Boards of Accountancy place in NASBA as we seek to represent the common interests of all state boards. We never take that trust for granted. In fact, we continue to work to improve transparency and effective communication in all of our processes and, more importantly, to make sure we are listening for, hearing and responding to your feedback.

The theme "Building Trust" goes well beyond the important relationship between NASBA and Boards of Accountancy. In his book *The Speed of Trust*, author Stephen M.R. Covey, who is a keynote speaker at this year's Annual Meeting, illustrates the importance of trust in business and in personal relationships. The lack of trust can have huge consequences in costs, efficiency and effectiveness. This year, we have had serious discussions about separating disagreement from distrust in our relationship with other organizations. We have had significant successes where we were able to distinguish the difference.

The leadership of NASBA continues to be dedicated to our mission: *"To enhance the effectiveness and advance the common interests of the Boards of Accountancy."* In this era, it is critical that we maintain the resources and capabilities necessary to meet the onslaught of challenges confronting state boards, with one of the biggest being the continued ramping up of deregulatory legislation. Our Legislative Support Committee and staff have been continually engaged with states across the country to push back attempts at harmful legislation that impacts public protection and good public policy. Similarly, other NASBA committees have been addressing changes in education and accreditation of colleges and universities, international initiatives and regulatory functions. NASBA's highly-qualified and dedicated volunteers and professional staff have accomplished tremendous successes and achievements on behalf of state boards.

This year has been one of the most impactful years in NASBA's history in our continued development of international relationships. The International Qualifications Appraisal Board (IQAB) has worked to develop new and improved mutual recognition agreements across the globe. The Uniform CPA Examination partners, NASBA, AICPA and Prometric (commonly referred to as NAP), recently announced the launch of examination sites in the European Union, and other locations are being considered. NASBA's appropriate international involvement remains critical to the relevance of the U.S. state regulatory model. In conversations with leaders from around the world, we find an increasing awareness of the different roles of professional associations and regulators, particularly state boards and NASBA, in the United States as contrasted to many other countries.

Lastly, NASBA's ethics arm, the NASBA Center for the Public Trust (CPT) achieved continuous success this year. Among the center's achievements were: a record number of StudentCPT chapters, enhanced certifications in ethical leadership and remedial disciplinary tools for Boards of Accountancy.

NASBA will end 2018 as a financially stronger, more relevant, internationally-recognized and viable organization. As always, we thank you for the continued support and trust you have placed in our leadership, volunteers and staff.



Theodore W. Long, Jr., CPA  
Chair, 2017-2018



Ken L. Bishop  
President & Chief Executive Officer



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





From left to right: Ken L. Bishop,  
Theodore W. Long, Jr. and  
Colleen K. Conrad

# 2017-2018 Board of Directors

## OFFICERS

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

Janice L. Gray, CPA (OK)  
Vice Chair

Telford A. Lodden, CPA (IA)  
Past Chair

Jimmy E. Burkes, CPA (MS)  
Treasurer

W. Michael Fritz, CPA (OH)  
Secretary

## DIRECTORS-AT-LARGE

J. Coalter Baker, CPA (TX)  
Director-at-Large

Maria E. Caldwell, CPA (FL)  
Director-at-Large

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

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

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

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

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

## REGIONAL DIRECTORS

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

C. Jack Emmons, CPA, CFE (NM)  
Southwest Regional Director

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

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

Nicola Neilon, CPA (NV)  
Mountain Regional Director

Katrina Salazar, CPA (CA)  
Pacific Regional Director

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

Casey Stuart, CPA (TN)  
Southeast Regional Director

## EXECUTIVE DIRECTORS' LIAISON

Randall Ross, CPA (OK)

## PRESIDENT & CEO

Ken L. Bishop



# RELIABILITY COMPETENCE COMMITMENT

# TRUST

# CONSISTENCY SINCERITY INTEGRITY



NASBA's BOARD OF DIRECTORS 2017-18 – Bottom row (left to right): John F. Dailey, Jr. (NJ) Director-at-Large; Colleen K. Conrad, Executive Vice President and COO; Janice L. Gray (OK) Vice Chair; Theodore W. Long, Jr. (OH) Chair; Ken L. Bishop, President and CEO; Telford A. Lodden (IA) Past Chair; Stephanie S. Saunders (VA) Middle Atlantic Regional Director. Center row (left to right): Maria E. Caldwell (FL) Director-at-Large; Jimmy E. Burkes (MS) Treasurer; Nicola Neilon (NV) Mountain Regional Director; Casey Stuart (TN) Southeast Regional Director; Sharon A. Jensen (MN) Central Regional Director; Randall Ross (OK) Executive Directors' Liaison; Catherine R. Allen (NY) Northeast Regional Director; Sheldon P. Holzman (IL) Great Lakes Regional Director; Top row (left to right): Noel L. Allen (NC) Outside Legal Counsel; Richard N. Reisig (MT) Director-at-Large; Tyrone E. Dickerson (VA) Director-at-Large; W. Michael Fritz (OH) Director-at-Large; E. Kent Smoll (KS) Director-at-Large; J. Coalter Baker (TX) Director-at-Large; C. Jack Emmons (NM) Southwest Regional Director. Not Pictured: Raymond N. Johnson, CPA, Ph.D. (OR) Director-at-Large and Katrina Salazar (CA) Pacific Regional Director.

CERTAINTY  
**PROTECT**  
CONFIDENCE

**TRUST**

POSITIVE  
TRUSTWORTHY  
EXPECTATION

## Staff Directors

Alfonzo Alexander..... Chief Ethics and Diversity Officer & 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  
Chris Clark ..... Infrastructure Services Director  
Colleen K. Conrad, CPA..... Executive Vice President & Chief Operating Officer  
Shelly Crosby ..... Associate Director, Client Services  
Lisa Dampf ..... Chief Human Resources Officer  
Sandra Davidson, CPA ..... Chief Financial Officer, NASBA Center for the Public Trust  
Louise Dratler Haberman ..... Vice President, Information & Research  
Daniel J. Dustin, CPA..... Vice President, State Board Relations  
Cheryl Farrar..... Chief Information Officer  
Rebecca Gebhardt ..... Associate Director, Regulatory Compliance Programs  
Patricia Hartman..... Director, Client Services  
Ryan Hirsch ..... Vice President, NASBA Center for the Public Trust  
Shawn Jackson, CPA ..... Associate Director, CPA Exam Review Board  
Wade Jewell ..... Director, NIES & President, Aequo  
John Johnson ..... Director, Legislative & Governmental Affairs  
Thomas Kenny ..... Chief Communications Officer  
Jessica Luttrull, CPA ..... Associate Director, National Registry  
Chris Mays ..... Associate Director, Client Services  
Sheena Murphy, CPA ..... Director, CPA Exam Review Board  
Jeff Oliver ..... Software Services Director  
Troy A. Walker, CPA ..... Director, Finance and Controller



# Voices in the Accounting World

## 2017 - 2018 NASBA REPRESENTATIVES

SERVING ON REGULATORY BODIES &  
PROFESSIONAL ACCOUNTING ORGANIZATIONS

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

Jimmy Burkes

### **AICPA Auditing Standards Board**

Gaylen Hansen

Tracy Harding

Alan Long

Marcia Marien (2018)

Richard Reisig (2017)

Chad Singletary

### **AICPA Board of Examiners**

Michael Daggett (Past Chair)

Barry Berkowitz

Allan Cohen

Jeanne Dee

David DeSilva (2018)

Sheldon Holzman

Roberta Newhouse (2017)

Ola Smith

Dan Sweetwood

Michael Watts

Thomas Weirich

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

Faye Miller

Ken Odom (2017)

Rebecca Phillips (2018)

Michael Watts (2018)

Thomas Weirich (2017)

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

Roberta Newhouse (Chair - 2017)

David DeSilva (Chair - 2018)

Jim Abbott

Kent Absec (2018)

Michael Barton (2018)

William Hunter Cook (2018)

James Gottfried (2017)

Pamela Ivey (2017)

Nicole Kasin

Veloria Kelly

Michael Rollage

Ying Sa (2017)

Katrina Salazar (2018)

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

Mark Hobbs

Arthur Sparks

### **AICPA Peer Review Board**

Elizabeth Gantnier

Lori Warden (2018)

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

J. Coalter Baker

A. Carlos Barrera

Janice Gray (2017)

Sharon Jensen (2018)

Stephanie Saunders (2018)

Laurie Tish (2017)

### **Financial Accounting Foundation**

Diane Rubin

### **FASB Private Company Council**

Richard Reisig

### **IAASB Consultative Advisory Group**

Gaylen Hansen

### **IEASB Consultative Advisory Group**

Raymond Johnson

### **IESBA Consultative Advisory Group**

Gaylen Hansen



# Committees

Regarded as a cornerstone of support within the organization, NASBA appoints more than 30 committees and task forces annually. Through the work of these groups, NASBA volunteers and staff address current and emerging issues affecting State Boards of Accountancy. Topics range from communications, ethics and diversity to legislative support and relations with member boards. On the following pages, the committees provide reports from their work during 2017-18.

## Accountancy Licensee Database/CPAverify Committee

Administration and Finance Committee

Audit Committee

Awards Committee

Bylaws Committee

CBT Administration Committee

Communications Committee

Compliance Assurance Committee

## Continuing Professional Education (CPE) Committee

CPA Examination Review Board

Diversity Committee

Education Committee

Enforcement Resources Committee

## Ethics Committee

Executive Directors Committee

International Qualifications Appraisal Board

Legislative Support Committee

Nominating Committee

Past Chair Advisory Council

Regulatory Response Committee

Relations with Member Boards Committee

Standard-Setting Advisory Committee

State Society Relations Committee

Strategic Planning Advisory Task Force

Uniform Accountancy Act Committee





Wisconsin is the latest Board of Accountancy to participate in ALD and *CPAverify.org*.

## COMMITTEE GOALS

Maximize Data Integrity  
Optimize User Experience  
Increase Responsiveness to Boards  
Heighten Public Protection  
Protect Use of Data



Boards of Accountancy participate in ALD and *CPAverify.org*.

## ACCOUNTANCY LICENSEE DATABASE/CPAVERIFY COMMITTEE

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

With the addition of Wisconsin this year, 52 Boards of Accountancy now participate in sending licensee data feeds to the ALD and *CPAverify.org*. Of the remaining three, two are fully committed and working toward participation and Utah has now decided to participate and their implementation is well underway. The Committee has continued to advise on decisions and guide new initiatives that support the Committee's vision and five-year strategy. This year's focus touched on the following goals from the Committee's strategic plan:

### Maximize Data Integrity

Successfully re-implementing the ALD feeds for four Boards of Accountancy that underwent licensing system upgrades. Encouraging participating boards to enhance their data feeds by adding firm data, disciplinary data for both individuals and firms and including new data points for EIN and Peer Review requirements.

### Optimize User Experience

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

### Increase Responsiveness to Boards

Accommodating special criteria for what disciplinary data to publish on ALD versus CPAverify for two different boards.

### Heighten Public Protection

Continuing pursuit of a PTIN data-sharing arrangement with the IRS.

### Protect Use of Data

Reviewing data query requests following data use policies and the approval process developed for new requests.

#### Chair:

Casey Stuart (TN)

#### Members:

R. Garth Ferrell (CO)

Ross T. Johnson (TX)

Michael E. Mixon (GA)

M. Francis Quinto Baba (GU)

Lucinda Willis (MT)

Andy L. Wright (MS)

#### Staff Liaisons:

Rebecca Gebhardt

Jill Gordon

## ADMINISTRATION AND FINANCE COMMITTEE

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

### Chair:

Jimmy E. Burkes (MS)

### Members:

A. Carlos Barrera (TX)

Lori J. Druse (NE)

Janice L. Gray (OK)

Faye D. Miller (ND)

Thomas G. Prothro (TX)

### Staff Liaisons:

Michael R. Bryant

Troy A. Walker

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

The Investment Committee, a subcommittee of the Administration and Finance Committee, reviews the return and risk characteristics of NASBA's short-term and long-term investments, evaluates the investment advisors' performance in managing the invested funds, and monitors compliance with the board-approved investment policy statement (IPS). During Fiscal 2018, the Investment Committee performed a detailed review of the IPS and recommended changes that incorporated the fiduciary framework found in the Uniform Prudent Management of Institutional Funds Act. In addition, changes to the structure of the IPS were recommended in order to bring greater clarity to the fiduciary roles and responsibilities under the IPS. The Administration and Finance Committee reviewed and accepted the recommendations and presented them to the Board of Directors who approved the changes.

Operational and capital budgets, as approved by the Board of Directors for Fiscal 2018, were discussed by the Committee with management at quarterly meetings. Through this process, the Committee analyzed variances from the budgets, reviewed Management's Discussion and Analysis of the differences, and monitored other fiscal activities such as software development projects and facility capital investments during Fiscal 2018.

## AUDIT COMMITTEE

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

### Chair:

Maria E. Caldwell (FL)

### Members:

C. Larry Elmore (TN)

James R. Mintert (MO)

Michael Schmitz (ND)

Randa Vernon (OK)

Laurie A. Warwick (VA)

### Staff Liaisons:

Michael R. Bryant

Troy A. Walker

***The Report of the Audit Committee, found on page 52, summarizes the activities of the Committee in discharging this responsibility.***

OVERSIGHT **TRUST** PERFORMANCE  
ADMINISTRATION FINANCE  
**ACTIVITIES** VOLUNTEERS **AUDIT**  
STATEMENTS INVESTMENTS OPERATIONS



## AWARDS COMMITTEE

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

Chair:

Donald H. Burkett (SC)

Members:

Robert B. Cagnassola (NJ)

Nicole Kasin (SD)

Patrick M. Thorne (NV)

Laurie J. Tish (WA)

Thomas T. Ueno (HI)

Staff Liaison:

Cassandra Gray

The NASBA Awards Committee hosted its 2018 Call for Award Nominations April 23 - June 29, 2018. The Committee met on July 16, 2018, to review the nominations and make recommendations to the NASBA Board of Directors for the William H. Van Rensselaer Public Service Award, the NASBA Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award.

The 2018 award recipients are: Gaylen R. Hansen, CPA, of Colorado (William H. Van Rensselaer Public Service Award), Harry O. Parsons, CPA, of Nevada (NASBA Distinguished Service Award) and Susan L. Somers of Kansas (Lorraine P. Sachs Standard of Excellence Award).

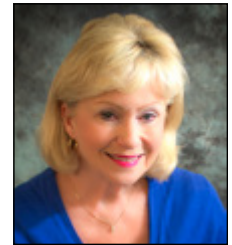
NASBA will recognize each of these recipients during the 111th Annual Meeting in Scottsdale, AZ, October 28-November 31, 2018.



Gaylen Hansen



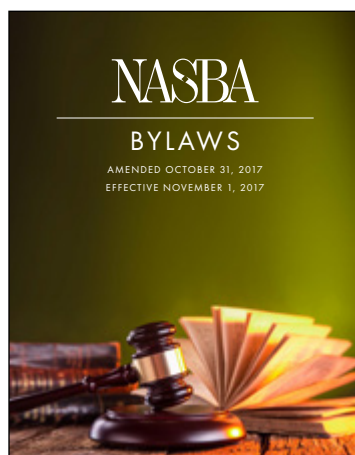
Harry Parsons



Susan Somers

## BYLAWS COMMITTEE

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



The NASBA Bylaws Committee developed several amendments to clarify and enhance governance, and several pertain to the nominating process: Require the Nominating Committee to establish and communicate to the Member Boards a schedule with applicable deadlines for candidates; Increase to 30 days the notice for additional nominations; Establish a procedure for authorization of Member Board Voting Representatives, and; Enable the Nominating Committee to amend its Annual Meeting Report.

An additional amendment clarifies and comports the Bylaws with applicable Delaware law regarding removal of officers or directors. All of these proposed amendments were approved by the NASBA Board of Directors for submission to the membership at the 2018 NASBA Annual Business Meeting.

Chair:

Katrina Salazar (CA)

Members:

Jon W. Cain (WV)

James J. Carroll (OH)

Bobby R. Creech, Jr. (SC)

David S. Pummel (SD)

Michele M. Stromp (NE)

Staff Liaison:

John W. Johnson

# CBT ADMINISTRATION COMMITTEE

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

Chair:  
C. Jack Emmons (NM)

Members:  
Jim Abbott (ND)  
Kent Absec (ID)  
Robert N. Brooks (NC)  
Russ Friedewald (IL)  
James Gottfried (OH)  
Dannell R. Lyne (CT)  
Michael R. Putich (SC)  
David Sanford (GU)  
Leslie Schmitz (AK)  
Susan L. Somers (KS)

Staff Liaisons:  
Ed Barnicott  
Patricia Hartman

Committee members met May 3, 2018, in Denver, CO. The Committee is exploring ways to decrease or eliminate candidate issues, such as the introductory screens timing out as candidates take notes prior to launching the Examination. The Committee is also working on ways to reduce security incidents with candidates accessing prohibited items such as mobile devices while on break. The Committee received regular updates on the development and launch of Gateway 2.0, the AICPA's new user interface, and the launching of a new security program pilot with Prometric. Lastly, the Committee is discussing the future of international expansion, continuous testing and how best to implement those capabilities.

PROMOTION  
EXAMINATION  
DEVELOPMENT  
FUTURE  
SECURITY  
COMPUTER BASED TESTING  
EDUCATION  
ADMINISTRATION  
TRUST  
TIMING  
INTEGRITY

## CPA Exam Candidate Common Mistakes



### Timing Out During Introductory Screens

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



### Failing to Select the Break Button

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

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

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

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



### Accessing Prohibited Items During the Break

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

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

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

150+

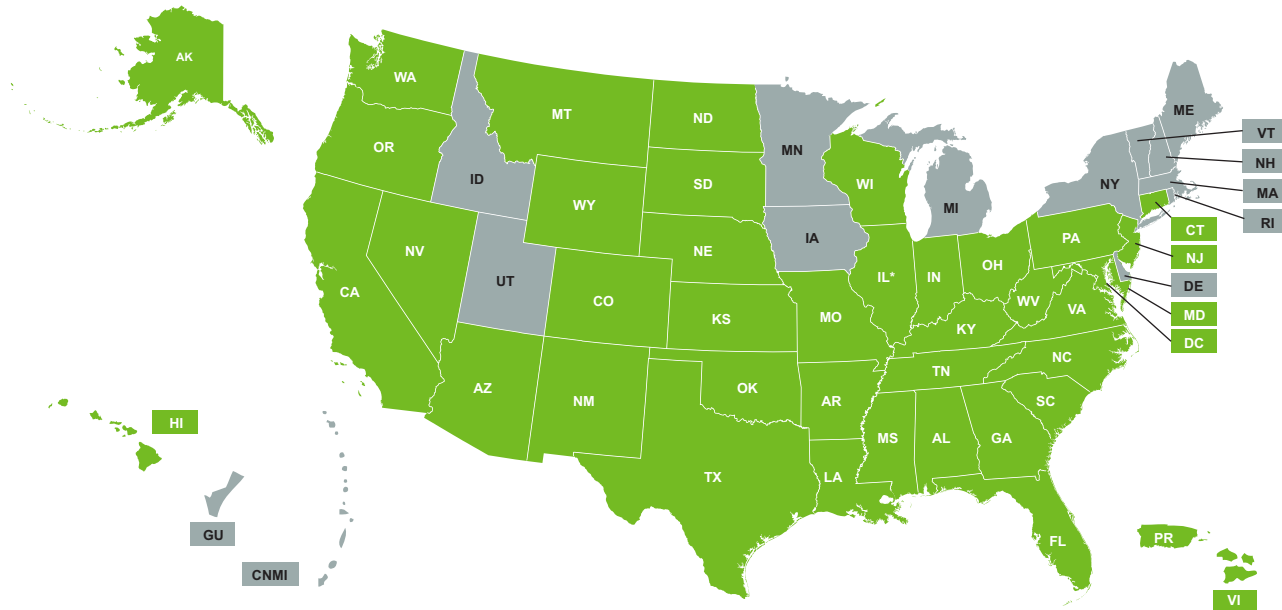
Total Number of Emails Sent  
By NASBA on  
Behalf of the State Boards

50%

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

42

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



## COMMUNICATIONS COMMITTEE

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

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

To foster dialogue and the exchange of best practices, the Committee hosted two successful Communications Breakfast Meetings during the organization's June Regional Conferences. Committee representatives also participated in the 16 biannual conference calls hosted by NASBA's regional directors to share Committee updates and to better assess the communications needs of each member board.

The Committee's Communications & Outreach program, which offers complimentary creative services to the Boards of Accountancy, continues to grow. Working in collaboration with NASBA's Communications Department, 41-member boards now utilize the design and distribution services for newsletters, communication campaigns, videos, custom infographics as well as social media consultation. This past year, more than 165 communications and outreach emails were disseminated on behalf of the 41 participating boards.

### Chair:

Sheldon P. Holzman (IL)

### Members:

D. Brian Carson (VA)  
Wanda W. Goodson (GA)  
Michael Huotte (MT)  
James G. Kelley (IL)  
Delbert Madison (AL)  
Robert M. McAdams (TX)  
Darla M. Saux (LA)  
Gerald Weinstein (OH)  
Viki A. Windfeldt (NV)

### Staff Liaisons:

Cassandra Gray  
Thomas G. Kenny



# COMPLIANCE ASSURANCE COMMITTEE

Promote effective oversight of practice quality of CPAs and their firms.

## Chair:

John F. Dailey, Jr. (NJ)

## Members:

Ellen K. Adkins (SC)

Frederick G. Briggs, Jr. (NH)

Sherry L. Chesser (AR)

Elizabeth Gantnier (MD)

James P. Gero (OH)

Mark T. Hobbs (SC)

Stephen F. Langowski (NY)

G. Alan Long (KY)

Michael S. McClure (NE)

John H. Schuyler (CT)

Arthur L. Sparks, Jr. (TN)

Lori Dawn Warden (KY)

Lawrence A. Wojcik (IL)

## Staff Liaison:

Rebecca Gebhardt

The Compliance Assurance Committee (CAC) accomplished the following items during the 2017-18 committee cycle:

- Hosted the annual CAC/PRB Joint Meeting in Nashville on November 20, 2017.
- Hosted the bi-annual Open PROC/CAC conference calls on November 8, 2017, and May 29, 2018.
- Two CAC members served on the NPRC and provided on-going reports of NPRC activities to the CAC.
- Staff liaisons held a conference call with the Texas PROC chair on January 16, 2018, and the California PROC on January 26, 2018, to brainstorm on what PROCs should be doing/overseeing going forward considering the Audit Quality issues and the AICPA Evolution of Peer Review Administration.
- Staff liaisons held a conference call with the South Carolina executive director on January 29, 2018, and with the New York executive director and New York PROC Members on January 29, 2018, to discuss peer review oversight committees (PROC) and Board feedback regarding changes in AEs as research for how NASBA may be able to assist in PROCs going forward.
- Staff held a conference call with AICPA staff on July 12, 2018, to discuss new reporting options for PROCs using the new PRIMA system.
- Completed recommendations for revised PROC Guidance based on the AICPA Evolution of Peer Review Administration.
- Staff and CAC/UAA Task Force members participating in eight conference calls to review changes to the Peer Review portions of the UAA and Model Rules.
- Held CAC conference call meetings on May 14, 2018, and on August 29, 2018.
- Attended the annual Joint CAC/PRB Meeting held in Durham, NC, on Monday, September 24, 2018.
- CAC Peer Review Board (PRB) representative attended the AICPA PRB quarterly meetings; staff liaison(s) also attended the open session portions via conference call.

## CAC Report Acronyms

### CAC:

Compliance Assurance Committee

### NPRC:

National Peer Review Committee

### PRB:

Peer Review Board

### PROC:

Peer Review Oversight Committee

### UAA:

Uniform Accountancy Act

EVOLUTION  
PEER REVIEW COMPLIANCE  
COMMITMENT ASSURANCE  
FUTURE TRUST CYCLE  
REPORTS INTEGRITY



## 2018 NATIONAL REGISTRY SUMMIT IN DENVER, CO TAKING LEARNING TO A HIGHER LEVEL September 25-26, 2018

Thank you for making the 2018 Registry Summit a Success!

### CONTINUING PROFESSIONAL EDUCATION (CPE) COMMITTEE

Develop and promote uniform rules and requirements for continuing professional education among the jurisdictions. Also, oversee the Standards for CPE Programs and the related CPE Standards Working Group.

In October 2017, the NASBA Board of Directors and the AICPA Board of Directors approved the Uniform Accountancy Act (UAA) Model Rules covering continuing professional education. Unlike the Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*), which are directed to CPE program providers, the Model Rules are directed to licensees and are provided as a set of rules that prescribe baseline standards for use by Boards of Accountancy in state rules and laws. The CPE Model Rules were revised due to increased interest in the development of uniformity in rules and requirements for CPE among the jurisdictions.

In May 2018, the CPE Standards Working Group met and began the review and evaluation of the *Standards*. In addition to reviewing the *Standards* in their entirety, the Working Group considered innovations, trends and techniques in CPE and adult learning, as well as ideas and suggestions related to clarifications and modifications of the 2016 *Standards*. Once the Working Group has finalized its recommendation, it will be submitted to NASBA's CPE Committee. If NASBA's CPE Committee approves the recommendation without additional revision, the recommendation will be considered by the Joint AICPA/NASBA CPE Standards Committee before seeking approval by the respective AICPA and NASBA Boards of Directors.

The National Registry Summit was held September 25-26, 2018, in Denver, CO. The Summit, themed "Taking Learning to a Higher Level," featured experts on the information that CPE providers should be aware of in the emerging areas of the CPA profession such as blockchain, data analytics, artificial intelligence, cryptocurrency and how to design effective learning amid change and uncertainty. The Summit also provided opportunities for knowledge sharing and networking.

#### Chair:

Tyrone E. Dickerson (VA)

#### Members:

Terry M. Bayless (ID)

Karen Brewer-Tarver (AK)

Gerald E. Denor (WI)

Arthur E. Flach (MD)

Robert L. Goldfarb (NY)

Donna J. Hugly (TX)

Lynn V. Hutchinson (LA)

Nicole Kasin (SD)

Roxanne P. Ostlund (WY)

Joshua W. Partlow (VT)

Kathleen K. Wright (CA)

#### Staff Liaison:

Jessica Luttrull

# CPA EXAMINATION REVIEW BOARD

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

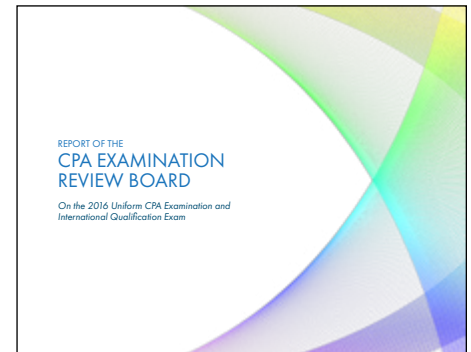
Chair:  
Barbara A. Ley (OK)

Members:  
Ruben A. Davila (CA)  
Wendy S. Perez (CA)  
Douglas W. Skiles (NE)  
Douglas E. Warren (TN)

Consultants:  
Michael W. Harnish (WA)  
Suzanne Lane (PA)

Staff Liaison:  
Sheena Murphy

The CPA Examination Review Board (ERB) reviewed and evaluated the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and the International Qualification Examination for the year ended December 31, 2017. 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 2018 for the work performed during the 2017 calendar year. The ERB stated the results of the 2017 review in its report: "Based on our review and evaluations, we believe that the Boards of Accountancy may rely on the Uniform CPA Examination and the International Qualification Examination in carrying out their licensing responsibilities for the year ended December 31, 2017." Additionally, the ERB presented a comprehensive management letter to the chairman and Board of Directors of NASBA and the management of NASBA, AICPA and Prometric, which included recommendations that could enhance future examinations.





## DIVERSITY COMMITTEE

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

The NASBA Diversity Committee had a very active year. During its initial meeting, the Committee established its objectives for the year, based on the Committee's charge. The Committee prioritized its efforts to focus first on the diversity of Boards of Accountancy (BOA) and secondly on the pipeline of diverse candidates entering the profession.

To set a baseline for assisting to increase the diversity of BOAs, the Committee developed and distributed a survey to BOA members across all jurisdictions. The survey yielded results from nearly 200 BOA members. The survey results helped the Committee continue its important work. The Committee also secured information from BOA staff and state society executives to assist with understanding the current demographics of BOAs.

The Committee also encouraged NASBA leadership to include diversity as an agenda item in NASBA's meetings. At both 2018 Regional Meetings, Diversity Committee Chair, Maria E. Caldwell of Florida, led a panel discussion with leaders from the Association of Latino Professionals For America (ALPFA) and the National Association of Black Accountants (NABA). During this session, NASBA members learned more about both organizations and how NASBA will work with them to source potential BOA candidates.

Moving forward, the Committee will work to increase representation of women and ethnic minorities through partnerships it has formed with organizations and associations. It will also support the efforts of the PhD Project and other initiatives assisting with increasing the pipeline of diverse individuals coming into the CPA profession.

### Chair:

Maria E. Caldwell (FL)

### Members:

Donald H. Burkett (SC)

Linda E. Harris (MT)

Andrea M. Kilmer (VA)

Rhonda Kodjayan (IL)

Chandra Lalvani (PA)

Leonard R. Sanchez (NM)

Willie B. Sims, Jr. (MS)

### Staff Liaison:

Alfonzo Alexander



## EDUCATION COMMITTEE

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

### Chair:

Raymond N. Johnson (OR)

### Members:

Charles Alvis (SC)

Barton W. Baldwin (NC)

Michael Barton (IN)

Margaret Combs (KY)

Susan Quaintance Ferguson (VA)

Kevin M. Fountain (RI)

A. Frank Harris (KY)

Carlos E. Johnson (OK)

Angela L. Pannell (MS)

Jason D. Peery (ID)

Michael M. Watts (AR)

### Staff Liaison:

Alfonzo Alexander

The Education Committee discussed and addressed several key items this year. Laying out its workplan in its initial meeting, the Committee spent some time on accreditation issues. In this area, the focus was on transcript transparency, problematic institutions, AACSB Accounting Education Standards and the activity of the IAESB. From this work, the Committee identified problem areas with institutions and confusion around transcripts. This information was shared with the NASBA Board of Directors as part of an effort to better inform Boards of Accountancy.

The Committee also selected new recipients for accounting education research grants. This year's recipients were: Helen Choy, from Drexel University, and Deirdre Derrick, from the American Board of Internal Medicine, for their work, "Reading Ability and Success in Accounting Program." Veena Brown and Amy Tegeler, from University of Wisconsin – Milwaukee for their work on, "Giving Accounting a Second Chance: Factors Influencing Returning Students to Choose Accounting and Become CPAs." The team of Akinloye Akindayomi, Ph.D., Deborah Gonzalez, MPA, CPA, and Linda Acevedo, MACC, of The University of Texas Rio Grande Valley School of Accountancy, for their research, "An Examination of the De-Motivational Factors Inhibiting Hispanic Students' Participation in the CPA Exam." Bradrick Cripe, Linda Matuszewski, Ann Dzurainin, Rebecca Shortridge and Donald Kieso, of Northern Illinois University for their project, "Research Exploring Determinants of the Path to Becoming a Certified Public Accountant."

The Committee also continued its efforts to promote the recommendations from the Pathways Commission and other efforts to help better prepare accounting graduates. As part of this focus area, the Committee met with NASBA staff regarding the potential of a new CPA pathway. Committee members gave valuable feedback on this subject.

### Accounting Education Research Grants

# \$25,000

Total Awards for 2018 Accounting Education Research Grants

# \$150,000

Total Grants Awarded Since the Program's Launch in 2011

# 30

U.S. Institutions Represented by Academic Research Winners

# 8

Total Years NASBA Awarded Grants

## Enforcement Tools Available



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

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

## ENFORCEMENT RESOURCES COMMITTEE

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

Chair E. Kent Smoll led the Enforcement Resources Committee in realizing its charge to promote effective, efficient and uniform enforcement of professional standards by Boards of Accountancy.

NASBA met with its contacts at the Internal Revenue Service (IRS) to discuss a project plan for integrating Preparer Tax Identification Number (PTIN) data from the IRS with NASBA's data on licensed CPAs. NASBA is the only organization with which the IRS has agreed to share data in this manner, to facilitate accuracy for consumers seeking information on tax preparers. The integration project will begin upon final approval of the plan.

Several enhancements were made to the Enforcement Tools section of *nasba.org* during the committee year, assisting boards in working cooperatively on enforcement efforts aimed at improving audit quality and protecting consumers. Updated information on Communicating with Federal Agencies includes new contacts for the Securities & Exchange Commission and a step-by-step process for leveraging the AICPA's enforcement work in board investigations. A refresh of the Federal Agency Enforcement Series brought this resource up to date with new attachments and refinements to each video reflecting current practices. In addition, links to online resources on the main Enforcement Tools page were reorganized to be more accessible to board members seeking support for specific issues.

The Investigator and Expert Witness Pools grew measurably as a result of an organized, ongoing awareness campaign in NASBA's board newsletter and e-communication outreach channels. Boards may contact NASBA for assistance in locating investigators and expert witnesses to vet for their specific enforcement needs.

Timely distribution of the revamped *Quarterly Enforcement Report* continued, with positive reception by boards seeking a consolidated source of agency enforcement actions for board consideration. The additional benefit of increased transparency across jurisdictions supports the Committee's goals of consumer protection and efficient enforcement of professional standards.

### Chair:

E. Kent Smoll (KS)

### Members:

D. Boyd Busby (AL)

Michael M. Guinigundo (OH)

D. Jae Hallett (ID)

Robert J. Helm (MO)

John W. Roberts (HI)

Emily R. Rollins (WA)

Katrina Salazar (CA)

Michael J. Swartz (MI)

Dan Sweetwood (NE)

Brian Wallace (NV)

Michael Weinshel (CT)

### Staff Liaisons:

Maria L. Caldwell

Suzanne Wasner



## ETHICS COMMITTEE

Promote the development and maintenance of high-quality standards of ethical practice to protect the public interest. Provide input related to changes or developments in ethics-related standards.

### Chair:

Catherine R. Allen (NY)

### Members:

Barry M. Berkowitz (PA)

Wm. Hunter Cook (NC)

Robert F. Fay (OH)

John McManus (DE)

Thomas G. Neill (WA)

Michael L. Nickerson (ME)

Richard Silverman (NH)

Jesus Socorro (FL)

Lydia M. Washington (NY)

Michael D. Weatherwax (CO)

Judy C. Wetherbee (TN)

Alan Wilensky (MN)

### Staff Liaison:

Ed Barnicott

The Ethics Committee provided its views on several ethics proposals this year including the AICPA Professional Ethics Executive Committee's (PEEC) proposal on leases, information system services and tax practice quality reviews. Additionally, the Committee responded to exposure drafts from the International Ethics Standards Board for Accountants' (IESBA) fees questionnaire, upcoming strategy and work plan and professional skepticism. SEC's proposed revision of its loan provision under rule 2-01 was also addressed.

Earlier in the year, Committee Chair Catherine Allen attended a meeting hosted by the NASBA staff in its New York office with the chair and staff of the IESBA. The meeting was productive and set the stage for future cooperation between the organizations. Ms. Allen also represented NASBA in roundtable discussions on projects addressing nonaudit services and professional skepticism hosted by the IESBA in Washington, DC. In September, Ms. Allen participated in discussions with the joint NASBA/AICPA UAA Committee, AICPA Professional Ethics Executive Committee (PEEC) and the IESBA chair on the topic of Noncompliance with Laws and Regulations (NOCLAR) and acted as a technical resource during the UAA Committee's deliberations.

ETHICAL STANDARDS QUALITY  
REGULATION **TRUST** PRACTICE  
ETHICS PRINCIPLES  
PROFESSIONAL VALUE HONESTY

## EXECUTIVE DIRECTORS COMMITTEE

Support Executive Directors in their roles with Boards of Accountancy.

The Committee continues to monitor the changes that the American Institute of Certified Public Accountants (AICPA) implemented in response to the concerns the Reorganization Impact Task Force raised. The Committee is still working with societies to address some lingering questions surrounding the final guidance put out by the AICPA regarding the enhanced peer review initiative. Discussions are occurring on how to address the issue of new technology and data analytics in the profession as it relates to regulation.

The identified threat of de-regulation efforts by various groups, their anti-regulation positions in relation to barriers to "occupations" is on the front burner with executive directors. With legislative sessions coming, the Committee is stressing vigilance when reviewing proposed legislation. Also, the Committee welcomes incoming Executive Directors Committee Chair Richard Carroll and is preparing for the Conference for Executive Directors and Board Staff next March.

### Chair:

Randall A. Ross (OK)

### Members:

Grace Berger (MT)

Richard C. Carroll (KY)

Thomas DeGroodt (MO)

Pamela Ivey (WY)

Wade A. Jewell (VA)

Charles Satterlund (WA)

Brenda Turley (WV)

### Staff Liaisons:

Daniel J. Dustin

Patricia Hartman

# INTERNATIONAL QUALIFICATIONS APPRAISAL BOARD

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

## Chair:

Sharon A. Jensen (MN)

## Members:

Raymond N. Johnson (OR)

Telford A. Lodden (IA)

Kathleen J. Smith (NE)

William Treacy (TX)

Jeffrey J. Truitt (NC)

## Staff Liaison:

Louise Dratler Haberman

This year, the NASBA/AICPA International Qualifications Appraisal Board (IQAB) was extremely busy reviewing materials for new and renewal of mutual recognition agreements (MRA) with the Institute of Chartered Accountants of Scotland, CPA Australia, Chartered Accountants Australia and New Zealand, Institute of Chartered Accountants of England and Wales, South Africa Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants.

A new MRA with the Institute of Chartered Accountants of Scotland was completed and signed in February 2018 and a new MRA with CPA Australia was completed and signed June 2018. The Chartered Accountants Australia and New Zealand renewal is anticipated by the end of 2018. This agreement recognizes merger of two professional bodies, the Institute of Chartered Accountants in Australia and the New Zealand Institute of Chartered Accountants, which both previously held individual MRAs with IQAB.

The evaluation and updating of documentation and changes that have occurred with the Hong Kong Institute of Certified Public Accountants is in process with anticipated completion of the renewed MRA by end of 2019. The exchange of information and the evaluation of education and professional programs is in various stages, in developing new MRAs with the Institute of Chartered Accountants of England and Wales and South Africa Institute of Chartered Accountants, along with providing documentation for the respective country regulators' evaluation. IQAB anticipates the completion of these two new MRAs by the end of 2019.

Early in 2019, IQAB will evaluate purposed changes to the REG section of the Uniform CPA Examination and its continued use as the IQEX (the International Qualification Examination) for international professionals.



Representatives of CPA Canada, Instituto Mexicano de Contadores Públicos, COMPIC, IQAB, NASBA and AICPA sign renewal of recognition agreement at the 2017 NASBA Annual Meeting in New York, NY.

# LEGISLATIVE SUPPORT COMMITTEE

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

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

Through the use of a regulatory tracking system, programmed with search queries, NASBA is able to monitor legislation and executive orders affecting the accounting profession within the 50 states, Puerto Rico, the District of Columbia, and the U.S. Congress. During the 2018 legislative session, 2,249 Board of Accountancy-related bills were identified and monitored. Of those, 543 were classified as "direct impact," meaning legislation that may have significant repercussions on the regulation of the accounting profession.

In addition to tracking legislation, 2018 was the first year that NASBA began monitoring all executive orders filed by the executive branches of state government. During the year, 129 executive orders were filed, and four had a direct impact on regulation of the accounting profession.

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

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

- A webpage on *nasba.org* devoted to the North Carolina Dental Case
- A white paper to educate the profession about the NC Dental decision
- Summary of legislation signed into law
- NC Dental Board fallout cases
- Several webinars to further educate and answer questions about the decision

In 2018, federal legislation (H.R. 6515) was filed that would shield state boards, board members and their staff members from damage awards stemming from private antitrust litigation. NASBA, and a coalition of 17 other associations of state licensing boards and associations of professionals regulated by those boards, played an instrumental role in getting this legislation filed.

Chair:

Nicola Neilon (NV)

Members:

Marja Beltrami (AK)

James Corley (AR)

Julian I. Deal (GA)

Joseph S. Drew (DC)

Brian L. Johnson (SC)

Mark S. Robinson (MA)

Layne R. Simmons (AZ)

Staff Liaison:

John W. Johnson

# NOMINATING COMMITTEE

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

Chair:  
Telford A. Lodden (IA)

Members:  
Barton W. Baldwin (NC)  
Barry M. Berkowitz (PA)  
Frederick G. Briggs, Jr. (NH)  
Holly Brunick (SD)  
Ruben A. Davila (CA)  
David L. Dennis (FL)  
James P. Gero (OH)  
Tracy Harding (ME)  
Barbara A. Ley (OK)  
Marc Moyers (VA)  
Harry O. Parsons (NV)  
Thomas G. Prothro (TX)  
Willie B. Sims, Jr. (MS)  
Michele M. Stromp (NE)  
Karen Forrest Turner (CO)  
Thomas T. Ueno (HI)

Staff Liaisons:  
Ken L. Bishop  
Anita Holt

The Nominating Committee met to review current processes, how these processes can be enhanced, and the questions to pose to the candidates interested in the vice chair position. On May 4, 2018, the Committee conducted one-on-one interviews with candidates who expressed an interest in becoming vice chair. The application deadline was April 18, 2018. Five extremely qualified individuals provided their letter of interest, background and qualifications and were interviewed by the Nominating Committee.

Additionally, Committee members attended the Western and Eastern Regionals where they were available to those individuals seeking director-at-large positions as well as those seeking regional director and Nominating Committee positions. In addition, they hosted a Meet and Greet for attendees interested in learning more about future leadership roles with NASBA.

On Wednesday, June 27, at the Western Regional Meeting, Committee members convened and selected three directors-at-large to a three-year term and eight regional directors were also selected to represent their respective regions for a one-year term. Again, the Nominating Committee was pleased to see more highly qualified candidates applying than open positions.

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

## Laurie Tish - Vice Chair Nominee



Laurie Tish

Laurie J. Tish, CPA (WA) was selected on May 4 as the Nominating Committee's candidate for NASBA vice chair 2018-2019, to stand for election at the October Annual Business Meeting. If elected vice chair by the member State Boards of Accountancy, Ms. Tish will automatically accede to NASBA chair 2019-2020. A former NASBA secretary, director-at-large, Pacific regional director and chair of the Uniform Accountancy Act, Accountancy Licensee Database/CPAverify and Global Strategies Committees, Ms. Tish was a four-term member and chair of the Washington State Board of Accountancy. She is the national practice leader for government services for Moss Adams LLP, based in Seattle, and specializes in governmental accounting and auditing, municipal finance, regulatory accounting and federal compliance audits. Ms. Tish was a member of the AICPA Professional Ethics Executive Committee and presently serves on the Washington Society of CPAs' Government Accounting and Auditing Committee and as a technical reviewer for the Government Finance Officers Association.



## PAST CHAIR ADVISORY COUNCIL

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

The Past Chair Advisory Council met in New York, NY, in conjunction with NASBA's 2017 Annual Meeting. The Council discussed domestic and international initiatives and activities of interest, including the significant progress made on mutual recognition agreements, upcoming work of the newly formed Reorganization Impact Task Force, the status of several significant IT projects, and other operational initiatives. In addition, trending issues related to legislative and Uniform Accountancy Act (UAA) activity, including reactions received to recently exposed UAA title language changes, were discussed. The Council also received a financial and facilities update focused on 8th floor renovations in Nashville and relocation news pertaining to Guam. Past NASBA Chair and Congressman K. Michael Conaway (TX) gave a Hill update, and other past chairs serving in national and international standard-setting roles provided brief updates on relevant activities.

Chair:  
Telford A. Lodden (IA)

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

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

Staff Liaison:  
Colleen K. Conrad



ANDREW P. MARINCOVICH, CPA  
Past Chair  
Chairman 1991 - 1993



ROBERT C. ELLYSON, CPA  
Past Chair  
Chairman 1993 - 1995



SANDRA A. SURAN, CPA  
Past Chair  
Chairman 1995 - 1997



THOMAS IINO, CPA  
Past Chair  
Chairman 1997 - 1999



ALBERT J. DERBES, III, CPA, ESQ.  
Past Chair  
Chairman 1999 - 2001



JEROME A. SCHINE, CPA  
Past Chair  
Chairman 2001 - 2003



NATHAN T. GARRETT, ESQ., CPA  
Past Chair  
Chairman 2003 - 2005



WELLING W. FRUEHAUF, CPA  
Past Chair  
Chairman 2005 - 2007



RONNIE RUDD, CPA  
Past Chair  
Chairman 2007 - 2009



JOHN M. GREENE, CPA  
Past Chair  
Chairman 2009 - 2011



MILTON BROWN, CPA  
Past Chair  
Chairman 2011 - 2013



DENNIS P. SPACKMAN, CPA  
Past Chair  
Chairman 2013 - 2015



JOHN B. PEACE, CPA, ESQ.  
Past Chair  
Chairman 2015 - 2017



BARTON W. BALDWIN, CPA  
Past Chair  
Chairman 2017 - 2019



K. MICHAEL CONWAY, CPA  
Past Chair  
Chairman 2019 - 2021



DAVID A. VAUDT, CPA  
Past Chair  
Chairman 2021 - 2023



MICHAEL D. WEATHERWAX, CPA  
Past Chair  
Chairman 2023 - 2025



DIANE M. RUBIN, CPA  
Past Chair  
Chairman 2025 - 2027



WESLEY P. JOHNSON, CPA  
Past Chair  
Chairman 2027 - 2029



SAMUEL K. COTTERELL, CPA  
Past Chair  
Chairman 2029 - 2031



THOMAS J. SADLER, CPA  
Past Chair  
Chairman 2031 - 2033



BILLY M. ATKINSON, CPA  
Past Chair  
Chairman 2033 - 2035



MICHAEL T. DAGGETT, CPA  
Past Chair  
Chairman 2035 - 2037



MARK P. HARRIS, CPA  
Past Chair  
Chairman 2037 - 2039



GAYLEN R. HANSEN, CPA  
Past Chair  
Chairman 2039 - 2041



CARLOS E. JOHNSON, CPA  
Past Chair  
Chairman 2041 - 2043



WALTER C. DAVENPORT, CPA  
Past Chair  
Chairman 2043 - 2045



DONALD H. BURKETT, CPA  
Past Chair  
Chairman 2045 - 2047



TELFORD A. LODDEN, CPA  
Past Chair  
Chairman 2047 - 2049

# REGULATORY RESPONSE COMMITTEE

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

This year, the Regulatory Response Committee drafted several letters and worked in conjunction with the Ethics Committee and the Standard-Setting Advisory Committee on other drafts in response to exposure drafts and consultation papers of importance to accounting regulators. Committee Chair Mike Fritz invited regional directors to participate in Committee calls to ensure they would be ready to comment on the letters if called upon by Chair Theodore W. Long, Jr., and President Ken L. Bishop.

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

- November 6, 2017 – IESBA – Proposed Revisions to IESBA Code Pertaining to the Offering and Accepting of Inducements
- November 27, 2017 – AICPA ARSC – Proposed Statement on Standards for Attestation Engagement – Selected Procedures
- January 3, 2018 – AICPA PEEC – Proposed Revisions to Code of Professional Conduct – Leases Interpretation
- February 8, 2018 – Monitoring Group – Consultation on Strengthening the Governance and Oversight of the International Audit-Related Standards-Setting Boards in the Public Interest
- February 22, 2018 – IESBA – Fee Questionnaire
- May 9, 2018 – AICPA ASB – Proposed Statement on Auditing Standards – Auditor Reporting
- May 9, 2018 – AICPA ASB – Proposed SAS: The Auditor’s Responsibilities Relating to Other Information Included in Annual Report
- May 9, 2018 – AICPA ASB – Proposed SAS: Omnibus Statement on Auditing Standards – 2018
- June 12, 2018 – AICPA PEEC – Information System Services
- July 5, 2018 – SEC – Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships
- July 6, 2018 – AICPA ASEC – Criteria for Evaluating the Integrity of a Set of Data
- July 11, 2018 – IESBA – Proposed Strategy and Work Plan 2019-2023
- August 10, 2018 – IESBA – Consultation Papers on Professional Skepticism – Meeting Public Expectations
- August 14, 2018 – AICPA PEEC – Disclosing Client Information in Connection with a Quality Review
- September 7, 2018 – PCAOB – Strategic Plan 2018-2022

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

## Chair:

W. Michael Fritz (OH)

## Members:

Alan R. Augenstein (AZ)

Kevin Collins (CO)

David D. Duree (TX)

Gaylen R. Hansen (CO)

Tracy Harding (ME)

Matthew J. Howell (MI)

Richard Isserman (NY)

Karen R. Saunders (WA)

Carleton L. Williams (HI)

L. Samuel Williams, Jr. (NC)

## Staff Liaisons:

Louise Dratler Haberman

Jessica Luttrull

## RELATIONS WITH MEMBER BOARDS COMMITTEE

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

### Chair:

Stephanie M. Saunders (VA)

### Members:

Catherine R. Allen (NY)  
Northeast Regional Director

C. Jack Emmons (NM)  
Southwest Regional Director

Sheldon P. Holzman (IL)  
Great Lakes Regional Director

Sharon A. Jensen (MN)  
Central Regional Director

Nicola Neilon (NV)  
Mountain Regional Director

Randall A. Ross (OK)  
Executive Directors Liaison

Katrina Salazar (CA)  
Pacific Regional Director

Casey Stuart (TN)  
Southeast Regional Director

### Staff Liaisons:

Daniel J. Dustin  
Louise Dratler Haberman

The regional directors, who also serve as members of the Committee on Relations with Member Boards, met prior to each Board of Directors meeting and prior to their Regional Meeting. In addition, all regional directors held one or two conference calls with the Boards of Accountancy in their Region. They developed the program for the Regional Meetings and created Focus Questions for obtaining input from their state boards. In addition, they led the New Board Member Orientation Program. Some attended other Board of Accountancy meetings with Vice President, State Board Relations, Daniel J. Dustin, or on their own.

This was a busy year with two major issues under discussion: the proposed technology pathway to the CPA and condensing the two Regional Meetings into a single June meeting. As the technology pathway was a concept that was being worked on, the regional directors were provided with guidance from the Executive Committee to keep them up-to-date. Senior staff members spoke at the Regional Breakout sessions to make sure accurate information was being presented to all. Careful notes were taken at the Breakouts, and from the boards' input the Executive Committee determined that while the state boards recognize the importance of IT expertise, a different solution needs to be formulated to gain the boards' support.

The decision on whether one or two Regional Meetings should be planned was made by the regional directors based on the comments made at the Regional Breakouts. Advantages to both formats were noted, but the two meetings offer more opportunities to meet with neighboring board representatives, easier access to NASBA leaders, the possibility of using smaller venues, and the ability to select an alternative attendance date. These reasons convinced the regional directors to stay with two Regional Meetings.

Electronic polling at the Regional Meetings on what boards believe they can do in response to sexual harassment allegations was well received. This type of audience input will be used during future meetings.

BOARDS OF ACCOUNTANCY  
FUTURE MEETINGS  
RESPONSE  
INTEGRITY  
FOCUS  
RELATIONSHIPS  
MEMBERS  
DIRECTION  
TRUST  
REGIONS  
CPA  
COMMITMENT  
RELIABILITY  
REGULATION

# STANDARD-SETTING ADVISORY COMMITTEE

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

The Standard-Setting Advisory Committee (SSAC) had multiple conference call meetings and one face-to-face meeting in Fiscal Year 2018. Early in the year, the Committee reviewed The Monitoring Group's Consultation Paper Regarding International Audit-Related Standard Setting and prepared an initial draft response for review by the Regulatory Response Committee and the CEO and COO. It then discussed The Monitoring Group's summary of public comments and the Gibson Dunn-prepared reaction to the Consultation Paper sanctioned by the International Federation of Accountants (IFAC). It was noted there were 179 responses to the Consultation Paper. Most respondents, including NASBA in its early February 2018 response initially drafted by the SSAC, recommended not rushing the process as it would undermine the confidence in existing standards and could harm efforts for global adoption. To gather input on the consultation paper, NASBA was also represented at The Monitoring Group Roundtable, held in Washington, D.C., in January.

The Committee also discussed the AICPA Assurance Services Executive Committee (ASEC) exposure draft entitled "Criteria for Evaluating the Integrity of a Set of Data" and provided input for initial responses to the questions posed. After review, a draft response was forwarded to the Regulatory Response Committee and NASBA executive leadership for consideration and final issuance.

Ideas for training, articles and presentations to enhance state board members and staff's understanding of the roles of various standard-setters, and the importance of utilizing best practices in standard-setting were developed. Committee Chair Richard Reisig will moderate a standard-setting related panel presentation at the 2018 Annual Meeting.

The Committee also reviewed and updated the Best Practices in Standard-Setting Matrix and plans to meet with certain standard setters to discuss possible enhancements to their processes under development.

Chair:  
Richard N. Reisig (MT)

Members:  
Matthew P. Boshier (VA)  
Scott Dockins (ID)  
Timothy F. Egan (CT)  
Keri A. Ellis (PA)  
Gaylen R. Hansen (CO)  
Nelson K. M. Lau (HI)  
Michael P. Rollage (PA)

Staff Liaison:  
Colleen K. Conrad





# STATE SOCIETY RELATIONS COMMITTEE

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

## Chair:

Stephanie Peters (VA)

## Vice Chair:

Mike Colgan (PA)

## Members:

Joanne S. Barry (NY)

Jeannine Birmingham (AL)

Laura Coome (SD)

Ronald A. Gitz, II (LA)

James T. O'Hallaron (MO)

Susan A. Speirs (UT)

Ralph A. Thomas (NJ)

## Staff Liaison:

John W. Johnson

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

- **Joint State CPA 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 36th Annual Conference for Executive Directors and Board Staff. The 2018 conference brought together, for the fourth year in a row, state board executive directors and state society CEOs to participate in more than 13 sessions covering matters of mutual interest/ concern, future opportunities for collaboration and enhanced communications. In anticipation of the conference, NASBA's State Society Relations Committee worked closely with NASBA's Executive Directors Committee to develop an exciting agenda. Presentation and discussion topics included but were not limited to: Legal Cases Impacting the Profession; Peer Review Administration; Joint Legislative Update; Uniform CPA Examination Update, among others. The joint conference attracted 36 Board of Accountancy executive directors and 25 State Society CEOs.
- **Diversity** – The Committee continued to work with NASBA's Diversity Committee and those responsible for making board appointments to ensure appointments include not only women and minorities, but also individuals with diverse skill sets, from a range of firm sizes, to individuals who hail from various geographic locations within their jurisdiction, and other components that foster a multicultural board.
- **CPA Pipeline** – NASBA leadership regards the CPA Pipeline as having a strong public protection nexus and has begun the process of working with State CPA Societies to strengthen the pipeline – both in number of CPAs entering the profession and the diversity represented by them.
- **Anti-Regulation Legislation** – Over the last several years, and since the North Carolina Dental decision, there has been a concerted effort by various anti-regulatory forces to limit, and in some cases dismantle, the state-based regulatory system for professions and occupations. In 2018, 46 anti-regulation bills were filed in 26 jurisdictions aimed at weakening the licensing statutes that protect the public. In Louisiana alone, seven bills were introduced that would have negatively impacted established policies of multiple occupational licensing boards, including the State Board of CPAs of Louisiana. At a time when the validity of an effective state-based regulatory system is being questioned, the State Society Relations Committee has taken an active role to assist with their preservation.

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

# STRATEGIC PLANNING ADVISORY TASK FORCE

Consider changes in the accounting profession and the regulation of it that could impact the current NASBA Strategic Plan. Provide recommended updates to the plan for NASBA Board of Directors' deliberation and approval.

Chair:

Theodore W. Long, Jr. (OH)

Members:

J. Coalter Baker (TX)  
Ken L. Bishop (NASBA)  
Michael R. Bryant (NASBA)  
D. Boyd Busby (AL)  
Dawn M. Carlson (IL)  
Colleen K. Conrad (NASBA)  
Daniel J. Dustin (NASBA)  
Wendy S. Garvin (TN)  
Janice L. Gray (OK)  
Lynn V. Hutchinson (LA)  
Nicola Neilon (NV)  
Katrina Salazar (CA)  
Michael H. Womble (NC)

Staff Liaison:

Ed Barnicott

The Strategic Planning Task Force meets every three years to review and update NASBA's strategic plan. The Task Force consists of fourteen (14) members; four NASBA Board of Directors' members, four state board members, two executive directors and four NASBA executive staff. Theodore W. Long, Jr., NASBA Chair, served as chair of the Task Force.

The Task Force met August 29 and 30, in Nashville, to review challenges facing the profession and the Boards of Accountancy and to update the strategic plan. The plan, updated for the 2019-2024 period, will be presented to the NASBA Board of Directors at their October 2018 meeting. Once approved by the Board, the revised plan will be released at NASBA's Annual Meeting in Scottsdale, AZ, October 28-31, 2018.

# UNIFORM ACCOUNTANCY ACT COMMITTEE

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

In January, the Eighth Edition of the Uniform Accountancy Act (UAA) and accompanying Model Rules were released, which contains significant changes including: establishing a retired CPA category; providing for the awarding of a certificate to a holder of a substantially equivalent foreign designation without the need for mutual recognition of U.S. CPAs; and definition of "compilation" and "preparation of financial statements." The new edition of the Model Rules has changes to Articles 3 and 6 relating to continuing professional education and to Article 5 on testing windows and other examination policies. These changes came about after careful deliberation by UAA Committee members.

On September 12-13, the Committee met in Nashville to hear Stavros Thermadakis, Chair of the International Ethics Standards Board for Accountants (IESBA), representatives of the AICPA Professional Ethics Committee and NASBA Ethics Committee Chair Catherine Allen discuss the IESBA's standard on addressing NOCLAR (noncompliance with laws and regulation by clients). UAA Committee Chair J. Coalter Baker assembled this panel to provide background for the UAA Committee's action on dealing with NOCLAR.

At the September meeting, Model Rules for administering the peer review program were also considered. The rules were proposed by NASBA's Compliance Assurance Committee and reviewed by members of the AICPA Peer Review Committee and a UAA Committee task force over several months and many conference calls.

It is anticipated new rules for expanding the Uniform CPA Examination's testing windows will also be proposed soon. Leadership has determined as changes are approved for the UAA, modified editions will be distributed, rather than waiting two years or more for a collection of changes.

Chair:

J. Coalter Baker (TX)

Members:

David L. Dennis (FL)  
David de Silva (NY)  
Andrew L. DuBoff (NJ)  
Marc Moyers (VA)  
John E. Patterson (OH)  
John B. Peace (AR)  
Donovan W. Rulien, II (WA)  
Stephanie M. Saunders (VA)  
Dan Vuckovich (MT)

Staff Liaison:

Louise Dratler Haberman

# MILESTONES OF THE PROFESSION

OCTOBER 2017

## 110TH ANNUAL MEETING

"Talent and technology can truly merge to provide value for investors," Deloitte CEO Cathy Engelbert told the 110th Annual Meeting: Shaping the Future, held in New York City.



DECEMBER 2017

## PCAOB

NASBA Executive Vice President & COO Colleen Conrad attends the PCAOB's 11th Annual International Institute on Audit Regulators with regulators from 39 non-U.S. audit regulators.

## RITF



Reorganization Impact Task Force (RITF), led by Director-at-Large Jack Dailey, meets to discuss comments and questions raised by Boards of Accountancy on the American Institute of Certified

Public Accountants' restructuring under the umbrella entity of the Association of International Certified Professional Accountants. Comments collected through the end of the month.

FEBRUARY 2018

## MRA SCOTLAND

Mutual recognition agreement with the Institute of Chartered Accountants of Scotland signed.



## REGIONAL CALLS

Regional Directors hold Regional conference calls with their states.

NOVEMBER 2017



## NOCLAR AND BARUCH

NOCLAR (non-compliance with laws and regulations) highlight of Baruch College's 12th Annual Audit Conference: Ensuring Integrity, co-sponsored by the NASBA Center for the Public Trust (CPT), November 28.

## NASBA RESPONDS

NASBA sends letter to the AICPA Accounting and Review Services Committee (ARSC) cautioning that a party must take responsibility for the sufficiency of the procedures performed in a selected procedures engagement.

## MANDATORY CPE

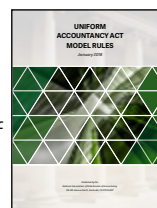
All states now have mandatory continuing professional education as Wisconsin Governor Walker signs law establishing mandatory CPE for CPA license renewal on and after December 2021.



JANUARY 2018

## UAA AND MODEL RULES

Eighth Edition of the Uniform Accountancy Act and Model Rules released, including provisions for CPA-retired, unilateral recognition of international professionals and definition of "preparation of financial statements."



## BOAS RESPOND

RITF presents questions gathered from 43 Boards of Accountancy to the AICPA.

MARCH 2018



## CONFERENCES HELD

Conference for Executive Directors and Board Staff and Conference for State Board Legal Counsel held in Destin, FL, March 13-15, and hear about technology pathway concept.

## GATEWAY 2.0

New version of the Gateway and the National Candidate Database up and running on March 5.

## GUAM

Relocated Guam Testing Center opens for operation on March 23.

APRIL 2018



### MRA AUSTRALIA

NASBA Board approves mutual recognition agreement with CPA Australia.

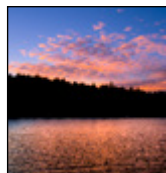
### ACCOUNTING ACCREDITATION STANDARDS



Director-at-Large Raymond Johnson announces AACSB has approved new

accounting accreditation standards based on work done in consultation with NASBA and the AICPA.

JUNE 2018



### REGIONAL MEETINGS

Regional Meetings held June 5-7 in Orlando, FL, and June 26-28 in Olympic Valley, CA, and voice support for change but question how best to incorporate technology in requirements for education.

### AICPA RESPONDS

AICPA answers Boards' questions about its reorganization.

### SCORE RELEASE

Second score release from the new Gateway system completed.

AUGUST 2018

### NASBA ATTENDS AAA

NASBA Chief Ethics and Diversity Officer Alfonzo Alexander is a panelist for the American Accounting Association's Annual Meeting's session focusing on "Diversity in the Profession." His presentation included information drawn from candidate data collected for NASBA's annual report on candidate statistics.



### NASBA RESPONDS

NASBA responds to IESBA consultation paper on "Professional Skepticism – Meeting Public Expectations."

### RESEARCH GRANTS AWARDED

At AAA Annual Meeting, NASBA announces accounting education research grants totaling \$25,000 to professors and post-doctoral researchers representing Drexel University, University of Wisconsin – Milwaukee, University of Texas Rio Grande Valley, Northern Illinois University and the American Board of Internal Medicine.

MAY 2018

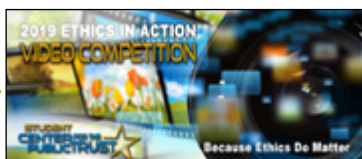
### NASBA RESPONDS

NASBA responds to proposed Statements on Auditing Standards.



### CPT VIDEO COMPETITION

NASBA's Center for the Public Trust's 9th Annual Video Competition receives 37 video entries from 13 colleges drawing more than 3,000 views.



JULY 2018

### REGIONAL DIRECTORS VOTE

Regional Directors vote to continue holding two June Regional Meetings.

### HR6515 INTRODUCED

The Occupational Licensing Board Antitrust Damages Relief and Reform Act (HR 6515) introduced by Congressman K. Michael Conaway to limit private antitrust damages against occupational licensing boards and promote beneficial reforms of state occupational licensing.



SEPTEMBER 2018

### NATIONAL REGISTRY SUMMIT

NASBA National Registry Summit: Taking Learning to a Higher Level, held September 25-26, in Denver.

### IESBA ADDRESSES UAA

International Ethics Standards Board for Accountants Chair Stavros Thomadakis comes to NASBA to address the Uniform Accountancy Act Committee and meet with Chair Theodore Long and President Ken Bishop.





# Products and Services

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

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

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





## CPA Examination Services

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



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

### GUAM TESTING CENTER

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



### CANDIDATE CARE

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



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

### 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 in accordance with the Americans with Disabilities Act (ADA).





With the capability and resources to help make the licensing process more efficient for Boards of Accountancy and candidates, NASBA has provided licensing services to Boards of Accountancy for more than 25 years. NASBA Licensing Services include application processing, eligibility determination, score reporting and education evaluation. NASBA also provides excellent and reliable customer service to candidates throughout the licensing process.

### NATIONAL CANDIDATE DATABASE

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

## NASBAstore

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



NASBA offers the International Qualification Examination (IQEX) to qualifying candidates. 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 CPA Canada (CPAC), Instituto Mexicano de Contadores Publicos (IMCP), Institute of Chartered Accountants in Australia (ICAA), CPA Australia, New Zealand Institute of Chartered Accountants (NZIA), Chartered Accountants of Ireland (CAI), the Hong Kong Institute of Certified Public Accountants (HKICPA), and the Institute of Chartered Accountants of Scotland (ICAS.)

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



## LEGISLATIVE TRACKING

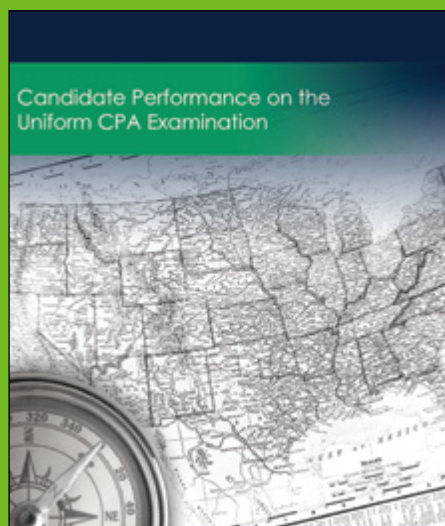
NASBA's Legislative Tracking System was created and calibrated specifically for Boards of Accountancy to monitor legislation and amendments (in real time) that affect the regulation of the profession. By allowing boards to become more readily aware and to share knowledge concerning key pieces of legislation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

## KEY PERSON CONTACT

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



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 report was completely redesigned in 2016 to include content area breakdowns and detailed cohort tracking. Annual University Briefs were introduced to assist faculty with the year-over-year tracking of student performance and to aid in satisfying accreditation standards. This information, available only from NASBA, offers you the best overview of CPA Examination trends from around the world, regionally, and at the university level.







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



The Advisory Evaluation service aims to guide students along a clear path to the CPA Exam, offering a comprehensive understanding of how their current education is viewed by Boards of Accountancy. Advisory Evaluations identify which requirements must be satisfied before a candidate is eligible to sit for the Exam in their chosen jurisdiction, eliminating potential delays.



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



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





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

## CPAmobility.org

With statutes approved in 54 of the 55 U.S. jurisdictions, individual mobility has become a reality for CPAs from coast to coast. In addition, 25 jurisdictions now offer firm mobility. For individuals, mobility is a practice privilege that generally permits licensed CPAs in good standing, from a substantially equivalent state, to practice outside of their principal place of business without obtaining another license. Likewise, firms meeting the ownership and peer review requirements of the mobility jurisdiction may provide attest services in another state where it is not registered and does not have a physical office, under a “no notice, no fee, no escape” regime. With *CPAmobility.org*, CPAs can learn whether mobility applies to their specific situation and whether firm registration or other paperwork is required – all within four clicks. Desktop and mobile access to *CPAmobility.org* provides a wealth of information at your fingertips.



The National Registry of CPE Sponsors was created to help recognize CPE program sponsors who make a commitment to meeting the highest CPE program standards. Only learning providers

who are committed to offering high-quality continuing education programs, that improve a CPA's professional competence, are listed on the Registry, and we are proud to have over 2,200 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.



*CPAverify.org* is a CPA license search tool populated by official, publicly available, CPA licensing data sent from Boards of Accountancy to a central database. With 52 jurisdictions participating, *CPAverify.org* is the only official, free, single-source national database of licensed CPAs available to the public. Whether verifying that your CPA is actively licensed and in good standing or checking the professional history of a potential employee, *CPAverify.org* provides individuals and organizations alike a convenient and credible way to research a CPA without having to search each Board of Accountancy's website individually.



Created to assist Boards of Accountancy with their regulatory mission, the Accountancy Licensee Database (ALD) is a central repository of current licensee and firm information. With 52 jurisdictions currently participating and the remaining three boards working toward implementation, NASBA's goal for the ALD - to include current and accurate licensing and disciplinary information for individual CPAs and firms from each of the 55 jurisdictions - is becoming a reality. The ALD is hosted by NASBA and access to the system is free to Boards of Accountancy.



## CPE AUDIT SERVICE

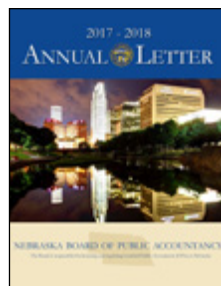
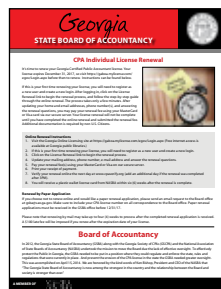
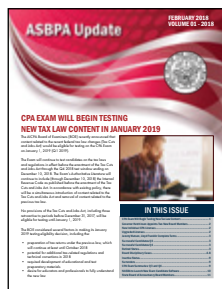
NASBA's CPE Audit Service offers a platform designed to assist Boards of Accountancy with conducting the periodic audits for compliance with continuing professional education requirements. The service allows CPAs to report CPE hours and documentation, electronically, to the board. It offers a turnkey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

## CPE RULES ENGINE SERVICE

Launched in 2018, the CPE Rules Engine Service was designed to assist third party clients in calculating the CPE compliance of their professionals using the rules engine that is the foundation of NASBA's CPE Audit Service. Clients deliver data input files compliant with NASBA's specifications on a nightly basis and the NASBA Rules Engine Service returns data output files that can then be used within the particular learning management tool used by the clients.



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



## NASBAREGISTRY.ORG

Looking for CPE to meet your requirements? Find CPE courses anywhere in the country! Visit [NASBAREgistry.org](http://NASBAREgistry.org) to search through more than 17,400 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, [NASBAREgistry.org](http://NASBAREgistry.org) makes finding the exact CPE course faster and easier. [NASBAREgistry.org](http://NASBAREgistry.org) is also a comprehensive resource for learning providers listed on the National Registry of CPE Sponsors. Video tutorials, newsletters, sample forms, best practices and online applications are all part of the site.



# THE YEAR IN PHOTOS



Chair Lodden welcomes the 110th Annual Meeting, which had 356 attendees with 53 boards represented in New York, NY.



Telford Lodden congratulates 2017-18 NASBA Chair Ted Long.



The concept of a technology pathway for acquiring the CPA was discussed at the 36th Annual Conference for Executive Directors and State Board Staff.



L to R: Ken Bishop, Anton Colella and Barry Mealcon sign MRA in New York.



The 2018 CPT Golf Classic was held on July 9, 2018, at the Governors Club in Brentwood, TN.



The Western Regional audience listens to technology pathway ideas in Olympic Valley, CA.



# NASBA CENTER FOR THE PUBLIC TRUST

## STUDENTCPT CHAPTERS

The Student Center for the Public Trust (StudentCPT) Chapter Program is influencing the ethical thinking and decision-making of future business leaders by teaching college students that engaging in ethical business practices is the most sustainable strategy for career advancement. With the vision of becoming the largest network of ethical leaders on college campuses, the StudentCPT continues to grow and now connects students in 40 chapters across 20 states and the U.S. Virgin Islands.

The CPT is currently working with students and professionals to establish new chapters at Loyola University – Chicago, Marshall University, Temple University, Tennessee Tech University, University of Colorado – Denver and several other institutions across the country.



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

Minnesota State University - Mankato  
Mississippi State University  
Western Kentucky University

## STUDENT ETHICAL LEADERSHIP CERTIFICATION PROGRAM

As the CPT continues to shape the ethical values and principles of college students, the CPT enrolled nearly 3,000 college students in the Ethical Leadership Certification Program, representing a 5th consecutive year of program growth.

The CPT's current learning management system uses mobile optimization for course delivery, engages learners through gamification elements and provides professors with enhanced class reporting features. The CPT remains committed to utilizing cutting edge technology to educate and empower ethical leaders.

## GROWTH IN 2018

Over the last year, the NASBA Center for the Public Trust (CPT) has continued to focus on educating, empowering and promoting ethical leaders. Working alongside NASBA leadership and members, CPT Board members and other partners, the CPT developed new StudentCPT chapters, empowered student leaders during the 8th Annual StudentCPT Leadership Conference, held its second annual golf tournament, co-hosted the Business with Purpose Awards and updated its student and professional ethics education offerings. The CPT also continued collaborating with organizations that promote ethical business leadership, integrity and trust.



## ETHICAL LEADERSHIP TRAINING PROGRAM

As a part of the CPT's mission, to shape ethical leadership among professionals, the CPT is partnering with the Florida, Kansas, Oklahoma, Tennessee, Minnesota, Missouri, Mississippi and South Carolina Boards of Accountancy, each of which have agreed to use the Ethical Leadership Training Program as a disciplinary tool for licensees in their jurisdictions with ethics infractions. More than 200 professionals successfully completed the training program during the 2017-2018 fiscal year.



This CPT program is aimed at enhancing ethical decision-making in professionals and can be customized to fit the needs of any Board of Accountancy. The CPT is also in talks with several other states about implementing the program. These partnerships will assist the CPT in carrying out its goal of developing ethical leaders, while generating revenue to support StudentCPT programming.



## BILL DANIELS BEING A DIFFERENCE AWARD

The CPT continues to support and promote ethical leaders within the business community. Each year, the CPT presents the *Bill Daniels Being a Difference Awards* to deserving leaders who go beyond making a difference and establish a reputation for continuously *Being a Difference* by being ethical leaders who lead in their businesses and communities with honor and integrity. This year's winners include Robert Bray, of Grand Junction, CO; John Ikard, of Denver, CO; and Emmanuel Lulin, of New York, NY.

## EIGHTH ANNUAL STUDENTCPT LEADERSHIP CONFERENCE

The annual StudentCPT Leadership Conference unites 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 Orlando, FL, and included 61 students, representing 41 colleges and universities. This is the highest number of schools represented at the conference in CPT history.

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

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

Through the generosity of the center's supporters, the CPT raised funds to help offset the cost of hosting the conference. The CPT staff and Board of Directors continue to be very grateful to the donors who continue to support the conference and other CPT programmatic activity.



***This year's conference was held in Orlando, FL, and included 61 students, representing 41 colleges and universities.***

## ETHICS IN ACTION STUDENT VIDEO COMPETITION

The 2018 *Ethics in Action* Student Video Competition continues to help spread the importance of ethical decision-making through the creativity of college students. Sponsored by the Dean Institute for Corporate Governance and Integrity, the national competition allows students to share their views on ethics and accountability in business.

This year's competition received 37 video entries from 13 colleges and universities. These videos received nearly 3,000 views online. The competition continues to be an effective tool to teach business ethics to students in a way that is fun, memorable and effective. This year's winning teams represented Austin Community College, Florida State University, Loyola University - New Orleans, University of Colorado – Denver, University of Northern Colorado, and the University of Wyoming.

## 2017-18 BOARD OF DIRECTORS

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

LARRY W. BRIDGESMITH, ESQ., CPT Life  
Director  
CRO, ERM Legal Solutions

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

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

TOMMYE BARIE, CPA  
Intacct Implementation Specialist,  
Mauldin & Jenkins, LLC

DONALD BURKETT, CPA  
Executive Vice President,  
Burkett, Burkett & Burkett CPAs

CYNTHIA COOPER, CPA  
CEO, The CooperGroup, LLC

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

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

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Interim Dean,  
North Carolina A&T State University

JEFF KATZ, PH.D.  
Professor of Management and the  
Oppitz Endowed Professor of Business,  
Western Kentucky University

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

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

VICKY PETETE, CPA  
Executive VP & CFO, Vision Bank

JOSEPH PETITO, ESQ.  
Retired Principal - Public Policy,  
PricewaterhouseCoopers LLP

## EXECUTIVE STAFF

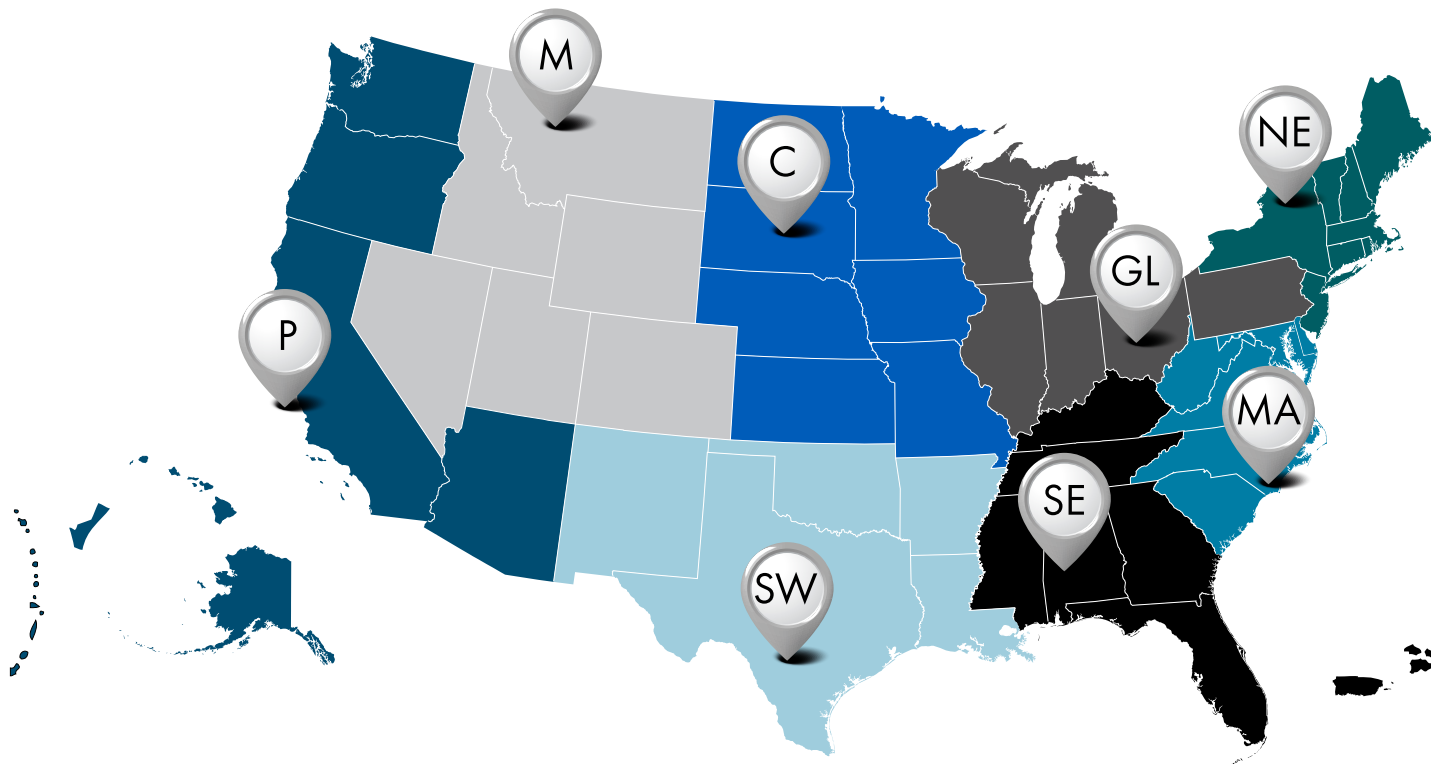
KEN BISHOP  
CEO, NASBA CPT

ALFONZO ALEXANDER  
President, NASBA CPT

RYAN HIRSCH  
Vice President, NASBA CPT

SANDRA DAVIDSON  
CFO, NASBA CPT

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY



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

# Financial Statements

National Association of State Boards  
of Accountancy, Inc.

Independent Auditors' Report and Consolidated Financial Statements

July 31, 2018 and 2017







National Association of State Boards of Accountancy

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

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

**September 20, 2018**

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, 2018 and 2017, including the notes thereto, as reported on by NASBA's independent auditors, LBMC, PC, such financial statements do not contain an untrue statement of a material fact as of the date hereof nor do such financial statements fail to state a material fact necessary to make the financial statements, in light of the circumstances under which they were prepared, not misleading.

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

Ken L. Bishop  
President & Chief Executive Officer

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



National Association of State Boards of Accountancy

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

## REPORT OF MANAGEMENT

September 20, 2018

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. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2018

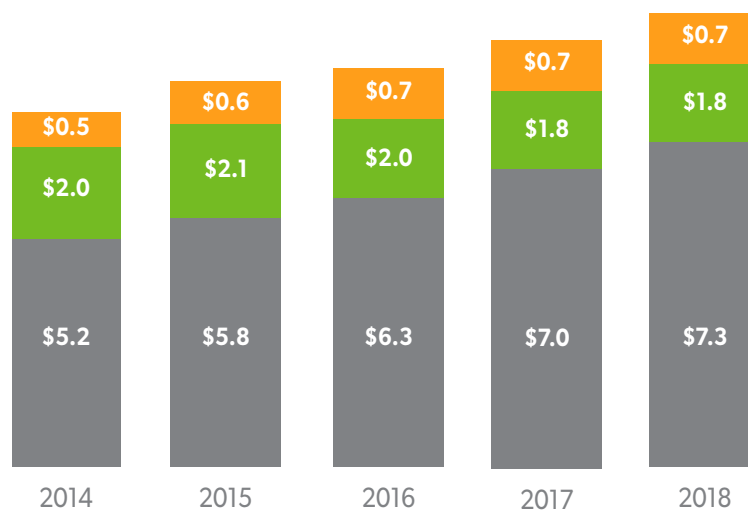
The mission of the National Association of State Boards of Accountancy, Inc. (NASBA) is to enhance the effectiveness and advance the common interests of the Boards of Accountancy (Boards). The accounting profession's impact on the economy is profound. Public confidence in the professional services provided by those licensed by Boards is essential to a free market economy. Effective regulation of the profession safeguards the public interest and the Boards execute that critical endeavor. NASBA is committed to preserving the public trust through effective regulation of the accounting profession. To that end, NASBA actively engages Boards to understand the Boards' needs and perspectives on issues that affect the regulation of the profession. Providing Boards advocacy in their authority to regulate, monitor and respond to regulatory and legislative issues is NASBA's objective. Activities that accomplish that objective involve enhancing enforcement capabilities of the Boards, monitoring emerging issues that affect the regulation of Certified Public Accountants (CPAs), upholding the CPA license in its role of ensuring public protection, and using technology to enhance Board regulatory capabilities for testing CPA candidates and for licensing those who meet all the Board requirements.

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

*Program expenses related to NASBA's mission are shown as Member services in the Consolidated Statements of Activities and have increased in each of the past five fiscal years.*

### MISSION-RELATED MEMBER SERVICES EXPENDITURES

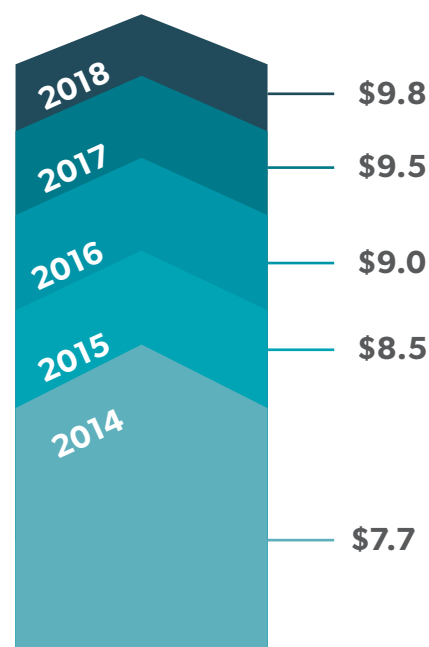
In Millions



- Regulation and public protection
- Committees and conferences
- NASBA Center for the Public Trust

### TOTAL MISSION SPENDING FY 2014 - 2018

In Millions



# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2018

### PROGRAM REVENUE

Mission spending is funded through various program revenues of NASBA. In fiscal 2018, consolidated revenue decreased by 9.0% from the prior fiscal year. As shown in the chart that follows, this reduction in revenue is primarily in examination-related operations. Beginning in fiscal 2016 and then continuing through the first half of fiscal 2017, candidate volume was higher than average as candidates reacted to approaching changes in the CPA Examination in April 2017. As a result of the higher revenue in the prior two fiscal years, examination revenue was naturally less in fiscal 2018. Historically, there is a decrease in candidate volume for a period of time after a change in the examination and that was experienced in fiscal 2018.

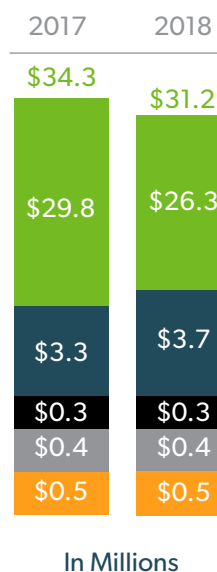
As shown in the chart to the right, the largest source of revenue is examination-related. This revenue includes fees for operating the National Candidate Database, a central repository and global tracking system for all CPA Examination candidates. In addition, services such as application processing, credential evaluations, and score reporting are provided to assist more than one-half of the Boards in their examination-related functions. Along with the revenue directly related to the processing of candidates into the CPA Examination channel, NASBA earns revenue related to academic evaluation services for CPA Examination candidates who have completed education outside of the U.S. NASBA's provision of these services enables Boards to provide candidates for the CPA Examination with an operational pathway to the CPA examination, an essential requirement for becoming licensed.

NASBA also provides licensing services on behalf of Boards such as eligibility determination, education evaluation, including from foreign institutions of higher learning, and application processing. Other services which generate a minimal amount of revenue are provided to assist Boards in their examination and licensing regulatory roles as well.

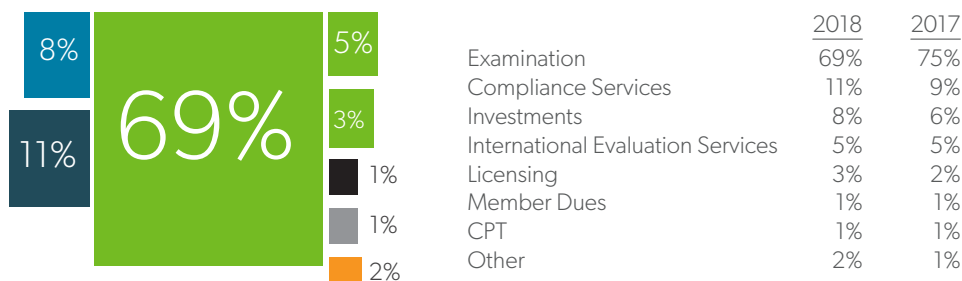
### PROGRAM REVENUE

**% CHANGE**  
**OVERALL -9.0%**

EXAMINATION	-11.7%
COMPLIANCE SERVICES	12.1%
MEMBER DUES	0.0%
CPT	0.0%
OTHER	0.0%

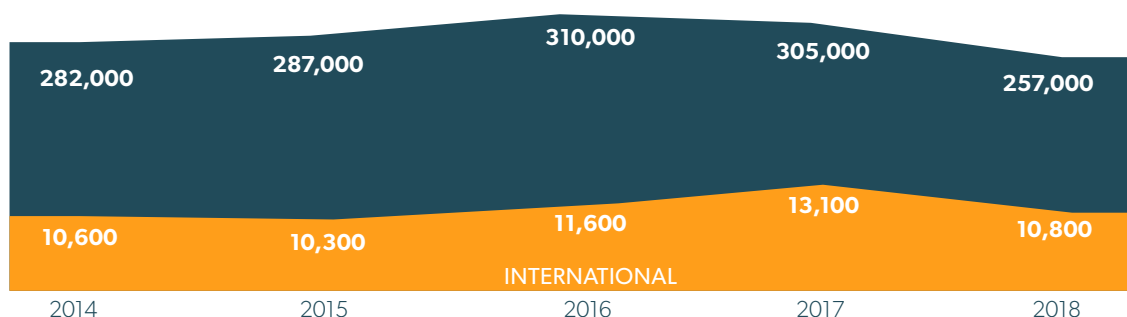


### REVENUE AND INVESTMENTS BY ACTIVITY



*In fiscal 2018, 257,000 examination sections were processed through the National Candidate Database. Included in this total are 10,800 sections related to candidates choosing to test at international locations.*

### NATIONAL CANDIDATE DATABASE SECTIONS





## NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2018

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

### REGISTRY SPONSORS



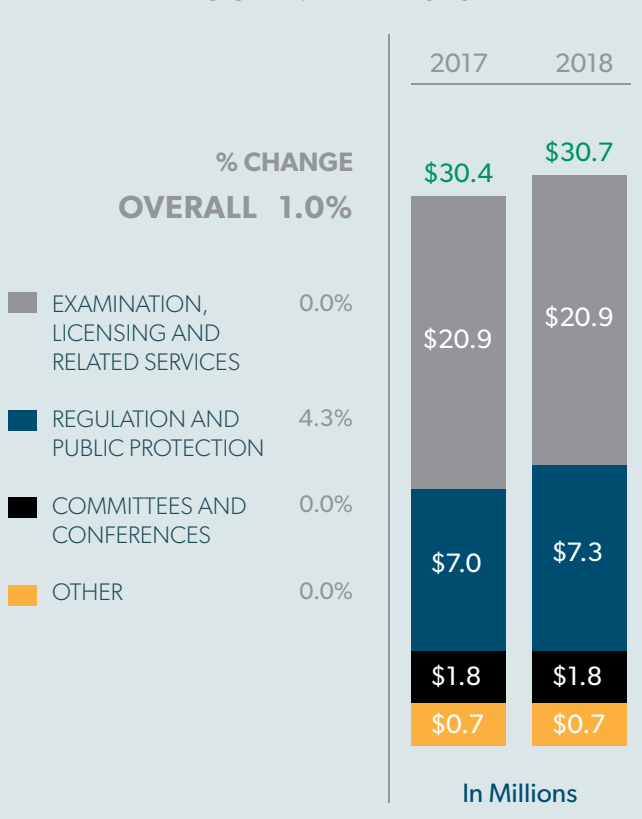
Member services, dues and other revenue in the Consolidated Statements of Activities includes Board dues, conference fees, as well as CPT contributions and revenue from other program services.

### PROGRAM EXPENSES

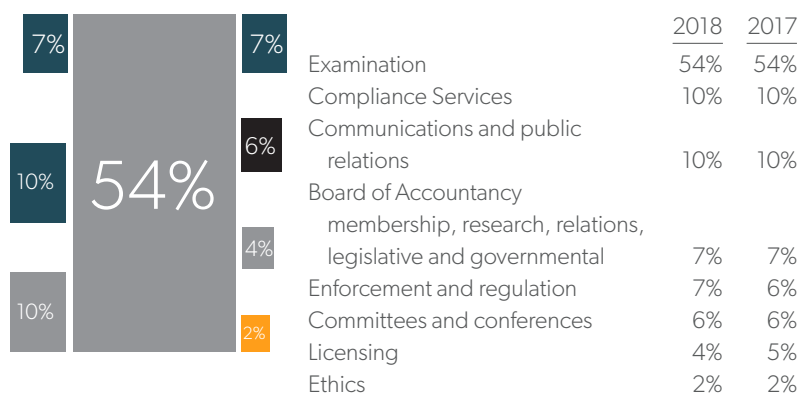
Total consolidated program expenses increased by 1.0% to \$30.7 million in fiscal 2018 from \$30.4 million in fiscal 2017.

This increase in expenses is solely related to Member services as expenses for Examination, licensing and related services are level with the prior fiscal year. The increase in Member services expenses is related to regulation and public protection activities. The increase in total expenses is primarily from information technology and from depreciation and amortization expenses. Overall, total operating expenses for NASBA during fiscal 2018 were incurred for the following programs and services:

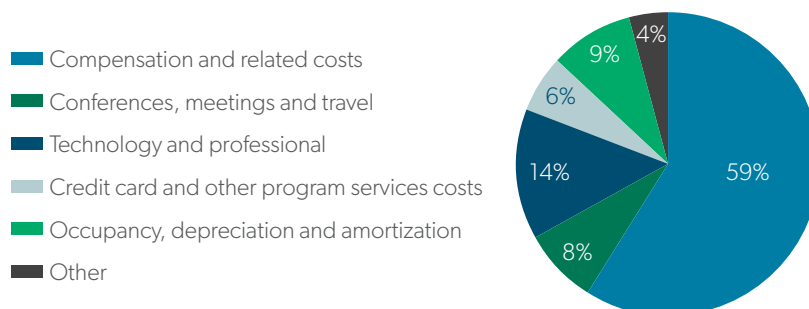
### PROGRAM EXPENSES



### EXPENSES BY ACTIVITY



### EXPENSES BY FUNCTION

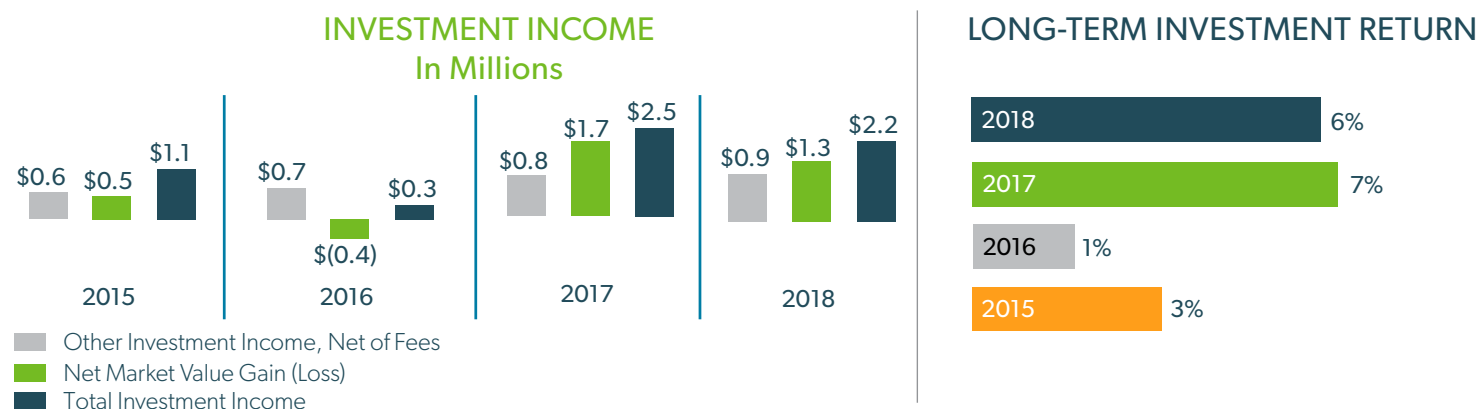


# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2018

### INVESTMENTS

NASBA has long-term investment securities which, if needed, provide liquidity for NASBA to sustain its activities in the event of significant economic disruption or another unanticipated event. These investment securities are managed under a board-approved investment policy in which the long-term investments are directed at the discretion of investment advisors who are under the oversight of the NASBA Investment Committee. Approximately one-half of the investment securities balance at July 31, 2018 is invested in lower-risk investment securities such as federally-insured certificates of deposit, U.S. Treasury and Federal Agency securities, corporate bonds with a rating of investment grade or better, and other fixed income mutual funds and separately managed accounts. The return on the long-term fund in fiscal 2018 of 6% was slightly less than the fiscal 2017 return of 7%.



NASBA has an ownership percentage in a holding company which includes a former wholly-owned subsidiary. This investment is shown as Investment in affiliate in the Consolidated Statements of Financial Position. During fiscal 2018, as a result of the issuance of additional equity units by the holding company in connection with an acquisition, NASBA recognized a gain of \$0.5 million related to the shares it holds. This gain is reduced by NASBA's share of losses from August 1, 2017 through January 5, 2018, the date the transaction occurred and when NASBA's ownership percentage was diluted (See Note 7 to the financial statements). Due to the circumstances of the transaction, including a reduction in NASBA's capability to exert significant influence, the accounting for the investment in affiliate was changed from the equity method to the cost method.

### TECHNOLOGY

Fiscal 2018 heralded the launch of the Gateway 2.0 software which serves as the candidate database for all applicants who take the CPA examination. The total amount of capitalized software costs related to this project was \$5.5 million at July 31, 2018 of which \$2.3 million was expended in the current fiscal year. At the time the new National Candidate Database software was placed into service, the previous version of the original National Candidate Database, with original project costs of \$3.6 million, was disposed. The other significant software development project during fiscal 2018 related to CPE Audit Services, along with a related compliance service, and amounted to \$1.7 million of investment in the current fiscal year. The CPE Audit Services software, which will be used to assist Boards in their regulation of licensees' CPE requirements, is expected to be completed during fiscal 2019. A software development project that is closely-related to CPE Audit Services was launched in the last quarter of fiscal 2018. This service is used by entities such as large accounting firms to assist their CPA staff in compliance with respective Board CPE requirements. In addition to these fiscal 2018 software development projects, software development costs were incurred for a redesign of NASBA's website. This redesign of the website is expected to be completed during fiscal 2019. The total paid for all capitalized software development costs in fiscal 2018 was \$4.0 million.

## NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2018

### CASH FLOW AND FINANCIAL POSITION

During fiscal 2018, cash and cash equivalents decreased by \$1.2 million. This decrease results primarily from the continued investment in software projects, facilities and long-term securities. This includes \$4.0 million in cash paid for capitalized software development costs and \$2.3 million for property and equipment. As for investments in securities, a net \$1.9 million was invested through both contributions to the long-term fund and dividend reinvestments. Operating activities provided \$6.1 million in fiscal 2018.



Capitalized expenditures related to property and equipment additions included two facility projects that were initiated and completed during the fiscal year. The relocation of the Guam testing and call center to a more desirable location for test candidates and staff amounted to \$0.6 million. This facility opened in 2004 with the advent of the examination's computer-based testing and has been in the original location since that time. The second significant facility project involved construction of one-half of a floor in the Nashville office. This area had been vacated by a sublease tenant in the previous fiscal year. The \$1.5 million cost of the renovation included the construction of an assembly space with technological capabilities for large group meetings and the creation of a small video production studio.

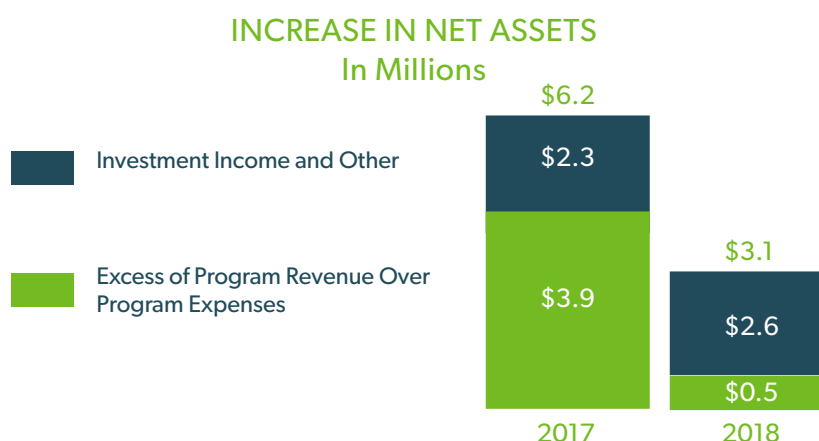
As discussed in Note 9 to the financial statements, at the prior year-end of July 31, 2017, receivables included \$1.5 million due from a vendor related to a software development project. Payment was received in the first month of fiscal 2018.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2018

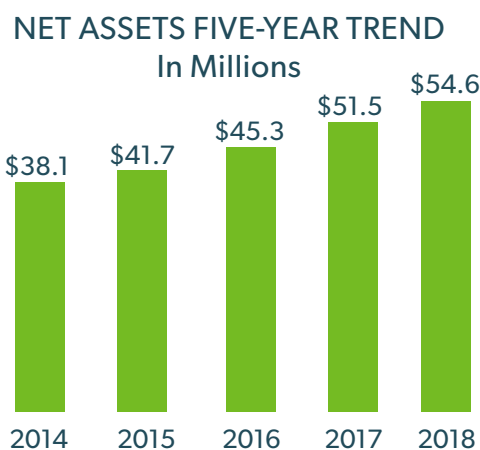
### NET ASSETS

The total increase in net assets for fiscal 2018 is \$3.1 million compared to an increase of \$6.2 million in fiscal 2017. This decrease from the prior year is primarily attributable to lower examination-related revenue in fiscal 2018.



After two fiscal years of record-high levels of processing National Candidate Database sections, fiscal 2018 was a year of lower volume and related revenue. This was anticipated as volume in those prior years were driven by an impending significant change to the examination. Those changes included adding simulations to one section of the examination and an extension of the examination length for two sections. Fluctuations in volume from year to year were experienced in earlier years as well when examination changes approached and then were implemented. Consequently, management of expenses was a key focus during fiscal 2018 resulting in the relatively modest year over year increase of 1%. Moreover, the overall 1% increase in total expenses was driven by a 3.2% increase in the mission-spending component. In total, mission spending represents 32% of all expenses and 108% of the net operating income generated from Examination, licensing and related services in fiscal 2018.

Management believes NASBA has sufficient liquidity and resources to meet its needs in the short-term and has invested wisely for the long-term. In the current and prior few years, capital projects related to technology and infrastructure have positioned NASBA to further the missions and objectives of the Boards. As we look to the future, anticipating ever-accelerating changes to the profession, NASBA maintains a strong financial foundation to address those changes and sustain the Boards' relevance and influence in service to the public interest.







National Association of State Boards of Accountancy

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

**REPORT OF AUDIT COMMITTEE**

**September 20, 2018**

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

The Audit Committee (the "Committee") of the National Association of State Boards of Accountancy, Inc. for the year ended July 31, 2018, was charged by the Board of Directors with the responsibility for oversight of the annual independent audit of the consolidated financial statements.

In connection with the discharge of its responsibility,

- Prior to commencement of the year-end audit work, the Committee met with the independent auditors to discuss (1) the overall scope and specific plans for the conduct of the audit and (2) the accounting, reporting and internal control processes and procedures of the National Association of State Boards of Accountancy, Inc.;
- The Committee reviewed the Audit Committee Charter (the "Charter"), which governs the Committee's scope of responsibilities and actions, and assessed the need for Charter changes for recommendation to the Board of Directors;
- The Committee utilized a compliance tool to self-assess the execution of its responsibilities as specified in the Charter and reviewed its own performance during the year;
- The Committee received presentations from the organization's cyber security consultant summarizing the security program in place for the National Association of State Boards of Accountancy, Inc.;
- After the completion of the audit, the Committee, along with members of senior management, met with the independent auditors to discuss the results of the audit and, without senior management present, the Committee discussed privately with the independent auditors any matters of concern of the independent auditors; and
- The Committee met privately with senior management to discuss and consider the credentials and performance of the independent auditors and made a recommendation to the Board of Directors as to the appointment of an independent audit firm for the year ending July 31, 2019.

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, 2018.

Respectfully submitted,

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

By: Maria E. Caldwell, CPA, Chair

Other Members of the Committee

C. Larry Elmore, CPA  
James R. Mintert, CPA  
Michael T. Schmitz, CPA  
Randa R. Vernon, CPA  
Laurie A. Warwick, CPA



## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying consolidated financial statements of the National Association of State Boards of Accountancy, Inc. and subsidiaries, which comprise the consolidated statements of activities and functional expenses for the years ended July 31, 2018 and 2017, the related consolidated statements of financial position as of July 31, 2018 and 2017, and consolidated 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 from 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 risks of material misstatement 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 changes in the net assets of the National Association of State Boards of Accountancy, Inc. and subsidiaries for the years ended July 31, 2018 and 2017, financial position as of July 31, 2018 and 2017, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Adoption of Accounting Standard**

As discussed in Note 2, the National Association of State Boards of Accountancy, Inc. and subsidiaries have adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, ("ASU 2016-14"), which revises certain financial reporting requirements. Our opinion is not modified with respect to that matter.

*LBMC, PC*

Brentwood, Tennessee  
September 20, 2018

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

	2018	2017
<b>Program Revenue</b>		
Examination, licensing and related services	\$ 29,983	\$ 33,124
Member services, dues and other revenue	1,237	1,186
Total program revenue	31,220	34,310
<b>Program Expenses</b>		
Examination, licensing and related services	20,880	20,902
Member services:		
Regulation and public protection	7,364	6,995
Committees and conferences	1,816	1,806
Other	664	720
Total program expenses	30,724	30,423
<b>Excess of Program Revenue Over Program Expenses</b>	496	3,887
<b>Net Assets Released from Restrictions</b>	13	7
<b>Investment Income</b>	2,238	2,539
<b>Gain (Loss) from Investment in Affiliate</b>	354	(254)
<b>Increase in Net Assets Without Donor Restrictions</b>	3,101	6,179
<b>Change in Net Assets With Donor Restrictions</b>		
Restricted contributions and investment income	37	50
Net assets released from restrictions	(13)	(7)
<b>Increase in Net Assets With Donor Restrictions</b>	24	43
<b>Increase in Net Assets</b>	3,125	6,222
<b>Net Assets, Beginning of Year</b>	51,521	45,299
<b>Net Assets, End of Year</b>	\$ 54,646	\$ 51,521

See Accompanying Notes to Consolidated Financial Statements

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

	Examination, licensing and related services	Member services	Totals
<b>2018</b>			
Compensation	\$ 10,006	\$ 4,019	\$ 14,025
Benefits, taxes and other employee costs	2,916	1,043	3,959
Conferences and meetings	124	1,176	1,300
Travel	157	974	1,131
Technology	1,582	631	2,213
Professional	1,286	866	2,152
Credit card and other program service costs	1,911	20	1,931
Occupancy	1,159	477	1,636
Depreciation and amortization	856	277	1,133
Office	452	132	584
Marketing and community support	86	77	163
Other	345	152	497
Total	<u>\$ 20,880</u>	<u>\$ 9,844</u>	<u>\$ 30,724</u>
	Examination, licensing and related services	Member services	Totals
<b>2017</b>			
Compensation	\$ 10,115	\$ 3,754	\$ 13,869
Benefits, taxes and other employee costs	3,160	1,029	4,189
Conferences and meetings	134	1,176	1,310
Travel	186	1,169	1,355
Technology	1,214	451	1,665
Professional	1,448	899	2,347
Credit card and other program service costs	2,007	15	2,022
Occupancy	1,116	427	1,543
Depreciation and amortization	681	176	857
Office	369	151	520
Marketing and community support	112	134	246
Other	360	140	500
Total	<u>\$ 20,902</u>	<u>\$ 9,521</u>	<u>\$ 30,423</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**

	2018	2017
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 6,216	\$ 7,420
Receivables	1,523	3,912
Prepaid expenses	992	826
Total current assets	8,731	12,158
Investments and Other Assets		
Investment securities, at fair value	40,033	36,863
Investment in affiliate	884	530
Other assets	224	242
Total investments and other assets	41,141	37,635
Property and Equipment	9,117	8,235
Less accumulated depreciation and amortization	2,980	3,567
Net property and equipment	6,137	4,668
Software Development Costs	10,141	9,768
Less accumulated amortization	1,666	4,917
Net software development costs	8,475	4,851
Total assets	\$ 64,484	\$ 59,312
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 6,414	\$ 5,325
Deferred revenue	664	231
Capital lease, current	11	10
Other current liabilities	129	128
Total current liabilities	7,218	5,694
Long-term Liabilities		
Capital lease, non-current	1	12
Other long-term liabilities	2,619	2,085
Total long-term liabilities	2,620	2,097
Total liabilities	9,838	7,791
Net Assets		
Without donor restrictions	54,439	51,338
With donor restrictions	207	183
Total net assets	54,646	51,521
Total liabilities and net assets	\$ 64,484	\$ 59,312

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**

	2018	2017
<b>Operating Activities</b>		
Cash received for services	\$ 35,488	\$ 36,449
Cash received for membership dues	302	309
Cash received from donors to NASBA Center for the Public Trust	207	238
Interest and dividends received	1,100	826
Cash paid to employees, vendors and others	(32,028)	(33,784)
Cash received from examination candidates for examination partners	49,609	53,973
Cash paid to escrow accounts for examination partners	(48,554)	(54,238)
Interest paid	(1)	(1)
Net cash provided by operating activities	6,123	3,772
<b>Investing Activities</b>		
Property and equipment additions	(2,267)	(481)
Proceeds from property and equipment disposals	4	1
Capitalized software development costs	(3,973)	(3,594)
Recovery of capitalized software development costs	813	-
Principal payments received on note receivable	-	528
Purchases of investment securities	(13,752)	(12,736)
Proceeds from sale of investment securities	11,861	9,936
Other	(3)	(4)
Net cash used by investing activities	(7,317)	(6,350)
<b>Financing Activities</b>		
Principal payments on capital leases	(10)	(10)
Cash contributions restricted for endowment	-	2
Net cash used by financing activities	(10)	(8)
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,204)	(2,586)
<b>Cash and Cash Equivalents, Beginning of Year</b>	7,420	10,006
<b>Cash and Cash Equivalents, End of Year</b>	\$ 6,216	\$ 7,420

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**

	2018	2017
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 3,125	\$ 6,222
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	794	702
Amortization of software development costs	339	155
Gains on investment securities	(1,279)	(1,841)
(Gain) loss from investment in affiliate	(354)	254
Recognition of deferred rent credit	(119)	(119)
(Gain) loss on disposals of property and equipment	(2)	3
Gains on endowment fund investment securities	(4)	(8)
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	1,576	(1,267)
Prepaid expenses and other assets	(141)	(21)
Increase (decrease) in:		
Accounts payable, accrued and other liabilities	1,755	(318)
Deferred revenue	433	10
Net cash provided by operating activities	<u>\$ 6,123</u>	<u>\$ 3,772</u>
Non-cash Investing and Financing Activities		
Accrued costs for property and equipment additions	<u>\$ 4</u>	<u>\$ 6</u>
Accrued capitalized software development costs	<u>\$ 301</u>	<u>\$ 311</u>
Receivable for recovery of capitalized software development costs	<u>\$ -</u>	<u>\$ 813</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 ("CPT"), a subsidiary nonprofit, public benefit corporation. The Association is also the sole member of Aequo International, LLC ("Aequo"), a Delaware single-member limited liability company.

### Note 2. Significant Accounting Policies

#### Basis of presentation

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

#### Principles of consolidation

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

#### Use of estimates

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

#### Cash and cash equivalents

Cash equivalents include investments in money market funds and U.S. Government obligations with original maturities, or remaining maturities when acquired, of 90 days or less. Cash and cash equivalents are maintained at a level to meet anticipated operating needs in financial institutions which management believes are financially strong. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to certain limits. From time to time, cash and cash equivalents exceed FDIC limits. At July 31, 2018, the portion of the balance exceeding the FDIC insurance limits was \$500,000.

#### Receivables, note receivable and credit policies

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

Interest income related to a note receivable is 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, historical loss experience and existing economic conditions. Management has determined that no allowance is required at July 31, 2018 or 2017.

#### 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 diversified investments. Investments are made in accordance with an investment policy approved by the Board of Directors. Under the investment policy, the investment securities are required to meet certain criteria as to allowable asset classes and the composition of investments within those classes. Risk characteristics of the portfolio are managed via three primary asset classes of equity, fixed income and diversified investments. The diversified asset class contains investments whose returns generally are not correlated with those of the equity and fixed income asset classes. The diversified asset class is intended to provide risk-versus-return characteristics that are beneficial to the portfolio. NASBA's investments are carried at fair value. These investments are discussed more fully in Note 4.

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

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

#### Investment in affiliate

NASBA's investment in an affiliate was accounted for under the equity method until January 5, 2018. Subsequent to this date, the investment is accounted for under the cost method. Under the equity method, the investment was carried at the initial fair value recorded, increased for additional capital contributions, adjusted for the proportionate share of the investee's income, losses and distributions, and increased by gains or reduced by losses arising from the issuance of additional ownership units by the investee. Upon conversion to the cost method, the initial basis of the investment is the amount recorded as of January 5, 2018. Subsequent to this date, dividends received from net accumulated earnings are recognized as income and dividends received in excess of earnings are recorded as a reduction of the investment. This investment is discussed more fully in Note 7. 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.

#### Property and equipment

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

#### Software development costs

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

#### Realization of long-lived assets

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

#### Net assets

Net assets, revenues and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. All net assets with donor restrictions are associated with CPT and are discussed more fully in Note 11.

#### Revenue recognition

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

#### Management and administrative costs

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

#### Income taxes

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

#### Contributed services

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

#### New accounting pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which made changes to the current reporting model for not-for-profit entities. The amendments in ASU 2016-14 simplify the current net asset classification requirements and improve the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The standard is effective for fiscal years beginning after December 15, 2017 with early adoption permitted. NASBA adopted ASU 2016-14 effective August 1, 2017. Retrospective application was made in the consolidated financial statements. Amounts previously recorded as unrestricted net assets are now net assets without donor restrictions and amounts previously recorded as temporarily and permanently restricted net assets are combined into net assets with donor restrictions. Aside from the consolidated statements of functional expenses and additional disclosures, there were no other impacts on the consolidated financial statements for fiscal 2018 and 2017.

#### Note 3. Contributions Receivable

Contributions receivable consisting of pledges to CPT at July 31, 2018 and 2017 total \$49,000 and \$31,000, respectively. These amounts are due in less than one year at their respective dates in the consolidated statements of financial position. Contributions receivable are included in Receivables in the consolidated statements of financial position.

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

**Note 4. 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, 2018 and 2017, the valuation method used to determine fair value for Level 1 investment securities is the last reported sales price on the last business day of the fiscal year reported by the active markets in which the individual securities are traded. The valuation methods used for Level 2 investment securities are estimates using market-based measurements, such as quoted prices for similar assets, executed trades and yield curves, for U.S. Government and other debt obligations and, for managed pool accounts, the net asset value as reported by the investment company which is derived from the value of the underlying investments. The valuation method used for Level 3 investment securities are estimates which include the discounted cash flow method and/or capitalization rates analysis. Valuations may be derived by reference to observable valuation measures for comparable companies or assets, adjusted for differences between the investment and the referenced comparable, or options pricing models and other similar methods. There have been no changes in the valuation methods used.

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

The fair value of investment securities at July 31, 2018 is as follows:

(In thousands)	Level 1	Level 2	Level 3	Total
Assets in the Fair Value Hierarchy:				
Mutual Funds				
Equity securities	\$ 14,071	\$ -	\$ -	\$ 14,071
Fixed income securities	3,974	-	-	3,974
Diversified investments	1,342	-	-	1,342
Total mutual funds	19,387	-	-	19,387
Exchange-traded Funds				
Equity securities	1,594	-	-	1,594
Total exchange-traded funds	1,594	-	-	1,594
Separately Managed Accounts				
Equity securities	1,960	-	-	1,960
Fixed income securities	1,964	-	-	1,964
Total separately managed accounts	3,924	-	-	3,924
U.S. Government and Other Debt Obligations				
Certificates of deposit	-	2,144	-	2,144
Treasury securities	-	1,745	-	1,745
Federal agency securities	-	2,969	-	2,969
Corporate bonds	-	5,235	-	5,235
Total U.S. government and other debt obligations	-	12,093	-	12,093
Managed Pool Accounts				
Diversified investments	-	699	364	1,063
Total managed pool accounts	-	699	364	1,063
Total assets in fair value hierarchy	24,905	12,792	364	38,061
Investments measured at net asset value as a practical expedient:				
Diversified investments	-	-	-	1,972
Total Investment Securities	\$ 24,905	\$ 12,792	\$ 364	\$ 40,033

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

**Note 4. Fair Value Accounting (Continued)**

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

(In thousands)	Level 1	Level 2	Level 3	Total
Assets in the Fair Value Hierarchy:				
Mutual Funds				
Equity securities	\$ 12,588	\$ -	\$ -	\$ 12,588
Fixed income securities	2,707	-	-	2,707
Diversified investments	1,333	-	-	1,333
Total mutual funds	16,628	-	-	16,628
Exchange-traded Funds				
Equity securities	1,841	-	-	1,841
Total exchange-traded funds	1,841	-	-	1,841
Separately Managed Accounts				
Equity securities	1,903	-	-	1,903
Fixed income securities	1,357	-	-	1,357
Total separately managed accounts	3,260	-	-	3,260
U.S. Government and Other Debt Obligations				
Certificates of deposit	-	1,204	-	1,204
Treasury securities	-	2,500	-	2,500
Federal agency securities	-	3,494	-	3,494
Corporate bonds	-	5,323	-	5,323
Total U.S. government and other debt obligations	-	12,521	-	12,521
Managed Pool Accounts				
Diversified investments	-	667	149	816
Total managed pool accounts	-	667	149	816
Total assets in fair value hierarchy	21,729	13,188	149	35,066
Investments measured at net asset value as a practical expedient:				
Diversified investments	-	-	-	1,797
Total Investment Securities	\$ 21,729	\$ 13,188	\$ 149	\$ 36,863

NASBA has committed to contribute a total of \$750,000 to three separate investment funds which are Level 3 investment securities. At July 31, 2018, \$386,000 of the total commitment remains. The commitments expire at various times during the next three years ("commitment period"). These funds have a strategy of investing in real estate, natural resources, power generation assets, financially distressed companies, and other private equity opportunities. Distributions will be made periodically over a period, including extensions, of up to approximately nine years from the end of the commitment period. The activity for Level 3 investment securities for fiscal 2018 is as follows:

(In thousands)	Fair Value at August 1, 2017	Purchases	Distributions	Gains	Fair Value at July 31, 2018
Diversified investments	\$ 149	\$ 215	\$ (19)	\$ 19	\$ 364

The activity for Level 3 investment securities for fiscal 2017 is as follows:

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



# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 4. Fair Value Accounting (Continued)

There were no transfers into or out of Level 3 during fiscal 2018 and 2017.

The managed pool account included in Level 2 investments may be redeemed on a daily basis. The two investments measured at net asset value as a practical expedient at July 31, 2018 and 2017 were invested with investment companies in which redemption is typically either permitted on a quarterly basis with written notice no later than the 25th day of the month prior to the redemption date or on a monthly basis with written notice no later than the second to last business day of the month. The total amount of all requested redemptions for each period may be limited. For one of the investments, shares that have not been outstanding for at least one year will be repurchased at 95% of the transaction price.

NASBA's nonfinancial assets include property, equipment and software development costs. If certain triggering events occur, a resulting asset impairment would require that the nonfinancial asset be recorded at fair value. During fiscal 2018 and 2017, NASBA did not measure any nonfinancial assets at fair value or recognize any amounts in the consolidated financial statements related to changes in fair value for nonfinancial assets.

### Note 5. Liquidity and Availability

The following schedule reflects NASBA's financial assets as of July 31, 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of this date:

Annual operating and capital expenditures, along with other liabilities and obligations, are anticipated to be funded primarily through cash received for services. NASBA invests excess cash in both short-term and long-term investment securities based on the anticipated time horizon of general expenditure requirements. As more fully described in Note 4, \$18,031,000 of long-term investment securities at July 31, 2018 are invested in lower risk fixed income securities. In addition, \$21,638,000 are in securities which could be liquidated within one year. If circumstances required expenditures that could not be funded through current financial assets, investment securities could be sold to meet the need. The remaining \$364,000 is invested in securities with redemption limitations. NASBA does not intend to, or anticipate having to, liquidate long-term investment securities to fund its general expenditures within one year of July 31, 2018.

(In thousands)	
Cash and cash equivalents	\$ 6,216
Receivables	1,523
Investment securities, at fair value	40,033
Investment in affiliate	884
Endowment fund (included in Other assets)	114
<b>Total financial assets</b>	<b>48,770</b>
Investment securities with liquidity horizons greater than one year	(364)
Investment in affiliate	(884)
Donor-imposed restrictions on CPT financial assets	(207)
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 47,315</b>

### Note 6. Note Receivable

NASBA had a promissory note (the "note") from an affiliate's wholly-owned subsidiary which was fully paid at July 31, 2017. Interest payments related to the note received during fiscal 2017 amounted to \$17,000.

### Note 7. Investment in Affiliate

NASBA had a 20% interest in a limited liability company ("LLC"). On January 5, 2018, NASBA's interest was reduced to approximately 7% as a result of an acquisition by the LLC wherein additional units were issued to the sellers of the acquired company, as well as the existing majority unit holder. As a result of the issuance of additional units, a gain of \$458,000 was recorded related to the dilution of NASBA's ownership interest. Consequently, due to the loss of the ability to exercise significant influence over operating and financial policies, the investment in affiliate ceased to be accounted for as an equity method investment. NASBA's share of the affiliate's cumulative net losses is recorded through January 5, 2018. After this date, the investment in affiliate is accounted for as a cost method investment. The balance of \$884,000 and \$530,000 at July 31 is comprised of the following:

(In thousands)	2018	2017
Initial carrying value	\$ 1,000	\$ 1,000
Additional capital contributions	500	500
Share of the affiliate's cumulative net losses	(691)	(620)
Gain recognized from issuance of units	458	-
Other	(383)	(350)
<b>Total Investment in Affiliate</b>	<b>\$ 884</b>	<b>\$ 530</b>

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

**Note 8. Property and Equipment**

Property and equipment at July 31 consists of the following:

(In thousands)	2018	2017
Office and computer equipment	\$ 2,700	\$ 3,251
Furniture	1,915	1,457
Building and leasehold improvements	4,502	3,527
Total Property and Equipment	9,117	8,235
Accumulated depreciation and amortization	(2,980)	(3,567)
Net Property and Equipment	\$ 6,137	\$ 4,668

**Note 9. Software Development Costs**

The estimated amortization expense of software development costs for the succeeding five fiscal years at July 31, 2018 is as follows in thousands:

Fiscal 2019	\$ 709	In-progress software development costs of approximately \$1,437,000 were capitalized as of July 31, 2018. The software development project to which these costs relate is anticipated to be completed during fiscal 2019. Capitalized software development costs and the associated accumulated amortization was reduced by \$3,590,000 related to the original National Candidate Database that was replaced in fiscal 2018.
Fiscal 2020	662	
Fiscal 2021	651	
Fiscal 2022	635	
Fiscal 2023	635	

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

**Note 10. Other Long-term Liabilities**

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

(In thousands)	2018	2017
Accrued rent payable	\$ 1,443	\$ 794
Deferred rent credit	934	1,053
Accumulated postretirement benefit obligation	242	238
Total Other Long-term Liabilities	\$ 2,619	\$ 2,085

**Note 11. Net Assets With Donor Restrictions**

Net assets with donor restrictions at July 31 have donor-imposed restrictions as follows:

(In thousands)	2018	2017
Time-restricted endowment investment income	\$ 21	\$ 14
Purpose-restricted	93	76
Endowment fund	93	93
Total Net Assets With Donor Restrictions	\$ 207	\$ 183

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

Net assets without donor restrictions include the net assets without donor restrictions of CPT, which as of July 31, 2018 and 2017, respectively, are \$161,000 and \$83,000.

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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, 2024. The initial term, number of renewal options and renewal terms for each party to the Domestic Agreement are as follows:

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

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

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

NASBA also collects the Prometric and AICPA fees from candidates related to the examination. These funds are held in escrow accounts and are disbursed when services are provided. At July 31, 2018 and 2017, these escrow funds amounted to approximately \$26,000,000 and \$24,000,000, respectively. These funds are held in depository accounts and U.S. Treasury notes. At July 31, 2018, no portion of the escrow funds balance held in depository accounts exceeded FDIC insurance limits. Escrow funds and the related obligations are not reported in the consolidated financial statements because they do not represent assets or obligations of NASBA.

### 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 \$822,000 and \$846,000 for fiscal 2018 and 2017, 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, 2018 and 2017, the accumulated postretirement benefit obligation was determined by an independent actuarial valuation to be \$253,000 (\$242,000 noncurrent and \$11,000 current) and \$246,000 (\$238,000 noncurrent and \$8,000 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)	2018	2017
Components of net periodic cost (credit):		
Service cost	\$ 18	\$ 24
Interest cost	8	7
Actuarial (gain) loss	(15)	(57)
Net periodic cost (credit)	11	(26)
Plan participants' contributions	5	-
Benefits paid	(9)	-
Net change in benefit obligation	7	(26)
Benefit obligation at beginning of year	246	272
Benefit Obligation at End of Year	\$ 253	\$ 246

# NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 13. Retirement Plan and Other Postretirement Benefits (Continued)

The discount rate used to value the obligation was 3.77% in fiscal 2018 and 3.21% in fiscal 2017. The assumed medical trend rate is 7% graded uniformly to 4% over a period of 9 years and the assumed dental trend rate is 4% per annum. The approximate effect on the accumulated postretirement benefit obligation of a one percentage point change in the assumed health care cost trend rate is as follows:

(In thousands)	1% Increase in Rates	1% Decrease in Rates
Accumulated Postretirement Benefit Obligation Effect	\$ 21	\$ (19)

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 \$9,000 in fiscal 2018. There were no employer contributions in fiscal 2017. The following table shows approximate actuarial projections of expected future postretirement benefit payments in thousands:

Fiscal 2019	\$ 10
Fiscal 2020	14
Fiscal 2021	19
Fiscal 2022	24
Fiscal 2023	28
Fiscal 2024 through 2028	139

### Note 14. Capital Leases

NASBA is obligated at July 31, 2018 with future minimum lease payments as follows in thousands:

The amortized cost of the office equipment under this capital lease is \$11,000 at July 31, 2018.

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

### Note 15. Commitments

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

Fiscal 2019	\$ 1,602
Fiscal 2020	1,642
Fiscal 2021	1,530
Fiscal 2022	1,572
Fiscal 2023	1,545
Thereafter	7,309
Minimum Lease Payments	\$ 15,200

Net rent expense charged to operations for office space in fiscal 2018 and 2017 totaled \$1,636,000 and \$1,543,000, respectively. NASBA subleased a portion of the leased office space to an affiliate's wholly-owned subsidiary through May 31, 2017. Rent expense for fiscal 2017 was reduced by \$128,000 from sublease income.

### 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 to income before income taxes as a result of the following:

(In thousands)	2018	2017
Statutory federal income tax benefit	\$ (63)	\$ (109)
State income taxes	(13)	(20)
Decrease in deferred tax asset due to income tax rate reduction	126	-
Change in valuation allowance	(46)	124
Other	(4)	5
Income Tax Benefit	\$ -	\$ -

The deferred income tax asset consists of the following:

(In thousands)	2018	2017
Deferred income tax asset	\$ 268	\$ 314
Valuation allowance	(268)	(314)
Deferred Income Tax Asset	\$ -	\$ -



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 16. Income Taxes (Continued)**

At July 31, 2018, Aequo had federal and state net operating loss carryforwards of \$966,000. The carryforwards expire at various dates from July 31, 2035 through 2038 for federal tax purposes and July 31, 2030 through 2033 for state tax purposes. The valuation allowance relates primarily to federal and state net operating loss carryforwards that may not be realized.

On December 22, 2017, the Tax Cuts and Jobs Act ("Act") was signed into law. Among other provisions, the Act reduces the Federal statutory corporate income tax rate from 35% to 21%. The provision for income taxes for Aequo for fiscal 2018 reflects the one-time impact of the revaluation of deferred tax assets and liabilities to reflect the new lower rate. The Act resulted in a \$126,000 decrease in the deferred tax asset for fiscal 2018, which was offset by a corresponding change in the deferred tax asset valuation allowance.

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, 2018 and 2017. 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 2015.

**Note 17. Subsequent Events**

Management has evaluated all material events and transactions that occurred from July 31, 2018 through September 20, 2018, which is the date that the consolidated financial statements were available to be issued. There were no material subsequent events that required adjustments to or disclosure in the consolidated financial statements.