



NASBA
2020 *Annual Report*
RESILIENCE

RESILIENCE

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

NASBA, State Boards of Accountancy and the accounting profession (along with the rest of the world) could have never forecasted the ramifications of a worldwide pandemic that has changed the way we live, work and regulate. Priorities had to be reconsidered with survival and safety becoming the paramount responsibility, but with never losing sight of our responsibility to protect the public. Similarly, NASBA's leadership remained focused on our mission, *"To enhance the effectiveness and advance the common interests of the Boards of Accountancy."*

Much of the fiscal year was filled with promise and new initiatives that ultimately served us well. NASBA invested in tools and systems to enhance the capability of state boards, and to improve the capability and capacity of our staff. Because of the continuing growth of Nashville and the competition for labor, NASBA leadership made the decision to invest in equipment and training that would allow us to give our staff new flexibility, including the capability to work remotely. Our goal was to allow most staff the option of working remotely two days a week, not knowing that we would soon be closing all our facilities with all able staff working from home. Because of the decisions and implementations made for flexibility and the success and drive achieved, we now have provided almost every NASBA employee the tools and ability to work remotely. We are pleased to share, all core NASBA functions and services are now fully operational.

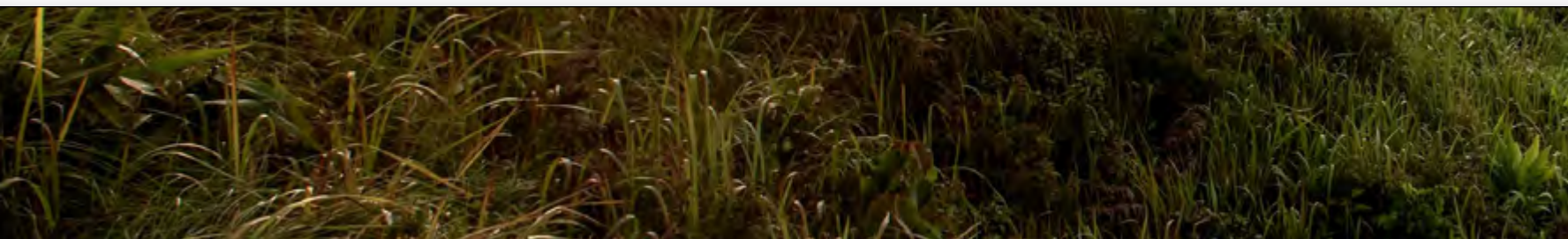
One of the biggest disappointments for NASBA leadership has been the inability to hold face-to-face meetings, conferences and site visits with our members. However, we are gratified by the response of state board members and staff for their willingness to meet and collaborate in the virtual format. While we all miss getting together

in person, the important educational and communication elements of these critical meetings were sustained.

The theme of this year's Annual meeting is "Resilience." Little did we know that the resilience of our association would build on last year's theme "Resolve" as either theme seems applicable to how NASBA persevered through the unprecedented challenges resulting from COVID-19. For the past year and more, the CPA Evolution effort has been the primary concentration of NASBA, the AICPA and Boards of Accountancy. While the meetings of leadership, staff and volunteers became virtual, progress has continued unimpeded and the timelines for implementation have held. Similarly, continuous improvements in the CPA Examination, monitoring and response to legislation, and NASBA's efforts in diversity and inclusion, have all maintained momentum.

The impact of the coronavirus has not reduced the efforts of those trying to weaken regulation through anti-regulation legislation. In fact, some proponents of such effort are trying to take advantage of the disruptions associated with the pandemic to slip in bills or language while our attention may be diverted. NASBA's Legislative Committee and staff have maintained their diligence in both monitoring and reacting to threats as they occur. Working closely with the AICPA and through our joint participation in the Alliance for Responsible Professional Licensing (ARPL), we continue to protect and promote balanced, fair and effective regulation of the accounting profession.

This past year, there has been national focus on diversity. NASBA was at the forefront of ensuring that our association is representative of the makeup of all our members and constituents. NASBA's governance leadership is indicative of those efforts





with the balanced diversity of our officers, board of directors and committees, as is our staffing and executive leadership. The national conversation has only amplified our efforts. NASBA's Diversity Committee and staff continue to explore ways to improve the diversity of the CPA pipeline and to address barriers to entry into the accounting profession.

The disruptions we have faced this year are international, and the importance of international relationships is paramount. While communications have been virtual and with many of our global counterparts working remotely, some priorities have changed, but the importance of a continued dialogue and maintenance of our mutual recognition agreements continues. The joint NASBA and AICPA International Qualifications Appraisal Board (IQAB) and staff have kept busy. The leadership of NASBA continues to support our international efforts.

NASBA faced unprecedented and unanticipated financial challenges as a result of the impact of the coronavirus. With colleges and universities, testing centers and other stakeholders shut down, revenue essentially stopped. While painful, NASBA leadership reacted quickly and strategically with furloughs, closings and other belt tightening decisions. As a result, NASBA has been able to continue to provide essential services, protect its assets and successfully implement flexible operational strategies. NASBA finished the fiscal year able to maintain our unrestricted net assets while spending a record amount in regulatory-related mission spending.

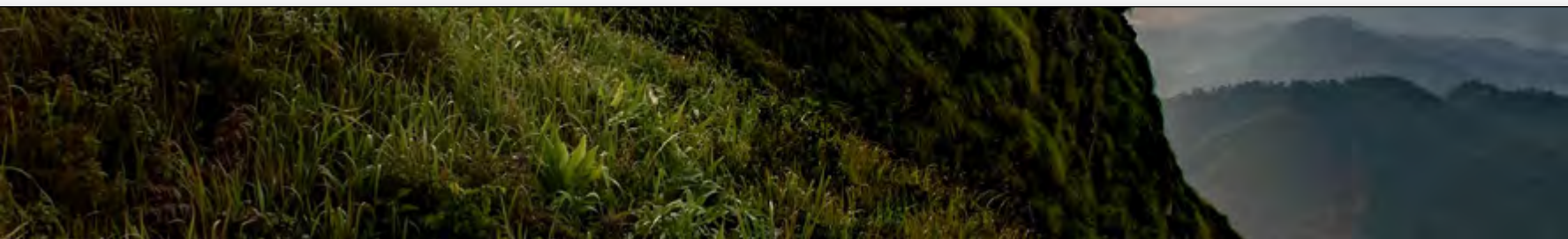
NASBA's leadership, dedicated volunteers and professional staff have shown tremendous resilience, which resulted in remarkable

successes. State boards have risen to the challenges across the country and have shouldered their regulatory responsibility without interruption. None of this would have been possible without you, our members. Thank you for your efforts and the continued support and trust you have placed in us.

Laurie J. Tish, CPA
Chair, 2019-2020

Ken L. Bishop
President & Chief Executive Officer

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





NASBA

BOARD *of* DIRECTORS

OFFICERS

Laurie J. Tish, CPA
Chair

A. Carlos Barrera, CPA
Vice Chair

Janice L. Gray, CPA
Past Chair

W. Michael Fritz, CPA
Treasurer

Stephanie M. Saunders, CPA
Secretary

EXECUTIVE DIRECTORS' LIAISON

Grace Berger

PRESIDENT & CEO

Ken L. Bishop

DIRECTORS-AT-LARGE

Catherine R. Allen, CPA
Director-at-Large

J. Coalter Baker, CPA
Director-at-Large

Maria E. Caldwell, CPA
Director-at-Large

John F. Dailey, Jr., CPA
Director-at-Large

Tyrone E. Dickerson, CPA
Director-at-Large

Sharon A. Jensen, CPA
Director-at-Large

Richard N. Reisig, CPA
Director-at-Large

REGIONAL DIRECTORS

J. Andy Bonner, Jr., CPA, CGMA
Southeast Regional Director

C. Jack Emmons, CPA, CFE
Southwest Regional Director

Alison L. Houck, CPA
Middle Atlantic Regional Director

Stephen F. Langowski, CPA
Northeast Regional Director

Faye D. Miller, CPA
Central Regional Director

Jason D. Peery, CPA
Mountain Regional Director

Katrina Salazar, CPA
Pacific Regional Director

Kenya Y. Watts, CPA
Great Lakes Regional Director



NASBA's BOARD OF DIRECTORS 2019-20 – Front Row (left to right): W. Michael Fritz (OH) Director-at-Large; Colleen K. Conrad, Executive Vice President and COO; A. Carlos Barrera (TX) Vice Chair; Laurie J. Tish (WA) Chair; Ken L. Bishop, President and CEO; Janice L. Gray (OK) Past Chair; Michael R. Bryant, Senior Vice President and CFO; Stephanie M. Saunders (VA) Director-at-Large; Center Row (left to right): Faye D. Miller (ND) Central Regional Director; Sharon A. Jensen (MN) Director-at-Large; Katrina Salazar (CA) Pacific Regional Director; Grace Berger (MT) Executive Directors' Liaison; Alison L. Houck (DE) Middle Atlantic Regional Director; Kenya Y. Watts (OH) Great Lakes Regional Director; Catherine R. Allen (NY) Director-at-Large; Maria E. Caldwell (FL) Director-at-Large; John F. Dailey, Jr. (NJ) Director-at-Large; Top Row (left to right): Stephen F. Langowski (NY) Northeast Regional Director; Noel L. Allen (NC) Outside Legal Counsel; Richard N. Reisig (MT) Director-at-Large; J. Andy Bonner, Jr. (TN) Southeast Regional Director; J. Coalter Baker (TX) Director-at-Large; Jason D. Peery (ID) Mountain Regional Director; Tyrone E. Dickerson (VA) Director-at-Large; C. Jack Emmons (NM) Southwest Regional Director.



NASBA STAFF DIRECTORS



Alfonzo Alexander	Chief Ethics and Diversity Officer & CPT President
Michael R. Bryant, CPA	Senior Vice President & Chief Financial Officer
Maria-Lisa Caldwell, Esq.	Chief Legal Officer and Director, Compliance Services
Colleen K. Conrad, CPA	Executive Vice President & Chief Operating Officer
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 Sourcing & Strategy Officer
Roy Hall	Chief Information Security Officer
Patricia Hartman	Director, Client Services
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
Sedrik Newbern	CPT Operations Director
Jeff Oliver	Chief Information Officer
James Polite	Director, Program Management
Amy Tongate	Associate Director, CPE Services
Troy A. Walker, CPA	Director, Finance and Controller

VOICES *in the* ACCOUNTING WORLD

2019 - 2020 NASBA REPRESENTATIVES

SERVING ON REGULATORY BODIES & PROFESSIONAL ACCOUNTING ORGANIZATIONS

AICPA Accounting and Review Services Committee

Tom Prothro

AICPA Auditing Standards Board

Sherry Chesser (2020)

Jeannie Dee

Horace Emery (2020)

Gaylen Hansen

Tracy Harding (Chair)

Clay Huffman (2020)

Alan Long

Marcia Marien

AICPA Board of Examiners

Barry Berkowitz

Allan Cohen

James Corley

David DeSilva

James Gottfried

Steve Grice (2020)

Sheldon Holzman

Nicola Neilon (2020)

Joshua Partlow (2020)

Kathy Smith

Michael Watts

Thomas Weirich

AICPA Board of Examiners Content Subcommittees

Nancy Corrigan (2020)

Paul Kelly, III

Faye Miller

Sara Mikuta

Rebecca Phillips

Gerald Weinstein (2020)

AICPA Board of Examiners State Board Committee

David DeSilva (Chair)

Kent Absec

Michael Barton

William Hunter Cook

Wendy Garvin

Nicole Kasin

Sheri Risler (2020)

Michael Rollage

Katrina Salazar

Viki Windfeldt (2020)

AICPA National Peer Review Committee

James Gero

Mark Hobbs

AICPA Peer Review Board

Elizabeth Gantnier

AICPA Professional Ethics Executive Committee

Cathy Allen (2020)

J. Coalter Baker

Sharon Jensen

Stephanie Saunders

Lawrence Wojcik

Financial Accounting Foundation

Diane Rubin (Vice Chairman)

FASB Private Company Council

Richard Reisig

IAASB Consultative Advisory Group

Gaylen Hansen

IESBA Consultative Advisory Group

Gaylen Hansen (Chair)



COMMITTEES

Regarded as a cornerstone of support within the organization, NASBA appoints more than 20 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 2019-20.

Administration and Finance Committee

Audit Committee

Awards Committee

Bylaws Committee

CBT Administration Committee

Communications Committee

Compliance Assurance Committee

CPA Examination Review Board

Continuing Professional Education Committee

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

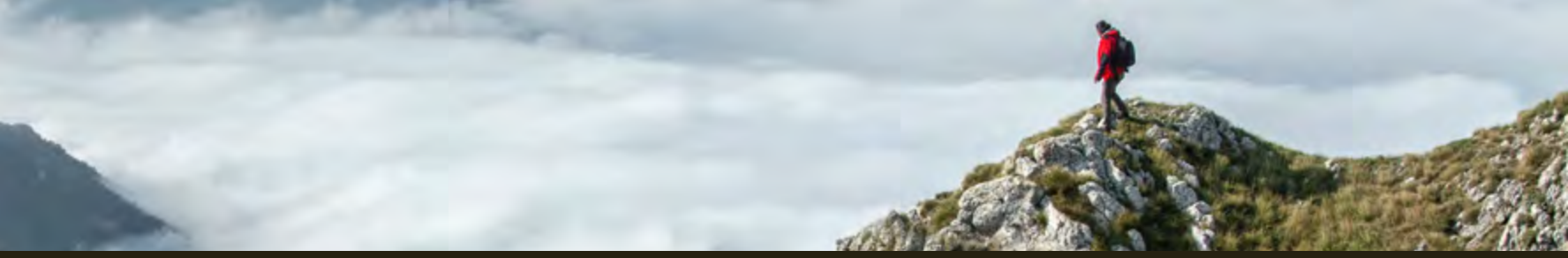
Regulatory Response Committee

Relations with Member Boards Committee

Standard-Setting and Professional Trends Advisory Committee

State Society Relations Committee

Uniform Accountancy Act Committee



ADMINISTRATION AND FINANCE COMMITTEE

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

Committee Members:

- W. Michael Fritz (OH), Chair
- A. Carlos Barrera (TX)
- Frederick G. Briggs, Jr. (NH)
- Jimmy E. Burkes (MS)
- Lori J. Druse (NE)
- 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 and its subsidiaries. The Board of Directors relies on the Administration and Finance Committee in fulfilling its fiduciary responsibility to oversee operating, investing and mission-focused fiscal activities. The Committee works with management and volunteer leadership to review financial policies, monitor financial performance and assess enterprise risk.

Operational and capital budgets, as approved by the Board of Directors for Fiscal 2020, were discussed with management at quarterly meetings and included financial statement presentations and analyses of the effects of the pandemic, as well as other budget variance drivers. Throughout the second half of the fiscal year, the Committee’s oversight placed particular emphasis on cash flow and management’s response to the negative financial impact, which occurred at the onset of the health crisis when testing centers were closed for a brief period.

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 long-term invested funds, and monitors compliance with the board-approved investment policy statement (IPS). During the current fiscal year, the Board of Directors approved the Committee’s recommendations to combine long-term investments held by separate advisors into a single advisor-managed account, and to provide additional parameters within the fixed income segment of the portfolio.



AUDIT COMMITTEE

Committee Members:

- Faye D. Miller (ND), Chair
- Timothy Egan (CT)
- C. Larry Elmore (TN)
- Michael Schmitz (ND)
- Randa Vernon (OK)
- Lydia M. Washington (NY)
- Judy C. Wetherbee (TN)

Staff Liaisons:

- Michael R. Bryant
- Troy A. Walker

Oversee the Association’s annual financial statement audit and the internal controls, and recommend to the Board of Directors the firm to perform the audit.

The Committee’s activities are summarized in the Report of the Audit Committee on page 54.

AWARDS COMMITTEE

The NASBA Awards Committee hosted its 2020 Call for Award Nominations April 20 through June 22, 2020. The Committee met on July 9, 2020, 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.

NASBA's 2020 award recipients include: Carlos E. Johnson, CPA, of Oklahoma (William H. Van Rensselaer Public Service Award), Raymond N. Johnson, CPA, Ph.D., of Oregon (NASBA Distinguished Service Award) and Russ Friedewald of Illinois (Lorraine P. Sachs Standard of Excellence Award).

NASBA will recognize each of these recipients virtually during the 113th Annual Meeting, November 2-4, 2020.



Carlos E. Johnson



Raymond N. Johnson



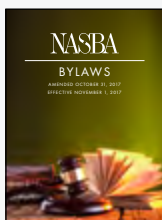
Russ Friedewald

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.

Committee Members:
Theodore W. Long, Jr. (OH), Chair
Frederick G. Briggs, Jr. (NH)
Dawn M. Carlson (IL)
James Corley (AR)
Bobby R. Creech, Jr. (SC)
Gaylen R. Hansen (CO)
Chandra Lalvani (PA)

Staff Liaison:
Cassandra A. Gray

BYLAWS COMMITTEE



The NASBA Bylaws Committee developed amendments concerning teleconferences and the Nominating Committee. The proposed amendments would make changes to Sections 4.11 and 7.1.8 to modernize the wording to reflect current teleconferencing practices and to clarify the extent to which teleconferences may substitute for in-person meetings. Changes to the Nominating Committee's procedures outlined in Section 7.2.2 clarifies the Committee may look beyond the initially proposed candidates to make their selection. The proposed amendments were approved by the NASBA Board of Directors for submission to the membership at the 2020 NASBA Annual Business Meeting.

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

Committee Members:
Katrina Salazar (CA), Chair
Jon W. Cain (WV)
Dawn M. Carlson (IL)
Bobby R. Creech, Jr. (SC)
Thomas J. Homer (IL)
David S. Pummel (SD)

Staff Liaison:
John W. Johnson

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

Committee Members:

Tyrone E. Dickerson (VA), Chair
Robert N. Brooks (NC)
Pamela Church (TN)
Russ Friedewald (IL)
James Gottfried (OH)
Sheldon P. Holzman (IL)
Michael R. Putich (SC)
David Sanford (GU)
Leslie Schmitz (AK)
David A. Skup (FL)
Craig F. Smith (GA)
Susan L. Somers (KS)

Staff Liaisons:

Patricia Hartman
James Polite

CBT ADMINISTRATION COMMITTEE

The Committee met virtually several times in conjunction with the Executive Directors Committee to address issues impacting the CPA Exam due to COVID-19, such as extensions for Notices to Schedule (NTS) or examination credit. The Committees met and reviewed initial demonstrations on remote proctoring of the Uniform CPA Exam.

The Committee oversaw the successful implementation of continuous testing in July 2020 as well as international expansion into India in June 2020 and the Republic of Korea in October 2020.

The Committee continues to address issues and challenges encountered during the administration of the Examination and ways to reduce said issues and challenges.

COMPLIANCE ASSURANCE COMMITTEE

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

Committee Members:

Stephen F. Langowski (NY), Chair

Ellen K. Adkins (SC)

Sherry L. Chesser (AR)

Elizabeth Gantnier (NC)

Wendy S. Garvin (TN)

James P. Gero (OH)

Mark T. Hobbs (SC)

Michael S. McClure (NE)

Chas McElroy (MN)

Charles R. Prince (MS)

Arthur L. Sparks, Jr. (TN)

Jay Tolsma (SD)

Viki A. Windfeldt (NV)

Wade K. Watkins (UT)

Wendy Garvin (TN)

Staff Liaison:

Daniel J. Dustin

The Committee met virtually six times during the year, including one joint meeting with the Executive Directors Committee. At its initial meeting in December 2019, the Committee identified several initiatives to be undertaken, including continued monitoring of updates to Chapter 3 of the AICPA Oversight Handbook; consolidation of peer review administering entities; conducting a Board of Accountancy survey to obtain up-to-date information on peer review and peer review oversight committees (PROCs); and establishing committee task forces on website redesign and regional PROCs.

During the year, the Committee heard updates on the activities of the AICPA's National Peer Review Committee and the AICPA's Peer Review Board Oversight Task Force. The Committee also learned of changes made to the peer review program as a result of the COVID-19 pandemic, including peer review extensions and temporary changes to firm and reviewer fair procedures. Committee members participated in all Peer Review Board meetings during the year. The Committee also discussed the need for another PROC Summit. A subcommittee was established and tasked with assessing and developing a plan for revamping the Committee website. As an adjunct, the subcommittee will focus on the addition of best practices for regional PROCs.



CONTINUING PROFESSIONAL EDUCATION COMMITTEE

On December 19, 2019, NASBA and the AICPA announced approval of the proposed revisions to the Statement on Standards for Continuing Professional Education (CPE) Programs (*Standards*) as well as the NASBA Fields of Study document.

Among the most significant changes to the *Standards* is allowing for adaptive learning self study programs within the self study standards. The 2019 *Standards* now permit the use of review questions or other content reinforcement tools in a nano learning program. Additional clarifications have been made with regard to awarding CPE credit in the different instructional delivery methods. Definitions and examples were also included to assist in the application of the 2019 *Standards*. The changes to the Fields of Study document focused on providing descriptions that are more current and relevant than the previous version. The 2019 Standards became effective December 31, 2019.

The Committee has developed a strategy to encourage adoption of the nano and blended learning delivery methods with remaining State Boards of Accountancy. Most recently, the Committee discussed the impact of COVID-19 on CPE: the impact to state boards and the CPE requirements and reporting periods; the impact to CPE providers and the flexibility required to provide necessary CPE opportunities to CPAs; and the impact to the operations of the National Registry of CPE Sponsors.

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.

Committee Members:

John F. Dailey, Jr. (NJ), Chair

Michael Barton (IN)

Jimmy Bell (ID)

Nancy J. Corrigan (CA)

Gerald E. Denor (WI)

Nicole Kasin (SD)

Marianne Mickelson (IA)

Vikki G. Nunn (WY)

Angela L. Pannell (MS)

Joshua W. Partlow (VT)

Willie B. Sims, Jr. (MS)

Brian R. Thomas (WA)

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.

Committee Members:

Doug Skiles (NE), Chair
Barbara A. Ley (OK), Past Chair
Janet Booker-Davis (TN)
Ruben A. Davila (CA)
Marianne DeVries (AZ)

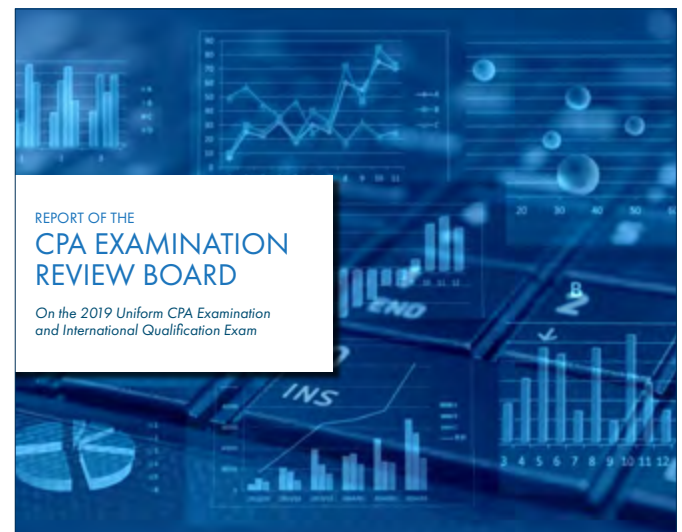
Consultants:

Michael W. Harnish
Suzanne Lane

Staff Liaison:

Sheena Murphy

The ERB reviewed and evaluated the policies and procedures utilized in the preparation, grading and administration of the Uniform CPA Examination and the International Qualification Examination for the year ended December 31, 2019. 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 2020 for the work performed during the 2019 calendar year. The ERB stated the results of the 2019 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, 2019." 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

The NASBA Diversity Committee had an interesting year. During its initial meeting, the Committee reaffirmed its objectives and focus areas, based on the Committee's charge, and laid out plans for the remainder of the year. 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. Although much of the Committee's work was interrupted by the challenges faced across the world, some of its work is highlighted in this report.

The Committee reviewed information obtained at the end of the previous committee year from State Board of Accountancy staff and State CPA Society executives to assist with understanding the demographics of the state boards. In doing so, the Committee confirmed the list of jurisdictions with the most opportunity to grow diversity.

Continuing a program it started three years ago to encourage diverse involvement in NASBA committees, the Committee reached out to new Board of Accountancy members from across the country to encourage their involvement in NASBA. The Committee also recommended select CPAs from across the nation to be featured in the upcoming program, the Diverse BOA Member Profiles. This program is a series of video interviews with diverse state board members telling their stories and encouraging others to consider board service to help protect the public. The videos were to be produced this year, but were deferred to next year, due to the pandemic.

Other activities of the Committee included supporting the PhD Project and other initiatives focused on building the pipeline of diverse talent entering the CPA profession.

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.

Committee Members:

Alison L. Houck (DE), Chair
Johnnie Bejarano (CO)
Manuel Cavazos (TX)
Scott Dockins (ID)
Kerry Eaton (NV)
Rhonda Kodjayan (IL)
Chandra Lalvani (PA)
Godson Sowah (MN)

State Society Liaison:

Ralph Albert Thomas (NJ)

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.

Committee Members:

Stephanie M. Saunders (VA), Chair
Charles Alvis (SC)
Margaret Combs (KY)
Steve Grice (AL)
Raymond N. Johnson (OR)
Carlos E. Johnson (OK)
Walter F. D'Olive, III (AL)
Jason D. Peery (ID)
Simon Petravick (IL)
Joe Shoemaker (NH)
Richard Silverman (NH)
Sandra A. Suran (OR)
Michael M. Watts (AR)

Staff Liaison:

Daniel J. Dustin

The Education Committee met virtually several times throughout the year to discuss the Accounting Education Research Grants process and the joint AICPA-NASBA CPA Evolution Initiative.

The Committee selected the 2020 recipients for NASBA's Accounting Education Research Grants. This year's recipients include the team of Tristan B. Johnson and J. Russell Hardin from the University of South Alabama (Mobile, AL) and D. Shawn Mauldin from Mississippi State University (Starkville, MS), for their research entitled, "Options for Meeting the 150-Hour Requirement to Maximize Students' Demand as Public Accounting Recruits: Establishing New Benchmarks in the Age of Data Analytics."; and M. Pamela Neely and Timothy Hungerford of State University New York – Brockport (Brockport, NY) for their project titled, "Rejuvenating the Accounting Curricula: How Can We Bring Accounting Students Into the 21st Century?"

The Committee heard updates and discussed the activities and outcomes of the CPA Evolution Initiative Education Work Group. The Work Group included members of the NASBA Education Committee. The Committee also participated in virtual meetings to discuss the proposed amendments to the Uniform Accountancy Act Model Rules for education and to hear an overview of CPA Evolution initiatives to develop model curricula and a model internship program.



ENFORCEMENT RESOURCES COMMITTEE

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

The Enforcement Resources Committee, like many other committees, has been concerned this year with how the pandemic is affecting state board operations. The Committee worked diligently with NASBA's Legal team to track COVID-19 changes specific to disciplinary concerns across its member boards the past several months. The changes have been gathered from board websites, board rulemaking publications, state registers and executive orders.

The Committee is working on releasing a series of short Enforcement Surveys. The first short survey in the series was released mid-September 2020. The Committee plans to use the survey responses to update the Enforcement Resources Guide and the *Enforcement Newsletter* with a more accurate picture of how boards are handling COVID-19 changes and to better recognize the commonality and differences of disciplinary practices among the boards. The Committee plans to combine the input from these survey responses and any disciplinary matrixes submitted as an update to the Enforcement Resource Guide, so that board members and executive directors will have additional guidance available with respect to disciplinary penalties and procedures.

The Committee is revamping the *Enforcement Newsletter*, which is scheduled to relaunch in Fall of 2020 with a major emphasis on COVID-19 issues and board responses. The newsletter will feature an update on the Delaware and Utah Accountancy Licensing Database (ALD) Implementations as well as articles about state(s) using CPAVerify in place of Interstate Exchange Forms; the benefits of Accountancy Licensing Database (ALD)/testimonial from an executive director; and COVID-19 changes to board rules/policy (including modified penalties, delayed hearings, extensions for responding to disciplinary correspondence, etc.). Future editions of the newsletter will include articles regarding rulemaking and legislative updates and board members' use of the ALD.

NASBA continues to actively promote the Investigator and Expert Witness Pools through state board newsletters and through NASBA publications. Timely distribution of the Quarterly Enforcement Report also 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 continues to support the Committee's goals of consumer protection and efficient enforcement of professional standards.

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

Committee Members:

Maria E. Caldwell (FL), Chair

Jose R. Barreras (PR)

Louis J. Costanzo (WV)

John R. Helms (KS)

Carol A. Morgan (WA)

Roselyn E. Morris (TX)

Nicola Neilon (NV)

Eileen L. Poiani (NJ)

John W. Roberts (HI)

Emily R. Rollins (TX)

Patrick P. Stewart (NM)

Patrick M. Thorne (NV)

Staff Liaison:

Elizabeth Wolfe



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.

Committee Members:

Catherine R. Allen (NY), Chair

Paul Balas (MI)

David I. Bridgers, Jr. (MS)

Donald H. Burkett (SC)

Wm. Hunter Cook (NC)

Robert F. Fay (OH)

Susan Quaintance Ferguson (VA)

Robert L. Goldfarb (NY)

Larry Hunter (ID)

James G. Kelley (IL)

Thomas G. Neill (WA)

Michael L. Nickerson (ME)

Steven M. Platau (FL)

Lydia M. Washington (NY)

Lawrence A. Wojcik (IL)

Staff Liaison:

Daniel J. Dustin

The Ethics Committee met in person in January 2020, and several times virtually, to discuss exposure drafts issued by the International Ethics Standards Board for Accountants (IESBA), AICPA Professional Ethics Executive Committee (PEEC), and the U.S. Securities and Exchange Commission (SEC). Subjects covered included:

Source	Exposure Draft	Received	Comments Due
PEEC	PEEC Strategy and Work Plan	11/15/19	2/28/20
SEC	Amendments to Rule 2-01, Qualifications of Accountants (File Number S7-26-19)	1/15/19	3/11/19
IESBA	Proposed Revisions to the Fee-related Provisions of the Code	1/21/20	5/4/20
IESBA	Proposed Revisions to the Non-Assurance Services Provisions of the Code	1/21/20	5/4/20
IESBA	Proposed Revision to the Code Addressing the Objectivity of Engagement Quality Reviewers	1/30/20	2/28/20
PEEC	Proposed Revised Interpretation Records Requests	5/1/20	9/30/20
PEEC	Proposed Interpretation Staff Augmentation Arrangements	9/8/20	12/8/20



EXECUTIVE DIRECTORS COMMITTEE

Support Executive Directors in their roles with Boards of Accountancy.

Committee Members:

Grace Berger (MT), Chair
Kent Absec (ID)
Jovonna Bennett (RI)
John E. Patterson (OH)
Randall A. Ross (OK)
Charles Satterlund (WA)
Dan Sweetwood (NE)
Brenda Turley (WV)

Staff Liaisons:

Daniel J. Dustin
Patricia Hartman

The Executive Directors Committee represents the executive directors of the 55 U.S. Boards of Accountancy and serves as a means of outreach to the executive directors. The Committee was responsible for coordinating the 38th Annual Conference for the Executive Directors and Board Staff, which was held virtually in March 2020. This was NASBA's first virtual conference and was very well received. In continuing efforts to build relationships and in conjunction with the State Society Relations Committee, joint sessions were held with the State Society CEOs and presidents. The conference held discussion on topics covering UAA, Cyber Security, Legal Cases and Other Developments Impacting the Profession, Peer Review, Contingency Planning and the Uniform CPA Examination.

The Committee met virtually several times in conjunction with the CBT Administration Committee to address issues impacting the CPA Exam due to COVID-19, such as extensions for Notices to Schedule (NTS) or examination credit. The Committees met and reviewed initial demonstrations on remote proctoring of the Exam.

INTERNATIONAL QUALIFICATIONS APPRAISAL BOARD

The renewal of the mutual recognition agreement with the Hong Kong Institute of CPAs (HKICPA) was signed and agreed to for a three-year period as of July 1, 2020. The agreement is not for a full five-year period, as others are, as HKICPA is in the process of changing its qualification program and their new final examination will not be available for review for some time. The renewal covers members of HKICPA who completed the program currently in place. The IQAB evaluation task force was led by Telford A. Lodden.

Chair Sharon Jensen held a virtual IQAB meeting on May 8, 2020. Among the issues discussed was the AICPA's invitation to comment on the blueprint for the 2021 Uniform CPA Examination. Led by Dr. Bud Fennema, the task force reviewing the Examination asked IQAB to consider requiring CPE to cover topics not included in the REG section of the Examination. The task force will be monitoring the changes proposed to the Examination in conjunction with the CPA Evolution project. Whether or not IQEX (the material in the current REG section) continues to meet IQAB's needs will have to be evaluated.

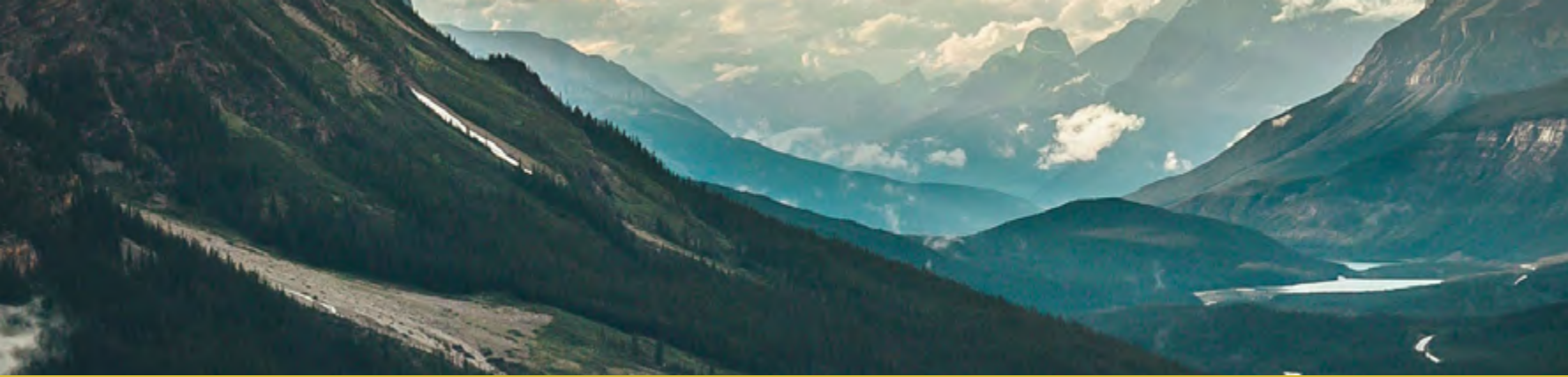
A review of the qualifications of CPA Ireland credential holders is underway, led by Wendy S. Perez. Only those CPA Ireland members who hold at least a baccalaureate degree are being considered for coverage under a mutual recognition agreement.

Talks with the Institute of Chartered Accountants of England and Wales have been postponed due to the coronavirus. NASBA President Ken L. Bishop plans to speak with Financial Reporting Council (FRC) Chief Executive Sir Jon Thompson. The FRC has been undergoing some significant changes and the UK is still working through BREXIT details.

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

Committee Members:
Sharon A. Jensen (MN) , Chair
Martin G. Fennema (FL)
Telford A. Lodden (IA)
Wendy S. Perez (CA)
William Treacy (TX)
Thomas R. Weirich (MI)

Staff Liaisons:
Louise Dratler Haberman
Patricia Hartman



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.

Committee Members:

- J. Andy Bonner, Jr. (TN), Chair
- Marja Beltrami (AK)
- D. Boyd Busby (AL)
- Julian I. Deal (GA)
- Joseph S. Drew (DC)
- Brendan P. Fitzgerald (OH)
- Margaret Ann Gilmore (OH)
- Brian L. Johnson (SC)
- Nick Myers (MO)
- Darla Saux (LA)
- Andy L. Wright (MS)

Staff Liaison:

John W. Johnson

NASBA's Department of Legislative and Governmental Affairs identifies and monitors legislation through NASBA's Legislative Tracking System. This system allows boards and NASBA to become more readily aware of key pieces of legislation and executive orders around the country, which could greatly impact their regulatory capacity. During the 2020 legislative session, of the 3,431 bills monitored, 847 of those bills had a direct impact on the regulation of the accounting profession.

In addition to remaining current on legislation, executive orders 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 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 Legislative Support Committee believes awareness is pivotal to regularly inform boards on issues impacting the profession, through conferences, NASBA's *Legislative E-News* publication and content provided on the Legislative Support page at nasba.org.

Anti-regulatory organizations continue to develop and promote federal and state legislation designed to eliminate occupational licensing or, at minimum, significantly reduce regulations and oversight. Such efforts, if successful, could be severely detrimental to the protection of the public as they include the accounting profession.

To help push back against anti-regulatory efforts, NASBA and the AICPA helped form the Alliance for Responsible Professional Licensing (ARPL) – a new coalition of advanced professions focused on educating policymakers and the public about the importance of rigorous professional licensing standards.

NASBA will work with other ARPL members to inform lawmakers of the need to maintain standards for highly complex and technical professions, like accounting, that have a clear impact on the public's fiscal health and welfare. The coalition was formed to ensure the voices and concerns of the advanced professions are heard by lawmakers amid the growing debate around licensing.



NOMINATING COMMITTEE

The work of the Nominating Committee has been carried out in accordance with Article VII, Sections 7.2 and 7.3, and Article IV, Section 4.5, of NASBA's Bylaws.

The 2019-2020 Nominating Committee has nominated the following officers and directors to be voted on by the member boards at the 113th NASBA Annual Business Meeting on November 3, 2020. In the midst of coronavirus (COVID-19) and quarantine mandates, the meeting will be held via Zoom.

Vice Chair: W. Michael Fritz (OH)
Directors-at-Large (three-year term):
J. Coalter Baker
Jimmy E. Burkes
Nicola Neilon
Regional Directors (one-year term), a Regional Director may serve three one-year terms:
Faye D. Miller (ND – Central Region)
Kenya Y. Watts (OH – Great Lakes Region)
Alison D. Houck (DE – Middle Atlantic Region)
Jason D. Peery (ID – Mountain Region)
Stephen F. Langowski (NY – Northeast Region)
Katrina L. Salazar (CA – Pacific Region)
Jack Anderson Bonner, Jr. (TN – Southeast Region)
Lynn V. Hutchinson (LA – Southwest Region)

The following Board members will continue to serve for the balance of their unexpired terms. At-large directors may serve two three-year terms.

Directors-at-Large (third year of three-year term):
John F. Dailey (NJ)
Sharon A. Jensen (MN)
Stephanie M. Saunders (VA)
Directors-at-Large (second year of three-year term)
Catherine R. Allen (NY)
Tyrone E. Dickerson (VA)
Richard N. Reisig (MT)
A Carlos Barrera (TX) – Mr. Barrera, 2019-20 Vice Chair, will accede to office of chair.
Laurie J. Tish (WA) – Ms. Tish, 2019-20 Chair, will accede to office of past chair upon the installation of Mr. Barrera as chair.

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

Committee Members:
 Janice L. Gray (OK), Chair
 Michele M. Stromp (NE)
 Central Region
 James P. Gero (OH)
 Great Lakes Region
 Marc Moyers (VA)
 Middle-Atlantic Region
 Harry O. Parsons (NV)
 Mountain Region
 Frederick G. Briggs, Jr. (NH)
 Northeast Region
 Raymond N. Johnson (OR),
 Pacific Region
 Willie B. Sims, Jr. (MS)
 Southeast Region
 Thomas G. Prothro (TX)
 Southwest Region
 Holly Brunick (SD)
 Alternate Central Region
 Chandra Lalvani (PA)
 Alternate Great Lakes Region
 Barton W. Baldwin (NC)
 Alternate Middle-Atlantic Region
 Dan Vuckovich (MT)
 Alternate Mountain Region
 Richard Silverman, (NH)
 Alternate NE Region
 Thomas T. Ueno (HI)
 Alternate Pacific Region
 David L. Dennis (FL)
 Alternate SE Region
 Manuel Cavazos, IV (TX)
 Alternate SW Region
 Staff Liaisons:
 Ken L. Bishop
 Anita Holt



PAST CHAIR ADVISORY COUNCIL

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

Committee Members:

Janice L. Gray (OK), Chair
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 (MD)
Telford A. Lodden (IA)
Theodore W. Long, Jr. (OH)
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

*Deceased FY2020

The Past Chair Advisory Council met in Boston, MA, in conjunction with NASBA's 2019 Annual Meeting and discussed domestic and international initiatives and activities of interest. Topics included international mutual recognition agreement efforts with South Africa, Ireland, Hong Kong, England and Wales, as well as past chair involvement with international standard setters. An update was also provided on multiple CPA Examination initiatives such as progress toward the goal of continuous testing and further international expansion.

The formation and efforts of the Alliance for Responsible Professional Licensing (ARPL) were discussed as an initiative in coalition with other professions to present a unified voice against harmful antiregulatory legislative threats. Further updates were shared regarding legislative efforts during the year pertaining to extension of firm mobility, uniform definitions of attest, and other Uniform Accountancy Act provisions. Past Chair and Congressman K. Michael Conaway (TX) provided a Hill update and Past Chair David A. Vaudt shared an update as chair of the Government Accounting Standards Board.

The Council received a financial update and learned details and reasoning behind NASBA's decision to shift to a managed services platform for the organization's information technology infrastructure and software development operations. Past Chair Donald H. Burkett shared recent activities and efforts of NASBA's Center for the Public Trust.

The Council closed the meeting with a deep dive discussion regarding the CPA Evolution initiative as well as other trending topics.

REGULATORY RESPONSE COMMITTEE

Working with other NASBA Committees, including the Standard Setting and Professional Trends Advisory Committee, the Ethics Committee and the Education Committee, the Regulatory Response Committee drafted, reviewed and/or vetted comment letters on the following exposure drafts:

Source	Topic	Date Replied
SEC	Amendments to Rule 2-01, Qualifications of Accountants	2/25/20
PEEC	Strategy and Workplan Consultation Paper	2/25/20
PCAOB	Potential Approach to Revisions to PCAOB Quality Control Standards	3/11/20
BOE	Maintaining Relevance of the Uniform CPA Examination	4/30/20
IESBA	Proposed Revisions to Non-Assurance Services Provisions of the Code	5/6/20
IESBA	Proposed Revisions to the Fee-Related Provisions of the Code	5/13/20
IAASB	Proposed ISA 600 (Revised) – Special Consideration – Audits of Groups Financial Statements (Including the Work of Component Auditors)	8/12/20
PEEC	Proposed Revised Interpretation – Records Requests	8/28/20

Committee Chair Mike Fritz convened multiple conference calls and Zoom meetings, followed by requests for careful reviews of the Committee’s work in progress. The regional directors were invited to participate in the Committee’s meetings, and the NASBA Board was given the opportunity for a fatal flaw review of all letters signed by Chair Laurie Tish and President and CEO Ken L. Bishop prior to the letters’ submission to the originating organizations. The responses can be found on NASBA’s website.

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

Committee Members:
 W. Michael Fritz (OH), Chair
 Alan R. Augenstein (AZ)
 Richard L. Bell (AR)
 Kevin Collins (CO)
 David D. Duree (TX)
 Gaylen R. Hansen (CO)
 Tracy Harding (ME)
 Matthew J. Howell (MI)
 Richard Isserman (NY)
 Frederick R. Kostecki (MO)
 L. Samuel Williams, Jr. (NC)
 Carleton L. Williams (HI)

Staff Liaisons:
 Louise Dratler Haberman
 Jessica Luttrull



RELATIONS WITH MEMBER BOARDS COMMITTEE

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

Committee Members:

C. Jack Emmons (NM), Chair
Southwest Regional Director

J. Andy Bonner, Jr. (TN)
Southeast Regional Director

Alison L. Houck (DE)
Middle Atlantic Regional Director

Stephen F. Langowski (NY)
Northeast Regional Director

Faye D. Miller (ND)
Central Regional Director

Jason D. Peery (ID)
Mountain Regional Director

Katrina Salazar (CA)
Pacific Regional Director

Kenya Y. Watts (OH)
Great Lakes Regional Director

Staff Liaisons:

Daniel J. Dustin
Louise Dratler Haberman

The work of the Relations with Member Boards Committee has been particularly challenging this year, as both the Regional Meetings and the New Board Member Orientation Session could not be held as face-to-face events, and travel to meeting with state boards was eliminated. However, the regional directors pivoted to hold virtual meetings and continued to hold conference calls with the states in their regions. Fortunately, this year some of the calls were held on the Zoom platform, which allowed for connecting faces with voices.

Early in 2020, the regional directors were urging state boards to review the findings of the AICPA's practice analysis and to respond to the Board of Examiners with pertinent comments. During their February Regional conference calls, the regional directors talked about the CPA Evolution initiative's work with their states.

As the regional directors planned for the June Regional Meetings, besides encouraging the state boards' focus on the CPA Evolution initiative, the regional directors worked with the NASBA staff to keep the boards informed of activities being undertaken to deal with the pandemic in neighboring jurisdictions. The virtual format enabled additional state board members and staff to participate in these meetings.

During the June Regional Meetings' breakout sessions, there were questions about how boards and NASBA might respond to the systemic racism concerns being discussed in the United States. Diversity has been a goal of NASBA and the profession for decades. The question raised was what additional steps might be taken.

The New Board Member Orientation Session was held on August 20. Typically, this meeting would have been held right before each of the Regional Meetings, and the regional directors had a major role in the presentation. This year, only one virtual meeting was held, and the regional directors had a smaller role. However, participant evaluations remained high.

September's Regional Zoom calls found boards particularly interested in how other jurisdictions were coping with health concerns, state and local requirements and anticipated budget cuts. Focus Questions have been sent out to the state boards to find out additional information on these topics.

STANDARD-SETTING AND PROFESSIONAL TRENDS ADVISORY COMMITTEE

The Standard-Setting and Professional Trends Advisory Committee met virtually four times during the fiscal year. The Committee was unable to meet face-to-face due to the COVID-19 pandemic. Chair Laurie Tish asked the Committee to serve as a consultative sounding board for the CPA Evolution initiative, so updates were provided at each meeting and valuable input was received.

Early in the year, the Committee reviewed the AICPA Practice Analysis Exposure Draft and Invitation to Comment, which was released in late 2019 pertaining to recommended content and skill changes to the CPA Examination. Extensive input was provided for NASBA's formal response to the Exposure Draft and Invitation to Comment, which was ultimately submitted in April 2020.

The Committee was used as a sounding board for CPA Evolution in March 2020, when it was asked to preview a presentation outlining newly determined details for the CPA Evolution model for use in state board webcasts later in the month. Extensive conversation led to adjustments to the presentation and additional information provided. Later in the fiscal year, the Committee heard directional thinking regarding transition policies for the CPA Examination, as well possible allocation of content among the new CPA Examination sections anticipated under CPA Evolution. Initial input was provided after robust discussion. Updates on timelines and newly created task forces and initiatives pertaining to Evolution were also shared for comment.

In July 2020, The Monitoring Group released a report entitled *Strengthening the International Audit and Ethics Standard-Setting System* detailing its much anticipated and long-awaited changes to the international standard setting regime for audit/attest and ethics internationally. The Committee reviewed and discussed the report and The Monitoring Group's important decisions, considering ultimate impact to standard-setting in the United States. Similarly, the Committee also considered the Financial Resource Council's *Principles for Operational Separation of Audit Practices*, which was also released in July 2020 and pertained to the largest accounting firms. Ramifications of the new principles and again how they might ultimately impact firms in the United States were discussed. It also reviewed PCAOB's current initiatives pertaining to inspection reporting and focus on firm quality control standards.

At each meeting, the Committee conducted environmental scans pertaining to standard-setting and any possible new standard-setters on the horizon. It also had brainstorming discussions regarding disruptive trends, which might impact the accounting profession and ultimately regulation of the profession by Boards of Accountancy. Ideas for articles and presentations on such topics were shared by Committee members for consideration.

Monitor and objectively evaluate processes of standard setters, as well as disruptive trends in the profession, on behalf of Boards of Accountancy. Recommend process improvements, when warranted, and advise the Boards of potential disruptive trends impacting the regulation of the profession.

Committee Members:

Richard N. Reisig (MT), Chair
Billy M. Atkinson (TX)
Barton W. Baldwin (NC)
Deidre N. Budahl (SD)
Keri A. Ellis (PA)
Gaylen R. Hansen (CO)
G. Alan Long (KY)
Michael P. Rollage (PA)
Michael H. Womble (NC)

Staff Liaisons:

Colleen K. Conrad
Jessica Luttrull

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.

Committee Members:

Mike Colgan (PA), Chair
Cindy Adams (IA)
Jeannine Birmingham (AL)
Ronald A. Gitz, II (LA)
Stephanie Peters (VA)
Blaine M. Peterson (OK)
Amy A. Pitter (MA)
Kimberly Scott (WA)

Staff Liaison:

John W. Johnson

NASBA believes that fostering greater dialogue and collaboration between Boards of Accountancy, State CPA Societies and NASBA is essential to ensuring effective relations and advancing the common interests of the public and the profession. In working toward that goal, the State Society Relations Committee focused on the following initiatives in 2019-20:

- **Anti-Regulation Legislation** – Over the last several years, and since the North Carolina Dental decision in 2015, 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. 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.
- **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.
- **Diversity** – The Committee continued to work with NASBA's Diversity Committee and those responsible for making board appointments to ensure that appointments include not only women and minorities, but also 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.
- **Joint State Society CEO/State Board Executive Directors Conference** – NASBA's Executive Directors Committee invited the State CPA Society CEOs to a one-day virtual conference during its 38th Annual Conference for Executive Directors and Board Staff. The 2020 conference brought together, for the sixth year in a row, state board executive directors and state society CEOs to participate in more than five sessions that covered matters of mutual interest/concern, future opportunities for collaboration and enhanced communications. In anticipation of the conference, NASBA's State Society Relations Committee worked closely with NASBA's Executive Directors Committee to develop an exciting agenda. Presentation and discussion topics included but were not limited to: Legal Cases Impacting the Profession; Peer Review Administration; Legislative Update; Uniform CPA Examination Update and Contingency Planning (added due to COVID-19). 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 W. Johnson, Director of Legislative and Governmental Affairs, when consulting with Boards of Accountancy regarding their legislative strategies.



UNIFORM ACCOUNTANCY ACT COMMITTEE

As directed by the NASBA Board of Directors during their April 2020 Meeting, the proposed changes to Uniform Accountancy Act Model Rules 5-1 and 5-2 were released for public comment on May 26, 2020, with a comment deadline set for August 31, 2020. At both of NASBA's virtual Regional Meetings in June, UAA Committee Chair Coalter Baker and Vice President, State Board Relations Dan Dustin gave a detailed description of the specific changes being called for in the proposed Rules and explained why these changes had been recommended.

During all eight of the Regional Breakout Sessions, associated with the Regional Meetings, the Regional Directors asked the boards' representatives to pose any questions they might have about the proposed changes and how their states are likely to respond to them. Mr. Dustin and Executive Vice President and COO Colleen Conrad answered the questions and concerns raised during those virtual meetings.

Following the comment deadline, staff gathered the responses and the NASBA UAA Committee met on September 16 to review the responses received and to make any final changes to the proposed rules. Chair Laurie Tish held a special meeting of the NASBA Board of Directors on October 13, 2020, when the finalized rules were adopted.

On July 29, a task force of the AICPA/NASBA UAA Committee held a virtual meeting with a task force of the AICPA Professional Ethics Executive Committee to review the current status of changes being made to allow for disclosure of NOCLAR (noncompliance with laws and regulations) concerns from the predecessor to the successor auditor. A study of existing state laws found that currently a majority of boards already have within their law the ability for licensees to breach confidentiality when professional standards allow.

During the Regional Breakout sessions, questions were heard about the status of requiring additional experience for those signing audit reports. That issue is among the UAA Committee's open questions, as significant implementation concerns remain unresolved.

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

Committee Members:

J. Coalter Baker (TX), Chair
James Corley (AR)
Andrew L. DuBoff (NJ)
Marc Moyers (VA)
John B. Peace (AR)
Vicky Petete (OK)
Donovan W. Rulien, II (AK)
Stephanie M. Saunders (VA)
Dan Vuckovich (MT)
Arthur M. Winstead, Jr. (NC)

Staff Liaisons:

Daniel J. Dustin
Louise Dratler Haberman



YEAR *in* REVIEW

OCTOBER 2019

CPE - NASBA Board approves amended Uniform Accountancy Act Model Rules Article 7 for peer review and revisions to the Statement on Standards for Continuing Professional Education.

New model for Uniform CPA Examination unveiled at Annual Meeting by NASBA Vice Chair Laurie Tish and AICPA Chair Bill Reeb on October 28 in Boston, MA. The Meeting's theme was "Resolve" as several speakers focused on the importance of the profession embracing technology while sticking to its ethical core.

A widened gap between the number of new accounting graduates and the number of new Uniform CPA Examination candidates was reported at the Annual Meeting by AICPA Academic-in-Residence Yvonne Hinson.

NOVEMBER 2019

NASBA Center for the Public Trust opens its 47th Student Chapter.

Plans being developed to enable more flexible employee scheduling and options for NASBA employees to work remotely.



Seven state boards are using NASBA's CPE Audit Service, the turnkey web application for managing the CPE audit process, as more boards are being added.

DECEMBER 2019

Chair Laurie Tish held a webcast on December 18 to present basic information on the CPA Evolution initiative and to take questions from viewers.



The CPA Evolution Education Advisory Group and the CPA Evolution Examination Advisory Group were established by NASBA and the AICPA.

Public Company Accounting Oversight Board Chair William Duhnke addressed the Baruch College/NASBA Center for the Public Trust 14th Annual Audit Conference on Ensuring Integrity, on December 3 in New York City.

Revised NASBA/AICPA Statement on Standards for Continuing Professional Education programs effective December 31.



JANUARY 2020



Request out for comment on the AICPA Practice Analysis, as reported on in "Maintaining the Relevance of the Uniform CPA Examination." Comment period extends to April 30, 2020.

Mutual Recognition Agreement with the South African Institute of Chartered Accountants (SAICA) comes into effect on January 15.



NASBA staff directors meet with Chief Sourcing & Strategy Officer Cheryl Farrar to begin project to clearly correlate activities with NASBA's strategic plan.

FEBRUARY 2020

NASBA and AICPA leadership hold summit meeting in Phoenix, AZ.

Regional directors moderate Regional conference calls.

NASBA responds to Securities and Exchange Committee's "Amendments to Rule 2-01, Qualifications of Accountants" and to the AICPA's Professional Ethics Executive Committee's "Strategy and Workplan Consultation Paper."

FiscalNote is being use by NASBA to identify and track legislation impacting the regulation of the accounting profession.

MARCH 2020

NASBA sends out communications to boards about extending deadlines due to COVID-19 pandemic.

Prometric shuts down all test centers in the U.S. and Canada on March 18.

2020 Virtual Executive Director and Society CEO Conference and the Legal Counsel Conference held on March 18.

Four webinars on the CPA Evolution initiative were held including more defined details regarding the recommended revisions to the licensure model, including changes to the Uniform CPA Examination and education requirements.

NASBA implements a work from home policy in compliance with the Nashville Mayor's executive order in recognition of COVID-19's impact.



APRIL 2020

Winners of the NASBA Center for the Public Trust *Ethics in Action* Video Competition announced. Ninety-four submissions were received from 20 schools.



NASBA Board of Directors meets virtually for first time on April 24 and approves exposure for comment of proposed amendments to Uniform Accountancy Act Model Rules Article 5 on education.

Staff works remotely as NASBA offices in Nashville, New York City and Guam closed in response to COVID-19.

Notices to Schedule (NTS) expiring April 1 – June 30 extended until September 30.

MAY 2020

Nashville office reopens using City of Nashville’s phased protocol starting May 1.



UAA Model Rules proposed revisions sent to state boards and other interested parties, also placed on nasba.org. Comment deadline: August 31, 2020.

Prometric begins reopening test centers in select areas of the United States and Canada on May 1. Per the federal government, the CPA profession falls under “essential services” and, consequently, was among the first tests to be made available at the re-opened Prometric centers.



JUNE 2020

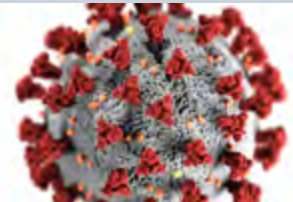
Mutual Recognition Agreement with Hong Kong Institute of CPAs renewed for three years.

Uniform CPA Examination testing begins in India.



NASBA’s Eastern and Western Regional Meetings held via Zoom.

NASBA Center for the Public Trust holds a virtual leadership conference for students, entitled “Lead with Integrity,” June 23-25.



JULY 2020

Continuous testing becomes available for the Uniform CPA Examination in most jurisdictions.



NASBA Board of Directors meets again virtually and approves resolution in support of the CPA Evolution initiative, a similar resolution having been approved by the AICPA Council.

UK Financial Reporting Council releases its “principles for operation separation” of the audit practices of the Big Four firms.

AUGUST 2020

Virtual New State Board Member Orientation program held on August 20.

NASBA responds to AICPA’s Professional Ethics Executive Committee’s proposed revised interpretation on records requests.

Alliance for Responsible Professional Licensing (ARPL) commissions Oxford Economics to develop a study that brings forward a sound, data-driven perspective on the true impacts of professional licensing.

Accounting Education Research Grants awarded to professors and post-doctoral researchers representing the University of South Alabama, Mississippi State University and State University New York – Brockport.

SEPTEMBER 2020

NASBA’s National Registry of CPE Sponsors holds first virtual eSummit on September 22.

Regional directors host Regional conference calls. AICPA begins rolling out the availability of its .CPA top level (worldwide) website domain.



COVID-19 RESPONSE

For more than a century, NASBA has dedicated itself to enhancing the effectiveness of the Boards of Accountancy by sharing regulatory updates, changes in legislation and news impacting the accounting profession. With the impact of COVID-19, the importance of information became crucial and NASBA ramped up its communications to keep state board executive directors, state board members, licensees and CPA Exam candidates informed. During the COVID-19 crisis, NASBA saw a deeper dependency on online communications and broadened its communications strategy to respond to this growing need. NASBA remains committed to delivering relevant information and breaking news through various online channels with greater frequency and continued transparency. Below, is a snapshot of NASBA's response to the COVID-19 pandemic.



ED AND LEGAL CONFERENCES

NASBA cancels travel to the 2020 Executive Director and Society CEO Conference and the Legal Counsel Conference and transitions conferences to a virtual format.



RECOMMENDATIONS

NASBA recommends to Boards of Accountancy that have CPE reporting years ending on or before October 31, 2020, to consider offering a grace period for those licensees to meet their CPE requirements until October 31, 2020.



EMERGENCY TESTING

In anticipation of the reopening of Prometric test centers and in response to COVID-19, NASBA, AICPA and Prometric decided to invoke an emergency testing period in June 2020.



TEST CENTERS

Prometric reopens 116 test centers globally and expects an additional 200+ sites to resume testing across the U.S. and internationally through the end of May 2020.



NTS EXTENSION

NASBA, working with the Boards of Accountancy, compiles the latest information on Notice to Schedule (NTS) extensions for each jurisdiction on nasba.org.



LEADERSHIP CONFERENCE

NASBA Center for the Public Trust holds a virtual leadership conference for students, entitled "Lead with Integrity," June 23-25.



INTERNATIONAL EXAM

To support Exam candidates on their pathway to CPA licensure, and to prioritize their health and safety, NASBA will now temporarily administer the CPA Exam in the Republic of Korea and allow other countries in Asia to test in the Republic of Korea, as well as Japan.

COMMUNICATIONS

NASBA sends communication regarding Prometric Test Center closures and plan to recommence opening of the test centers.



RESOURCES

NASBA provides Boards of Accountancy with legal resources during the pandemic, which include relevant executive orders, emergency rules and policies, and examples of many new and necessary regulatory responses.



FAQs

NASBA provides CPA Exam candidates with a comprehensive list of Frequently Asked Questions (FAQs) about test centers, email communications and Prometric resources.



CREDIT EXTENSIONS

An evergreen chart is developed for candidates addressing CPA Exam credit extensions by jurisdiction and included on nasba.org.



REGIONAL MEETINGS

To ensure the safety of its membership, NASBA's Eastern and Western Regional Meetings are held via Zoom.



REGISTRY eSummit

NASBA's National Registry of CPE Sponsors holds first virtual eSummit on September 22.



ANNUAL MEETING

The 113th NASBA Annual Meeting is moved to a virtual platform due to the pandemic.



PRODUCTS & 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 helping to shape 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.



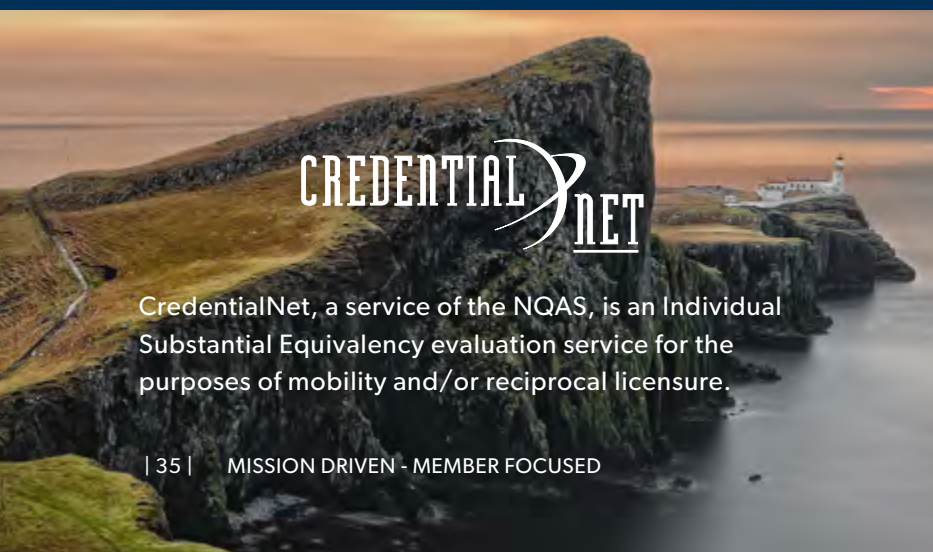
CANDIDATE CARE

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.



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 and implement testing accommodations in accordance with the Americans with Disabilities Act (ADA) while maintaining the integrity of the CPA Examination.



CredentialNet, a service of the NQAS, is an Individual Substantial Equivalency evaluation service for the purposes of mobility and/or reciprocal licensure.



With the capability and resources to help make the licensing process more efficient for Boards of Accountancy and applicants, NASBA has provided licensing and renewal services to Boards of Accountancy for more than 25 years. CPA Licensing Services include application processing, eligibility determination, electronic file transmissions and board reporting. NASBA also provides excellent and reliable customer service to applicants throughout the entire 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 Australia, Chartered Accountants Australia and New Zealand (CAANZ), CPA Canada (CPAC), Hong Kong Institute of Certified Public Accountants (HKICPA), Chartered Accountants Ireland (CAI), Instituto Mexicano de Contadores Publicos (IMCP), Institute of Chartered Accountants of Scotland (ICAS) and South African Institute of Chartered Accountants.

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.

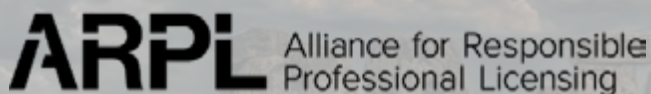
KEY PERSON CONTACT

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 the go-to resource for annual statistics and trends of candidates taking the Uniform CPA Examination. The all new, re-designed *Candidate Performance on the Uniform*

CPA Examination – 2019 Edition combines the Jurisdiction and University Editions into a single publication. The *2019 Edition* includes the popular university rankings, accreditation reporting and cohort tracking, and introduces multi-year trending and percent pass by degree type. This information, available only from NASBA, offers the best overview of CPA Examination trends from around the world, and at the jurisdiction and university level.



To combat steps taken in legislatures around the country to weaken or even eliminate occupational licensing laws, in 2019, NASBA became a founding member of the Alliance for Responsible

Professional Licensing (ARPL) – a coalition of national associations that represents highly complex, technical professions and their national licensing boards.

ARPL has been created to ensure that a unified voice for the advanced professions is present and heard in the growing debate around the appropriate level of licensure for professions and occupations. While these laws may not intentionally target accountancy, we are at risk of being swept up in overly broad legislation.



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.



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.



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

EDUCATION VERIFICATION

This service offers candidates an alternative to having their educational institutions submit documents directly to NASBA International Evaluation Services for evaluation. This option, called Education Verification, allows candidates who experience difficulty in obtaining official documentation the option of submitting copies of their original documents via email. NIES will then confirm with the source if these documents are authentic, saving candidates the inconvenience of having their university issue official educational documents.



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.

UNDECIDED EVALUATION

The Undecided Evaluation service aims to guide candidates along a clear path to the CPA Exam, offering a comprehensive understanding of how their education is viewed by the U.S. Boards of Accountancy. The Undecided Evaluation will equate the candidate's international education to the U.S. equivalence and suggest up to three jurisdictions that may provide them the best opportunity to qualify for the CPA Exam. The candidate may use one of the recommendations to apply for a jurisdiction-specific International Credential Evaluation prior to applying to sit for the CPA Exam.



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.



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 53 jurisdictions participating, *CPAverify.org* is the only official, free, single-source national database of licensed CPAs available to the public. Whether verifying that your CPA is actively licensed and in good standing or checking the professional history of a potential employee, *CPAverify.org* provides individuals and organizations alike a convenient and credible way to research a CPA without having to search each Board of Accountancy’s website individually.



The National Registry of CPE Sponsors was created to recognize CPE program sponsors that provide continuing professional education programs in accordance with nationally recognized standards. Only learning providers that are committed to offering high-quality continuing education programs, which improve a CPA’s professional competence, are listed on the Registry, and NASBA is proud to have over 2,200 currently approved. The National Registry of CPE Sponsors’ logo is the seal of approval for CPE. When you see that logo, you can trust that the continuing education you receive will be of the highest quality.



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 the addition of Delaware in July 2020, 53 Boards of Accountancy are currently participating, with Utah aiming to be fully implemented by the end of 2020. This new addition puts NASBA closer to realizing its goal of housing current and accurate licensing and disciplinary information for individual CPAs and firms from each of the 55 U.S. jurisdictions. The ALD is hosted by NASBA and access to the system is free to Boards of Accountancy.

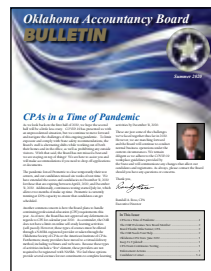
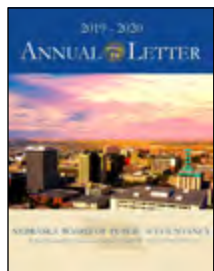
NASBA's CPE Audit Service offers a platform designed to assist Boards of Accountancy with conducting the periodic audits for compliance with continuing professional education requirements. The service allows CPAs to report CPE hours and documentation, electronically, to the board. It offers a turnkey solution for Boards of Accountancy to more efficiently and effectively manage their overall CPE audit process. The service is a benefit of NASBA membership for state boards that participate in the Accountancy Licensee Database (ALD) and have their licensee data records linked with other records across state lines. With the addition of the District of Columbia, Maryland and Guam in 2020, there are 10 boards currently using the CPE Audit Service to assist with CPE reporting and conducting audits of their professionals' compliance with their CPE requirements.

CPE RULES ENGINE SERVICE

Launched in 2018, and currently with three firm clients using the service, 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. A total of 45 Boards of Accountancy currently participate in the Communications & Outreach program.



NASBAREGISTRY.ORG

NASBARegistry.org is a comprehensive resource for learning providers listed on the National Registry of CPE Sponsors. Video tutorials, newsletters, sample forms, best practices and online applications are all part of the site. Looking for CPE to meet your requirements? Visit *NASBARegistry.org* to search through more than 22,100 courses to find just what you need. Searches can even be narrowed by date, location, subject area, number of credit hours, CPE provider, delivery method, and more. With all the different continuing education options available, *NASBARegistry.org* makes finding the exact CPE course faster and easier.

NASBA CENTER FOR THE PUBLIC TRUST



GROWTH IN 2019

The past year has been a season of overcoming. During this time, the NASBA Center for the Public Trust (CPT) has continued to focus on educating, empowering and promoting ethical leaders, as well as retooling the delivery of programs due to the pandemic. Working alongside NASBA leadership and members, CPT Board members and other partners, the CPT developed new StudentCPT chapters. Additionally, the CPT launched its first-ever StudentCPT Lead with Integrity Leadership Series, while continuing to expand its student and professional ethics education offerings, and collaborate with organizations that promote ethical business leadership, integrity and 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. This year, StudentCPT chapters were launched at the University of Colorado – Denver and the University of Southern Mississippi. With the vision of becoming the largest network of ethical leaders on college campuses, the StudentCPT continues to grow and now connects students in 48 chapters across 24 states and U.S. territories.

STUDENT ETHICAL LEADERSHIP CERTIFICATION PROGRAM

As the CPT continues to shape the ethical values and principles of college students, the CPT enrolled over 4,457 college students in the Ethical Leadership Certification Program, representing an 11% increase in program growth over 2019.

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 using cutting edge technology to educate and empower ethical leaders.

ETHICAL LEADERSHIP TRAINING PROGRAM

As a part of the CPT's mission, to shape ethical leadership among professionals, the CPT partners with several State Boards of Accountancy to administer the Ethical Leadership Training (ELT) Program as a disciplinary tool for licensees in their jurisdictions with ethics infractions. This year, four additional Boards of Accountancy partnered with the CPT, increasing the total number of state boards using the ELT to 14. Participating state boards include Alabama, Florida, Idaho, Kansas, Minnesota, Missouri, North Dakota, Oklahoma, Pennsylvania, South Carolina, Tennessee, Utah, Washington and Wyoming. During the 2019-20 fiscal year, 141 professionals successfully completed the training program.

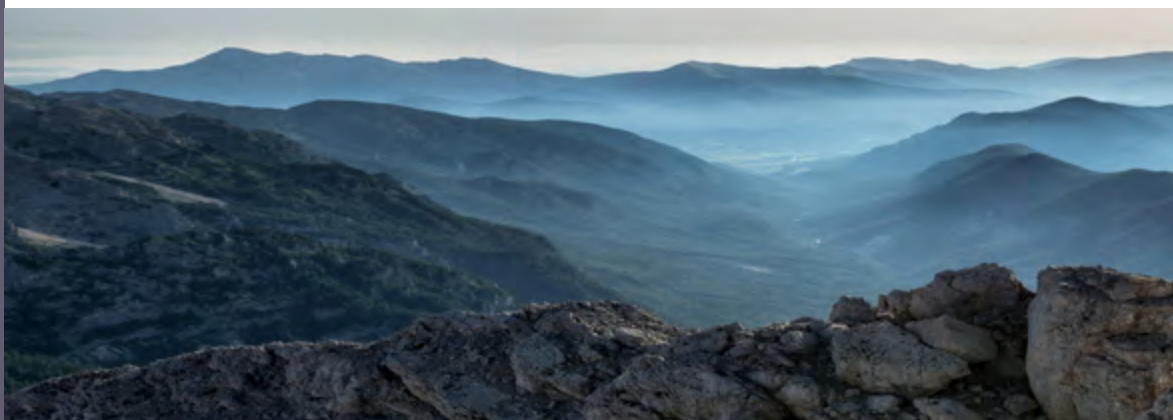


Aimed at enhancing ethical decision-making in professionals, the ELT program can be customized to fit the needs of any Board of Accountancy. The CPT is also in talks with several other states about implementing the program. These partnerships will assist the CPT in carrying out its goals of developing ethical leaders, generating revenue to support StudentCPT programming and expanding the program's footprint to include all 55 U.S. jurisdictions.

ETHICS IN ACTION STUDENT VIDEO COMPETITION

The 2020 *Ethics in Action* Video Competition continued 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 allowed students to share their views on ethics and accountability in business.

This year's competition received 117 video entries from 33 colleges and universities. 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, University of Colorado – Colorado Springs, Texas Woman's University, University of New Mexico, Carroll University and Georgia Gwinnett College.



LEAD WITH INTEGRITY LEADERSHIP SERIES

Each year, the NASBA Center for the Public Trust (CPT) hosts the well-anticipated StudentCPT Leadership Conference (SLC). Although the conference was cancelled due to COVID-19 concerns, the CPT overcame that obstacle by creating a new opportunity for student leaders to connect and build upon their leadership skills.

The Lead with Integrity Leadership Series was designed for students to fine tune their strengths, enhance their ethical decision-making abilities, and learn best practices as it relates to running a StudentCPT chapter. Students joined the conference via Zoom for a two-hour session throughout the course of a three-day period. Because of the virtual nature of the conference, students were able to have open dialogue with the speakers.

Tuesday, June 23	Strengths Based Leadership with Dr. William Latham
Wednesday, June 24	Networking in a New Age with Sedrik Newbern Set Your Sights on Golden Star Status with Ashley Metivier
Thursday, June 25	Hear from a Whistleblower with Cynthia Cooper

Due to the success of the Leadership Series, the CPT plans to host additional series throughout 2020-2021.

CPT PARTNERS TO PROVIDE ETHICS-RELATED EDUCATION

The CPT continues to support State Boards of Accountancy, State CPA Societies and other professional organizations to deliver in-person and online speaking engagements, trainings, case studies and educational materials.

The CPT delivered presentations and trainings to the Pennsylvania BOA and the South Carolina BOA, and provided CPE workshops and presentations for the Alabama Society of CPAs, Arkansas Society of CPAs, Kentucky Society of CPAs, Nebraska Society of CPAs and Pennsylvania Society of CPAs.

The CPT's partnership with Baruch College as cohosts of the 14th annual Ensuring Integrity: Audit Conference provided CPT President Alfonzo Alexander the opportunity to speak to 175 professionals, business leaders, public accountants, educators and policy setters.

Throughout the year, the CPT also presented to several organizations including Beta Alpha Psi, Beta Gamma Sigma, Delta Mu Delta, the North Alabama Chapter of The Institute of Internal Auditors and the National Black MBA Association.

In the coming year, the CPT will continue to expand online trainings and presentation offerings to Boards of Accountancy, State CPA Societies and other professional organizations.

2019-20 BOARD OF DIRECTORS

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KEN L. BISHOP
CEO, NASBA CPT

ALFONZO ALEXANDER
President, NASBA CPT

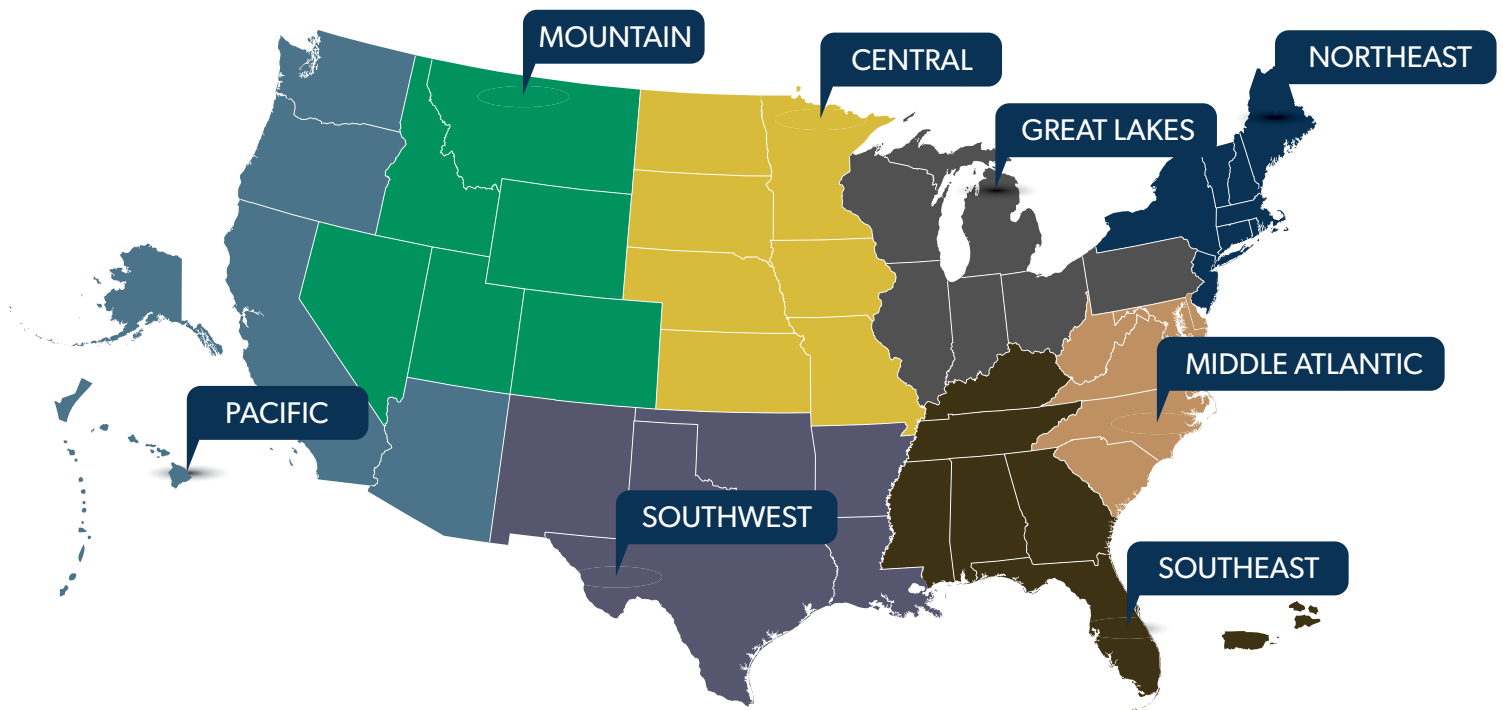
SANDRA DAVIDSON, CPA
CFO, NASBA CPT

SEDRİK NEWBERN
CPT Operations Director

ASHLEY METIVIER
Student Programs Manager



NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY



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GREAT LAKES
 Illinois
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 Ohio
 Pennsylvania
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 North Carolina
 South Carolina
 Virginia
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 Maine
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 New Hampshire
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 New York
 Rhode Island
 Vermont



**National Association of State
Boards of Accountancy, Inc.**

**Independent Auditors' Report and
Consolidated Financial Statements**

July 31, 2020 and 2019



National Association of State Boards of Accountancy

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

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

September 24, 2020

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, 2020 and 2019, 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 necessary material fact that the absence of would make the financial statements 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

REPORT OF MANAGEMENT

September 24, 2020

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

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

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

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

Ken L. Bishop
President & Chief Executive Officer

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

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

Troy A. Walker, CPA
Director, Finance & Controller

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020

MISSION AND STRATEGIC OBJECTIVES

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 fifty-five member Boards of NASBA are comprised of the fifty U.S. states, the District of Columbia and the

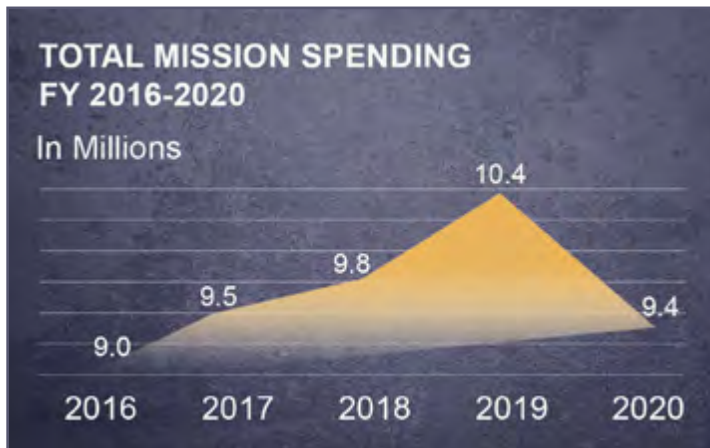
U.S. territories of Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands. Executive management and staff of NASBA quantify the level of Mission support through matching the activities of NASBA with strategic objectives as formulated by volunteer leadership, Board volunteers and staff. These objectives guide resource deployment and provide emphasis on matters of importance to Boards. As such, they become guiding principles for staff, and for the organization, when commencing new services and endeavors.

These strategic objectives go beyond Mission-related Member Services activities. They encompass operating services related to the examination and compliance activities such as licensing on behalf of Boards and continuing professional education requirements. Such services create the resources to support Boards in their day to day activities of regulation, and ultimately, to fulfill their role of public protection. Service examples include the Accountancy Licensee Database (ALD), Accountancy Licensing Library (ALL), CPE Audit Service, Board relations, legislative and governmental support, enforcement and peer review assistance, and work toward CPA Evolution.

Strategic Objective Categories

- Relationships
- Advocate for Effective State Based Regulation
- Enforcement
- Effective Communication
- Operational Sustainability
- Diversity
- Ethics
- Legislative and Regulatory Support
- Education and Training
- Emerging Issues
- CPA Pipeline
- Leadership Development
- Technology Support

Mission-related expenses also include funding of committees and conferences. There were twenty-three committees that focused on topics to enhance the effectiveness of CPA regulation. NASBA hosted five conferences, four of them virtually, comprised of the Annual Meeting, two Regional Meetings, and conferences for the Boards' Executive Directors, staff and legal counsels. Additionally, as its Ethics strategic objective arm, the activities of the NASBA Center for the Public Trust (CPT) are included in Mission-related expenses.



NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020

2020 HINDSIGHT

As did most organizations, NASBA experienced the impact of COVID-19 during fiscal 2020. NASBA's financial results were better than anticipated through the February 2020 mid-year point. But, as a result of the uncertainty created by the pandemic, the second half of fiscal 2020 underwent a marked decrease in the number of candidates who applied for the CPA Examination. This negatively impacted program revenue and operating results. To assist candidates who were having challenges in meeting testing dates, NASBA, working with the Boards, extended the Notice to Schedule (NTS) expiration dates. This delayed some candidate volume that possibly would have otherwise had to retest at an earlier point in time. Despite the negative impact to operating results, NASBA's leadership believed that the right thing to do was to give the candidates extra time to schedule. Also related to the COVID-19 situation and of negative impact to revenue was the shutdown of the Guam testing center due to a governmental order on the island.

The decline in candidate volume was steep at the onset in late February. Cash flow in the immediate months following was impacted similarly and, without quick responses, NASBA could have been forced to draw on its long-term investment reserves. NASBA managed through the financial difficulties caused by COVID-19 primarily through the furloughing of a significant number of staff from April 1 through the summer months of June and July, when volume increased and staff were brought back to work. A small number of staff were permanently laid off, generally due to the absence of need for their particular job. Other expense areas were reduced and there were significant savings from the prudent restrictions on travel and meetings during the pandemic. NASBA continued to assist Boards, their CPA Examination candidates, and licensees without interruption as a result of managements' actions and without any federal or other governmental assistance. Although quick actions avoided the use of long-term funds, the challenge of the last half of the fiscal year demonstrated the importance of having resource reserves that can be accessed in challenging business environments.



As shown in the previous two charts, although Missions spending decreased in fiscal 2020 compared to the prior year, the decrease is primarily the result of travel restrictions caused by COVID-19 in both Committees and conferences and, also, CPT. The amount spent on Regulation and public protection increased in fiscal 2020 compared to fiscal 2019. As previously stated, NASBA was able to continue the support for Boards in this area despite lower revenue and other effects caused by COVID-19.

In addition to the disruption brought by COVID-19, the past year was a year of social unrest related to civil rights and racial issues. NASBA has a history of promoting and supporting diversity through its employment practices, its financial support for programs such as the PhD Project, and its work with other diversity-based accounting organizations. In fiscal 2020, NASBA recommitted its efforts towards equality for all and standing against systemic racism. NASBA leadership is committed to its role in enacting positive change in the profession and through its public protection influence. Work towards these principles of equality has been inherent in its Diversity strategic objective-related activities for many years.

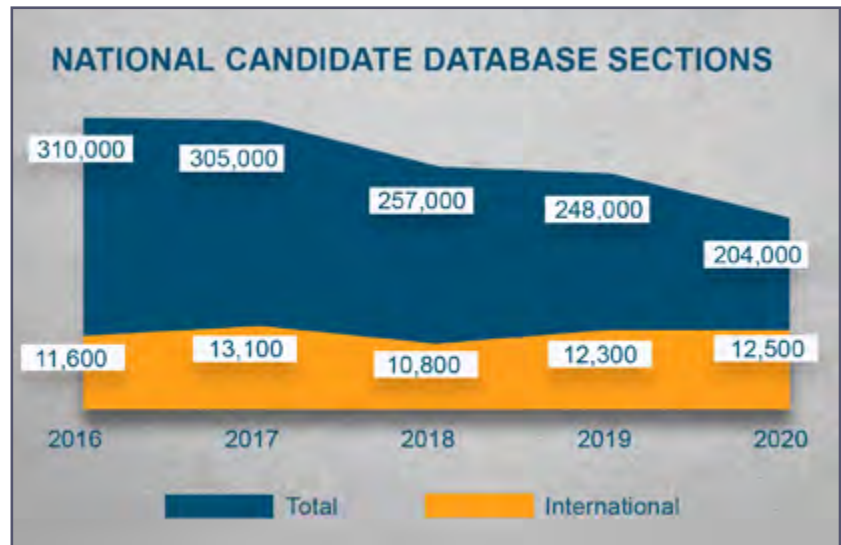
It was a year of change from a financial reporting standpoint as well. Effective August 1, 2019, NASBA adopted the amendments of Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NASBA adopted the new guidance using the modified retrospective method in which an adjustment to beginning net assets was made on August 1, 2019. As shown in the Consolidated Statements of Activities, beginning net assets were reduced by \$685,000 for fiscal 2020. No retrospective change was made to fiscal 2019 using this method under the prescribed methodology of ASU 2014-09.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020

PROGRAM REVENUE

Mission spending, as previously discussed, is funded through the diverse revenue streams of NASBA. A majority of the revenue (96% in fiscal 2020) is derived from examination, licensing and related services. As shown in the Consolidated Statements of Activities and the chart depicting the different sources of program revenue, only a small percentage is derived from Board member dues, the contributions and program services of CPT, and other Mission-related services.

Examination and licensing revenue originate from fees for evaluating the credentials of individuals at various points leading to licensure as a CPA, and performed on behalf of Boards. Services such as application processing, credential evaluations, and score reporting are provided to candidates, ultimately seeking licensure, as a part of assistance to over one-half of the Boards in their examination-related responsibilities. Passing the examination is an essential requirement for becoming licensed. 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 those who have completed education outside of the United States of America. Examination and licensing revenue also includes fees related to the operation of the National Candidate Database, a central, global information repository for all CPA Examination candidates. Through this database, NASBA assists in the process of testing candidates in both domestic and foreign locations. Once a candidate passes the CPA Examination, NASBA licensing services may also be provided to CPA candidates on behalf of some Boards.



In fiscal 2020, 204,000 examination sections were processed through the National Candidate Database. Included in this total are 12,500 sections related to candidates choosing to test at international locations. Due to the effect of the pandemic in the latter half of Fiscal 2020, section volume was down 18% from the prior year.

Additionally, NASBA assists Boards and CPA licensees by identifying quality continuing professional education providers that meet nationally accepted standards for development, presentation, measurement and reporting of educational programs through the National Registry of CPE Sponsors. Revenue is generated by evaluating CPE providers who commit to meeting the highest CPE program standards. To be approved, learning providers must demonstrate that professional competence of a participating CPA is enhanced by the programs offered. As a part of this service, the National Registry Summit is held annually which focuses on continuing professional education standards, improved delivery methods and increased learning effectiveness. NASBA also provides services in which entities receive CPA licensee-specific information by jurisdiction about their professional staff's CPE compliance. All of this revenue is included in Compliance services. Revenue related to these operations was not as significantly impacted by the pandemic as providers applied to be approved as online CPE content deliverers, which entails paying additional fees. However, the absolute number of sponsors declined as the economic environment caused by the pandemic took its toll.



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

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.
MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020**

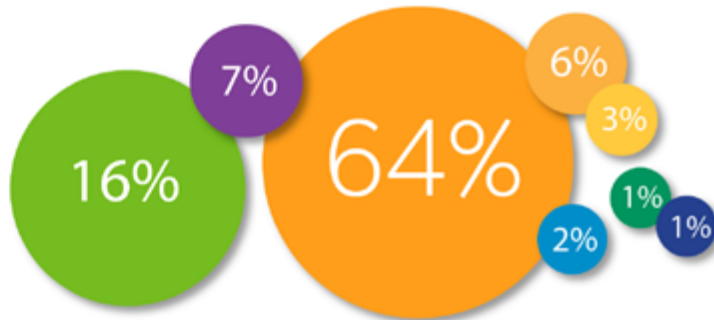
PROGRAM REVENUE (CONTINUED)

Total revenue in fiscal 2020 decreased by 12.4% from fiscal 2019. Most of this decrease is attributable to Examination and licensing which experienced a 13.8% decline in revenue from fiscal 2019. This decrease is the result of the various impacts of COVID-19 on examination-related services. As discussed, and also depicted in the chart on the previous page, application volume for the CPA Examination decreased in fiscal 2020. In addition, the extension of NTS expiration dates and other assistance to help candidates during this period had a direct impact on total revenue. Compliance services revenue and other revenue decreased by 4.0% and 33.3%, respectively, but, in absolute dollars, represents a decrease of only \$0.4 million.

PROGRAM REVENUE		2019	2020
		\$32.3	\$28.3
	% CHANGE		
	OVERALL		-12.4%
EXAMINATION & LICENSING	-13.8%	\$26.0	\$22.4
COMPLIANCE	-4.0%	\$5.0	\$4.8
MEMBER DUES	0.0%	\$0.3	\$0.3
CPT	0.0%	\$0.4	\$0.4
OTHER	-33.3%	\$0.6	\$0.4
		In Millions	

REVENUE BY ACTIVITY

Examination	64%
Compliance Services	16%
Investments	7%
International Evaluation Services	6%
Licensing	3%
CPT	2%
Member Dues	1%
Other	1%



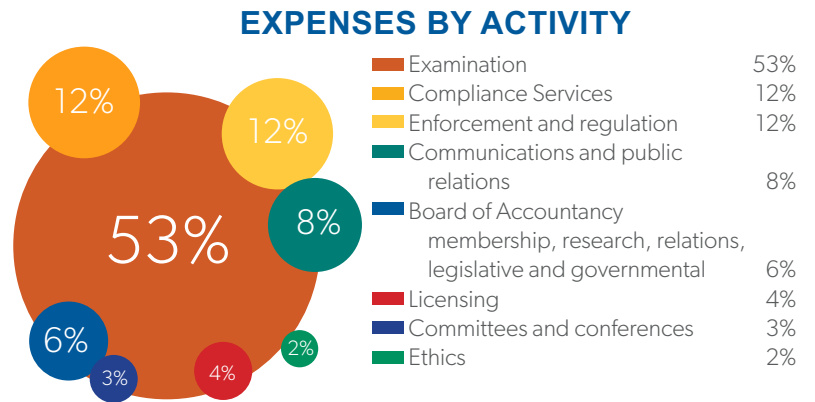
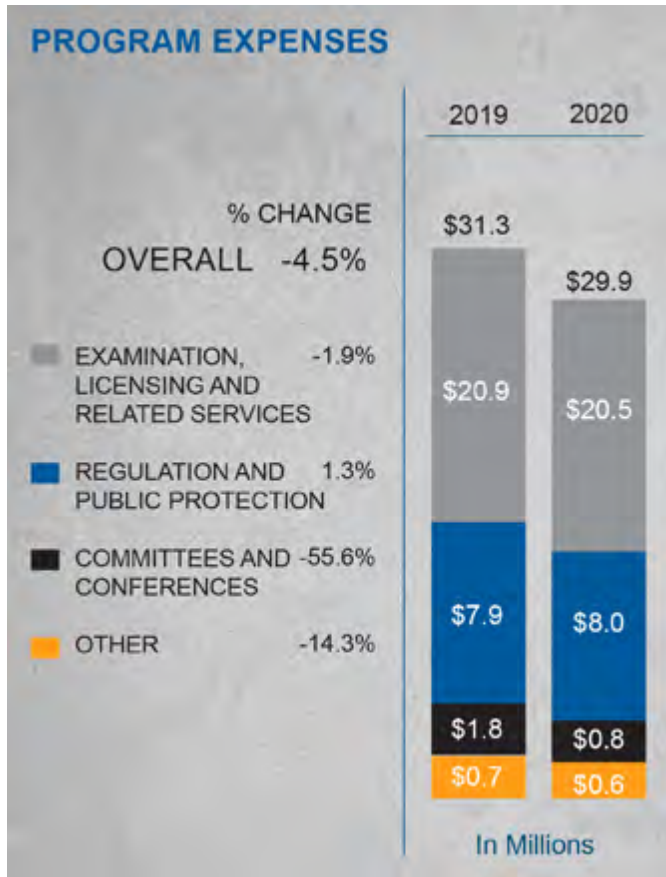
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020

PROGRAM EXPENSES

Total consolidated program expenses decreased by 4.5% from \$31.3 million in fiscal 2019 to \$29.9 million in fiscal 2020.

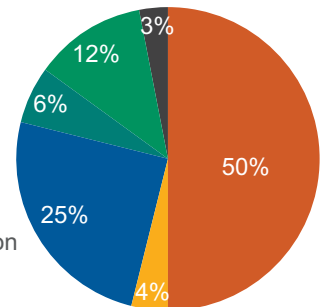
Most of this decrease is from Committees and conferences which was \$1.0 million lower in fiscal 2020 than fiscal 2019 and represents 71% of the total \$1.4 million decrease in program expenses. As previously discussed, NASBA held five conferences in fiscal 2020 just as were held in fiscal 2019. However, four of these five conferences were held virtually in fiscal 2020 rather than in person due to the COVID-19 travel restrictions.

The amount of total program expenses incurred for compensation and related expenses decreased in fiscal 2020 as compared to fiscal 2019 with a corresponding increase in professional services. This is the result of a full year of the outsourced managed IT services in fiscal 2020 compared to a partial year in fiscal 2019. The transition was completed in February 2019. Overall, total operating expenses for NASBA during fiscal 2020 were incurred on the following programs and services:



EXPENSES BY FUNCTION

- Compensation and related costs
- Conferences, meetings and travel
- Technology and professional services
- Credit card and other program services costs
- Occupancy, depreciation and amortization
- Other



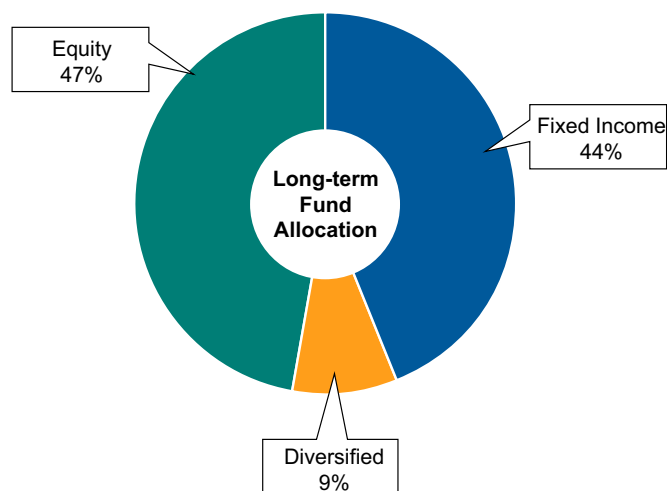
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020

INVESTMENTS

NASBA has long-term investment securities which, if needed, provide liquidity in the event of significant capital endeavors, an economic downturn, or other disruptive events. Although these investment securities were not needed from a liquidity standpoint during fiscal 2020, their importance from a risk management perspective became abundantly clear as the health crisis unfolded. The availability of the long-term fund, and its conservative investment posture, provided financial stability, and allowed leadership to make mission-focused decisions without creating a short-term liquidity problem.

Investment securities are managed under a board-approved investment policy in which long-term investments are directed at the discretion of an investment advisor who is under the oversight of the NASBA Investment Committee. Approximately one-half of the investment securities balance at July 31, 2020 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, other fixed income mutual funds, separately managed fixed income accounts and money market mutual funds.

After a decrease in market values during the middle of fiscal 2020, investment returns rebounded strongly through July 31, 2020. Total investment income for fiscal 2020 was \$2.3 million with approximately one-half resulting from net market gains and the other half from other long-term investment interest, dividends and capital gain distributions, reduced by fees.



INVESTMENT INCOME In Millions



NASBA also has a minimal ownership percentage in a company that includes the operations of a former wholly owned subsidiary. This investment is shown as Investment in affiliate in the Consolidated Statements of Financial Position.



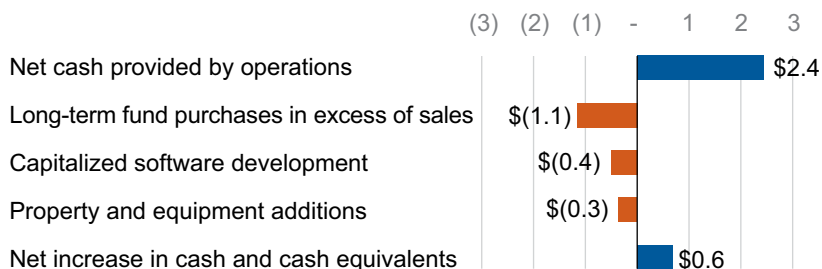
NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. MANAGEMENT DISCUSSION AND ANALYSIS—FISCAL 2020

CASH FLOW, FINANCIAL POSITION AND LIQUIDITY

During fiscal 2020, cash and cash equivalents increased by a net of \$0.6 million. The net long-term purchase of investment securities is primarily reinvested dividends. Capitalized software was lower in fiscal 2020 as new software project development slowed in the current fiscal year. Total cash and cash equivalents were \$6.5 million at July 31, 2020.

NASBA did not have a need to liquidate any long-term financial assets during fiscal 2020 even though cash received from various services was lower than expected. Note 6 of the consolidated financial statements details the \$50.2 million of financial assets available for general expenditure in fiscal 2021. Management does not anticipate the need to liquidate any long-term assets to meet cash needs during fiscal 2021.

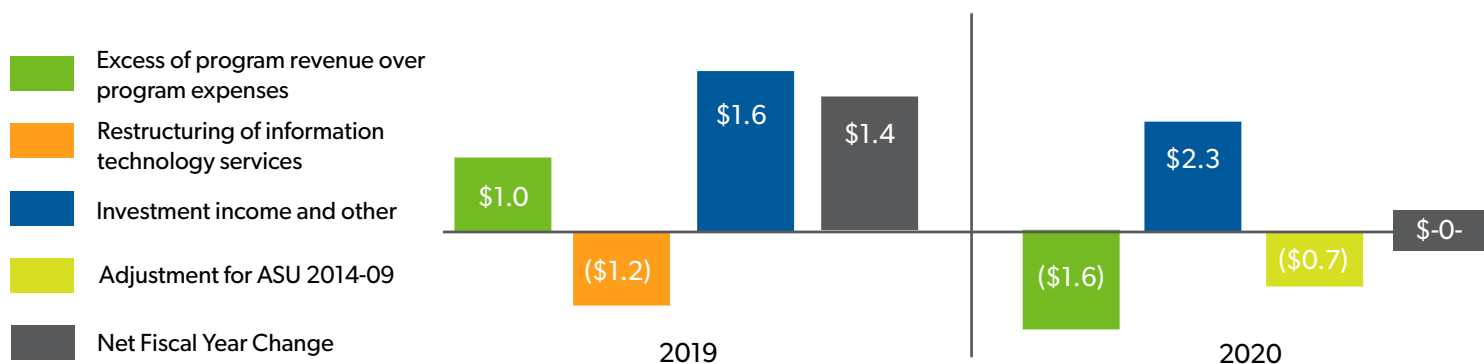
CASH PROVIDED AND (USED) In Millions



NET ASSETS

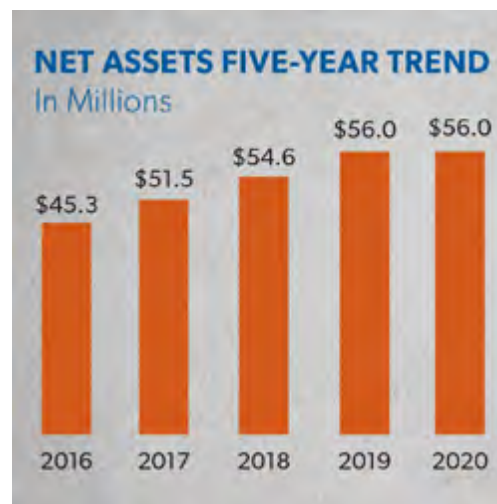
The total increase in net assets for fiscal 2020 is \$0.7 million compared to an increase of \$1.4 million in fiscal 2019. An excess of program expenses over program revenue in fiscal 2020 resulted in a net operating deficit which was offset by a greater amount of investment income.

CHANGE IN NET ASSETS In Millions



As previously discussed, the adoption of the revenue recognition standard, ASU 2014-09, resulted in an adjustment (decrease) to beginning net assets of \$685,000. This, and the fiscal 2020 increase in net assets of \$665,000, resulted in only a minimal net decrease in total net assets from July 31, 2019 to July 31, 2020.

NASBA's remote workforce capability was in the process of development when the pandemic made it a necessity. It was a challenge for the organization to scale up quickly to work remotely. However, it was a challenge that was overcome with lessons learned about how to be better prepared in the future. NASBA's financial position has evolved since its relocation to Nashville twenty-three years ago. NASBA had set the foundation that allows it to continue the provision of services. As a result of its focus on conservative stewardship of the Organization's assets, NASBA has been able to face the headwinds, and ride the turbulent waves, of serious global economic challenges without detriment. This is what Resilience is all about—a culture of toughness and flexibility with the ability to remain buoyant in rushing waters. Not only do financial assets serve NASBA and Boards in this endeavor, but so do the investment in infrastructure and software tools necessary to serve the Boards and enhance their effectiveness. NASBA maintains a strong financial foundation to address the ever-changing landscape in the regulation by Boards and their role in the protection of the public. Although net assets did not increase in fiscal 2020, primarily from the accounting standard adoption, the financial stability of NASBA is as strong as at any point in the past. Management believes NASBA continues to maintain sufficient liquidity and resources to meet its needs in the short and long-term.



The pages that follow contain the Report of the Audit Committee, Independent Auditors' Report and the audited Consolidated Financial Statements of NASBA and its subsidiaries.





National Association of State Boards of Accountancy

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

REPORT OF AUDIT COMMITTEE

September 24, 2020

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, 2020, 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, (2) the performance of agreed-upon procedures related to the escrow accounts and (3) 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 received presentations from the organization’s Chief Information Security Officer summarizing the security program in place for the National Association of State Boards of Accountancy, Inc.;
- The Committee discussed with management and the auditors the impact of COVID-19 on business practices, related controls, financial reporting and risk areas relevant to 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 the agreed-upon procedures, and, without senior management present, the Committee discussed privately with the independent auditors any matters of concern of the independent auditors;
- 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, 2021; and
- 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.

Based on the above, the Committee believes that the annual independent audit and agreed-upon procedures were 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, 2020.

Respectfully submitted,

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

By: Faye D. Miller, CPA, Chair

Other Members of the Committee

Timothy F. Egan, CPA
C. Larry Elmore, CPA
Michael T. Schmitz, CPA
Randa R. Vernon, CPA
Lydia M. Washington, CPA
Judy C. Wetherbee



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, 2020 and 2019, the related consolidated statements of financial position as of July 31, 2020 and 2019, 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, 2020 and 2019, financial position as of July 31, 2020 and 2019, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LBMC, PC

Brentwood, Tennessee
September 24, 2020

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

	2020	2019
Program Revenue		
Examination, licensing and related services	\$ 27,215	\$ 30,984
Member services, dues and other revenue	1,097	1,296
Total program revenue	28,312	32,280
Program Expenses		
Examination, licensing and related services	20,509	20,938
Member services:		
Regulation and public protection	8,057	7,938
Committees and conferences	800	1,789
Other	574	664
Total program expenses	29,940	31,329
Restructuring of Information Technology Services	-	1,208
Total expenses	29,940	32,537
Excess of Expenses Over Program Revenue	(1,628)	(257)
Net Assets Released from Restrictions	-	33
Postretirement Benefit Credit (Cost)	2	(45)
Investment Income	2,260	1,613
Increase in Net Assets Without Donor Restrictions	634	1,344
Change in Net Assets With Donor Restrictions		
Restricted contributions and investment income	31	13
Net assets released from restrictions	-	(33)
Increase (Decrease) in Net Assets With Donor Restrictions	31	(20)
Increase in Net Assets	665	1,324
Net Assets, Beginning of Year	55,970	54,646
Adoption of Revenue Recognition Standard	(685)	-
Net Assets, End of Year	\$ 55,950	\$ 55,970

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	Total program expenses	Restructuring of information technology services	Total expenses
2020					
Compensation	\$ 8,039	\$ 3,539	\$ 11,578	\$ -	\$ 11,578
Benefits, taxes and other employee costs	2,501	958	3,459	-	3,459
Conferences and meetings	86	529	615	-	615
Travel	85	429	514	-	514
Technology	1,327	691	2,018	-	2,018
Professional services	3,818	1,670	5,488	-	5,488
Credit card and other program service costs	1,696	19	1,715	-	1,715
Occupancy	1,140	589	1,729	-	1,729
Depreciation and amortization	1,187	663	1,850	-	1,850
Office	289	138	427	-	427
Marketing and community support	22	66	88	-	88
Other	319	140	459	-	459
Total	<u>\$ 20,509</u>	<u>\$ 9,431</u>	<u>\$ 29,940</u>	<u>\$ -</u>	<u>\$ 29,940</u>
2019					
	Examination, licensing and related services	Member services	Total program expenses	Restructuring of information technology services	Total expenses
Compensation	\$ 8,909	\$ 3,669	\$ 12,578	\$ 242	\$ 12,820
Benefits, taxes and other employee costs	2,610	964	3,574	58	3,632
Conferences and meetings	110	1,136	1,246	-	1,246
Travel	157	1,026	1,183	-	1,183
Technology	1,438	670	2,108	-	2,108
Professional services	2,830	1,439	4,269	908	5,177
Credit card and other program service costs	1,767	21	1,788	-	1,788
Occupancy	1,109	540	1,649	-	1,649
Depreciation and amortization	1,217	507	1,724	-	1,724
Office	345	177	522	-	522
Marketing and community support	74	68	142	-	142
Other	372	174	546	-	546
Total	<u>\$ 20,938</u>	<u>\$ 10,391</u>	<u>\$ 31,329</u>	<u>\$ 1,208</u>	<u>\$ 32,537</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

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,545	\$ 5,911
Receivables	835	1,283
Prepaid expenses	1,372	988
Total current assets	8,752	8,182
Investments and Other Assets		
Investment securities, at fair value	43,379	41,180
Investment in affiliate	884	884
Other assets	158	210
Total investments and other assets	44,421	42,274
Property and Equipment		
Less accumulated depreciation and amortization	8,896	8,909
Net property and equipment	4,069	3,481
Net property and equipment	4,827	5,428
Software Development Costs		
Less accumulated amortization	12,260	11,931
Net software development costs	3,421	2,411
Net software development costs	8,839	9,520
Total assets	\$ 66,839	\$ 65,404
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 5,440	\$ 5,801
Deferred revenue	2,681	923
Capital lease, current	-	1
Other current liabilities	124	123
Total current liabilities	8,245	6,848
Long-term Liabilities		
Total liabilities	2,644	2,586
Total liabilities	10,889	9,434
Net Assets		
Without donor restrictions	55,732	55,783
With donor restrictions	218	187
Total net assets	55,950	55,970
Total liabilities and net assets	\$ 66,839	\$ 65,404

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

	2020	2019
Operating Activities		
Cash received for services	\$ 32,236	\$ 35,328
Cash received for membership dues	311	300
Cash received from donors to NASBA Center for the Public Trust	181	238
Interest and dividends received	1,346	1,342
Cash paid to employees, vendors and others	(32,699)	(32,547)
Cash paid for restructuring of information technology services	-	(1,208)
Cash received from examination candidates for examination partners	41,768	48,784
Cash paid to escrow accounts for examination partners	(40,745)	(49,487)
	2,398	2,750
Investing Activities		
Property and equipment additions	(277)	(171)
Proceeds from property and equipment disposals	1	-
Capitalized software development costs	(364)	(2,136)
Purchases of investment securities	(20,934)	(9,841)
Proceeds from sale of investment securities	19,815	9,107
Other	(4)	(3)
	(1,763)	(3,044)
Financing Activities		
Principal payments on capital lease	(1)	(11)
	(1)	(11)
Net Increase (Decrease) in Cash and Cash Equivalents	634	(305)
Cash and Cash Equivalents, Beginning of Year	5,911	6,216
Cash and Cash Equivalents, End of Year	\$ 6,545	\$ 5,911

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

	2020	2019
Reconciliation of increase in net assets to net cash provided by operating activities:		
Increase in net assets	\$ 665	\$ 1,324
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	840	899
Amortization of software development costs	1,010	825
Gains on investment securities	(1,080)	(413)
Recognition of deferred rent credit	(111)	(116)
Loss on disposals of property and equipment	1	30
Gains on endowment fund investment securities	(2)	-
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	505	240
Prepaid expenses and other assets	(326)	21
Increase (decrease) in:		
Accounts payable, accrued and other liabilities	(104)	(319)
Deferred revenue	1,000	259
	1,000	259
Net cash provided by operating activities	\$ 2,398	\$ 2,750
Non-cash Investing and Financing Activities		
Accrued costs for property and equipment additions	\$ 17	\$ 53
Accrued capitalized software development costs	\$ -	\$ 35

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.

New accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in ASU 2014-09, along with subsequently issued updates, provide a principles-based approach for accounting for revenue from contracts with customers. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also enhances the required disclosures to help users of the consolidated financial statements better understand the nature, amount, timing and uncertainty of revenue arising from contracts with customers. NASBA adopted the new guidance effective August 1, 2019, using the modified retrospective method. The change is discussed more fully in the revenue recognition section of Note 2.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in ASU 2016-01 address various improvements in recognition and measurement primarily as it relates to equity investments and financial liabilities under the fair value option, along with, the presentation and disclosure requirements for financial instruments. Among other changes, ASU 2016-01 replaced certain cost method investments with equity securities without a readily determinable fair value classification. The standard is effective for fiscal years beginning after December 15, 2018. NASBA adopted ASU 2016-01 effective August 1, 2019. The adoption of this standard had no material impact on the consolidated financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in ASU 2018-08 apply to contributions received by a recipient and clarify and improve guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution within the scope of Topic 958, *Not-for-Profit Entities* or an exchange transaction within the scope of other guidance (such as Topic 606, *Revenue from Contracts with Customers*). The amendments clarify when a contribution is conditional and requires contributions to be recognized after conditions are met. The amendments also apply the same guidance to contributions made. The standard is effective for fiscal years beginning after December 15, 2018 for contributions received. NASBA adopted ASU 2018-08 effective August 1, 2019 for contributions received using the modified prospective basis. There was no impact on the consolidated financial statements. The standard is effective for fiscal years beginning after December 15, 2019 for contributions made. NASBA will adopt ASU 2018-08 effective August 1, 2020 for contributions made.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

New accounting pronouncement

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-use Software (Subtopic 350-40) Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in ASU 2018-05 align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019 with early adoption permitted. NASBA adopted ASU 2018-15 effective August 1, 2019. Prospective application to implementation costs incurred after the date of adoption was made in the consolidated financial statements. There were no material implementation costs which required capitalization during fiscal 2020 associated with a hosting arrangement that is a service contract.

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, 2020, the portion of the balance exceeding the FDIC insurance limits is approximately \$1,100,000 which includes the amount reported in Note 12.

Receivables 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 4.

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, 2020 or 2019.

Prepaid expenses

Prepaid expenses consist primarily of prepaid insurance premiums, equipment maintenance contracts, subscription services, and travel and meeting costs. The asset is expensed in the period to which the benefit applies.

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 5.

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.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Investment in affiliate

As of August 1, 2019, NASBA adopted ASU 2016-01. Prior to that date, NASBA's investment in an affiliate was accounted for under the cost method. Under the cost method, the carrying value of the investment was assessed annually and an adjustment to the value would have been made if any loss was deemed to be other than a temporary decline. In electing to measure the investment in affiliate under the new standard, investments in equity securities of nonpublic entities without readily determinable fair values are carried at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. NASBA reviews the investment in affiliate on a regular basis to determine if the investment is impaired. Factors such as the investee's earnings and revenue outlook, liquidity and management ownership are considered in its review. If management's assessment indicates that an impairment exists, NASBA estimates the fair value of the equity investment and recognizes in current earnings an impairment loss that is equal to the difference between the fair value of the equity investment and its carrying amount. NASBA also reviews any observable transactions related to its securities that are similar and which might indicate a change in fair value at the date of the transaction.

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 estimated useful lives range from 2 to 5 years for office and computer equipment and 8 to 12 years for furniture. 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 which range from 5 to 12 years. 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. In addition, NASBA has various software hosting arrangements that are accounted for as service contracts.

Realization of long-lived assets

Long-lived assets, which include property, equipment and software development costs, are reviewed for impairment. Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the asset is adjusted to its estimated fair value.

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.

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 consolidated 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.

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

Note 2. Significant Accounting Policies (Continued)

Revenue recognition

Revenue for the Association from examination, licensing and related services primarily consists of various fees from individuals seeking to qualify for the CPA license. The Association facilitates the Boards of Accountancy by evaluating the credentials of individuals at various points leading to licensure as a CPA. Similar services are provided by Aequo for professions other than CPAs. In addition, revenue for the Association is generated by evaluating CPE providers that meet established standards for education programs. Revenue from these services are mostly recognized over time as progress towards completion of the evaluations are made, as this measures the value of the service transferred to the customer. For most of these services, there is one performance obligation associated with the fee from the customer which represents the transaction price. For those with multiple performance obligations, the total fee is representative of each separate standalone price.

To determine the transaction price of examination, licensing and related services that also includes variable consideration, an estimated amount of variable consideration is determined at the outset of the contract utilizing the expected value method. NASBA constrains (reduces) the estimated variable consideration such that it is probable that a significant reversal of previously recognized revenue will not occur throughout the life of the contract. When determining if variable consideration should be constrained, management considers whether there are factors outside of NASBA's control that could result in a significant reversal of revenue by considering the likelihood and magnitude of a potential reversal of revenue. These estimates are re-assessed each reporting period as required.

Also included in revenue from examination, licensing and related services is a service provided by the Association in which the customer receives CPA licensee-specific information about the customer's employees' CPE compliance by jurisdiction. Multiple services may be provided to the customer but, in total, represents a single performance obligation. Revenue for this service is recognized ratably over time using the straight-line method as the service is generally provided daily.

Revenue for the Association from member services, dues and other revenue consists primarily of a subscription service containing jurisdictional laws and rules governing CPAs, membership dues and conference fees. Each of these services represent a single performance obligation. For both the subscription service and membership dues, revenue is recognized over time using the straight-line method as the performance obligations are satisfied. Conference fees are recognized at a point in time when the event is held.

Also included in revenue from member services, dues and other revenue are the program services of CPT. These services primarily represent online training courses which are recognized at a point in time when access is provided to the customer.

The following is the amount of revenue recognized in the consolidated statement of activities from contracts with customers and other sources of revenue for fiscal 2020:

(In thousands)	Revenue from contracts with customers	Other sources of revenue
Examination, licensing and related services	\$ 27,215	\$ -
Member services, dues and other revenue	942	155
Total Revenue	\$ 28,157	\$ 155

For fiscal 2020, total revenue recognized over time was \$26,492,000 and total revenue recognized at a point in time was \$1,665,000.

NASBA accounts for taxes collected from customers and remitted to governmental entities on a net basis.

Unconditional contributions to CPT are recognized as revenue when the contribution or pledge is received. Contributions with a condition stipulated by the donor are recognized as revenue when the condition is substantially met by CPT.

NASBA primarily receives payment in advance at the time the services are requested by the customer. In all other instances, NASBA receives payment from customers based on billing schedules established in its contracts. NASBA's right to consideration that is unconditional and has been invoiced is considered to be a receivable. Contract assets include amounts for which NASBA has a right to consideration in exchange for goods or services that NASBA has transferred to the customer but has not invoiced. These contract assets total \$258,000 and \$201,000 at July 31, 2020 and August 1, 2019, respectively, and are included in Receivables in the consolidated statements of financial position. Deferred revenue in the consolidated statements of financial position represent contract liabilities for which NASBA has received consideration and is obligated to transfer goods or services to the customer. These contract liabilities total \$2,681,000 and \$1,681,000 at July 31, 2020 and August 1, 2019, respectively.

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (Continued)

Revenue recognition

NASBA adopted ASU 2014-09 on August 1, 2019, using the modified retrospective method. The adoption resulted in a decrease to beginning Net assets without donor restrictions of \$685,000 and Accounts payable and accrued liabilities of \$16,000 along with an increase to beginning Deferred revenue of \$758,000 and Receivables of \$57,000. The adjustments primarily related to the timing of recognizing revenue for evaluating credentials related to CPA licensure and CPE providers.

The period prior to August 1, 2019 is presented in accordance with prior revenue recognition guidance, Topic 605, *Revenue Recognition*. Revenue for examination and licensing program fees were recognized as revenue when the services to which they related were completed. Fees for services provided over a period of time were recognized ratably during the period. Fees for conferences and meetings, and related expenses, were recognized when the event occurred. Fees received in advance for services that were to be performed in future periods were included in deferred revenue.

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 15.

Contributed services

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

Note 3. Restructuring of Information Technology Services

Effective November 7, 2018, NASBA entered into a multi-year Managed IT Services Agreement ("IT Agreement") to outsource most of the information technology services to a vendor. Under the IT Agreement, the vendor will perform the application and infrastructure services. While NASBA has certain termination options under the contract, if not terminated early, the aggregate contractual payments due would be \$33,409,000 (including cost of living adjustments) over the term of the contract.

During fiscal 2019, NASBA incurred nonrecurring transition costs related to the restructuring of its information technology services in the amount of \$1,208,000. These costs include legal fees, severance and retention costs, and other personnel and consulting expenses. These expenses are shown separately in the consolidated statements of activities and consolidated statements of functional expenses.

Note 4. Contributions Receivable

Contributions receivable consisting of pledges to CPT at July 31, 2020 and 2019 total \$26,000 and \$30,000, respectively. These amounts are due in less than one year at their respective dates. Contributions receivable are included in Receivables in the consolidated statements of financial position.

Note 5. Fair Value Measurement

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.

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

Note 5. Fair Value Measurement (Continued)

At July 31, 2020 and 2019, 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 ("NAV") as reported by the investment company which is derived from the value of the underlying investments. There have been no changes in the valuation methods used.

Effective August 1, 2019, investment securities previously reported as Level 3 in the fair value hierarchy were changed to NAV as a practical expedient. These investment securities meet the criteria for this measurement. NAV as a practical expedient is a better representation of the method used to value these investment securities. This change in accounting principle was applied retrospectively and had no effect on previously reported investment securities value or disclosures pertaining to these investment securities other than the presentation of the investment securities previously being reported within the fair value hierarchy and currently reported in investments measured at NAV as a practical expedient. The total amount of these investment securities included in investments measured at NAV as a practical expedient is \$475,000 and \$505,000 at July 31, 2020 and 2019, respectively.

In addition to the previous Level 3 investment securities now measured at NAV as a practical expedient, certain other investments are also measured at NAV 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, 2020 is as follows:

(In thousands)	Level 1	Level 2	Total
Assets in the Fair Value Hierarchy:			
Mutual Funds			
Equity securities	\$ 12,599	\$ -	\$ 12,599
Fixed income securities	1,456	-	1,456
Diversified investments	849	-	849
Money market	1,964	-	1,964
Total mutual funds	16,868	-	16,868
Exchange-traded Funds			
Equity securities	4,937	-	4,937
Total exchange-traded funds	4,937	-	4,937
Separately Managed Accounts			
Equity securities	2,703	-	2,703
Fixed income securities	2,559	-	2,559
Total separately managed accounts	5,262	-	5,262
U.S. Government and Other Debt Obligations			
Certificates of deposit	-	4,349	4,349
Treasury securities	-	617	617
Federal agency securities	-	983	983
Corporate bonds	-	7,339	7,339
Total U.S. government and other debt obligations	-	13,288	13,288
Managed Pool Accounts			
Diversified investments	-	577	577
Total managed pool accounts	-	577	577
Total assets in fair value hierarchy	\$ 27,067	\$ 13,865	40,932
Investments measured at NAV as a practical expedient:			
Diversified investments			2,447
Total Investment Securities			\$ 43,379

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

Note 5. Fair Value Measurement (Continued)

The fair value of investment securities at July 31, 2019 is as follows:

(In thousands)	Level 1	Level 2	Total
Assets in the Fair Value Hierarchy:			
Mutual Funds			
Equity securities	\$ 13,609	\$ -	\$ 13,609
Fixed income securities	3,060	-	3,060
Diversified investments	1,401	-	1,401
Money market	1,315	-	1,315
Total mutual funds	19,385	-	19,385
Exchange-traded Funds			
Equity securities	1,335	-	1,335
Total exchange-traded funds	1,335	-	1,335
Separately Managed Accounts			
Equity securities	2,613	-	2,613
Fixed income securities	2,332	-	2,332
Total separately managed accounts	4,945	-	4,945
U.S. Government and Other Debt Obligations			
Certificates of deposit	-	2,419	2,419
Treasury securities	-	2,315	2,315
Federal agency securities	-	2,494	2,494
Corporate bonds	-	5,025	5,025
Total U.S. government and other debt obligations	-	12,253	12,253
Managed Pool Accounts			
Diversified investments	-	582	582
Total managed pool accounts	-	582	582
Total assets in fair value hierarchy	\$ 25,665	\$ 12,835	38,500
Investments measured at NAV as a practical expedient:			
Diversified investments			2,680
Total Investment Securities			\$ 41,180

NASBA has committed to contribute a total of \$750,000 to three separate investment funds which are measured at NAV as a practical expedient. Capital contributions were \$100,000 and \$124,000 in fiscal 2020 and 2019, respectively. At July 31, 2020, \$280,000 of the total commitment remains including callable distributions. The commitments expire at various times during the next year ("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 two other investments measured at NAV as a practical expedient at July 31, 2020 and 2019 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.

The managed pool account included in Level 2 investments may be redeemed on a daily basis.

NASBA's nonfinancial assets include property, equipment and software development costs. If certain triggering events occur, a resulting asset impairment would require that the nonfinancial asset be recorded at fair value. During fiscal 2020 and 2019, 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.

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

Note 6. Liquidity and Availability

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

(In thousands)	2020	2019
Cash and cash equivalents	\$ 6,545	\$ 5,911
Receivables	835	1,283
Investment securities, at fair value	43,379	41,180
Investment in affiliate	884	884
Endowment fund (included in Other assets)	123	117
Total financial assets	51,766	49,375
Investment securities with liquidity horizons greater than one year	(475)	(505)
Investment in affiliate	(884)	(884)
Donor-imposed restrictions on CPT financial assets	(218)	(187)
Financial assets available to meet cash needs for general expenditures within one year	\$ 50,189	\$ 47,799

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 5, \$19,267,000 and \$18,960,000 of long-term investment securities at July 31, 2020 and 2019, respectively, are invested in lower risk fixed income and money market securities. In addition, \$23,637,000 and \$21,715,000 are in securities which could be liquidated within one year at July 31, 2020 and 2019, respectively. If circumstances required expenditures that could not be funded through current financial assets, investment securities could be sold to meet the need. The remaining \$475,000 and \$505,000 at July 31, 2020 and 2019, respectively, is invested in securities with redemption limitations.

As of the date this report was available to be issued, the United States, as well as many other countries around the world, was experiencing an emerging infectious disease (COVID-19) outbreak, impacting individuals, governments, businesses and financial markets with unprecedented disruption and risk. While it is not possible to predict the future impacts of the outbreak on NASBA's financial condition and results of operations, significant disruptions to key business drivers, such as customer demand, supply chain, workforce, and production, are possible. As of the date of this report, NASBA has not experienced any significant adverse effects. Management is closely monitoring the situation and continues to develop strategies designed to mitigate such impacts.

Note 7. Investment in Affiliate

NASBA holds an equity interest in a privately held limited liability company which is accounted for as described in Note 2. No impairment was deemed present and no adjustment to the carrying value was made in fiscal 2020 or 2019. In addition, there were no adjustments to the amount of the investment in affiliate since being measured as an equity security without readily determinable fair value or as a cost method investment in the previous years.

Note 8. Property and Equipment

Property and equipment at July 31 consists of the following:

(In thousands)	2020	2019
Office and computer equipment	\$ 2,561	\$ 2,566
Furniture	1,933	1,941
Building and leasehold improvements	4,402	4,402
Total Property and Equipment	8,896	8,909
Accumulated depreciation and amortization	(4,069)	(3,481)
Net Property and Equipment	\$ 4,827	\$ 5,428

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

Note 9. Software Development Costs

The estimated amortization expense of software development costs for the succeeding five fiscal years at July 31, 2020 is as follows in thousands:

Fiscal 2021	\$ 1,024
Fiscal 2022	1,008
Fiscal 2023	1,008
Fiscal 2024	1,008
Fiscal 2025	992

Note 10. Long-term Liabilities

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

(In thousands)	2020	2019
Accrued rent payable	\$ 1,619	\$ 1,463
Deferred rent credit	713	824
Accumulated postretirement benefit obligation	312	299
Total Long-term Liabilities	\$ 2,644	\$ 2,586

Note 11. Net Assets With Donor Restrictions

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

(In thousands)	2020	2019
Time and purpose-restricted endowment investment income	\$ 30	\$ 24
Purpose-restricted	95	70
Endowment fund	93	93
Total Net Assets With Donor Restrictions	\$ 218	\$ 187

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.

Net assets without donor restrictions include the net assets without donor restrictions of CPT, which as of July 31, 2020 and 2019, respectively, are \$550,000 and \$322,000.

Note 12. Agreements to Provide Examination Services

Effective December 31, 2009, NASBA entered into an amended and restated agreement (the "Domestic Agreement") with Prometric, Inc. ("Prometric"), a company that provides technology-enabled testing services, and the American Institute of Certified Public Accountants ("AICPA") to jointly deliver a computerized uniform CPA examination (the "examination"). The Domestic Agreement currently expires on December 31, 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, 2020 and 2019, these escrow funds amounted to approximately \$22,000,000 and \$23,000,000, respectively. These funds are held in depository accounts and U.S. Treasury notes. At July 31, 2020, approximately \$800,000 of the escrow funds balance held in depository accounts temporarily exceeded FDIC insurance limits pending a cash transfer between accounts. Escrow funds and the related obligations are not reported in the consolidated financial statements because they do not represent assets or obligations of NASBA.

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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 \$655,000 and \$717,000 for fiscal 2020 and 2019, 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. During fiscal 2020, eligibility was closed to future participants. At July 31, 2020 and 2019, the accumulated postretirement benefit obligation was determined by an independent actuarial valuation to be \$324,000 (\$312,000 noncurrent and \$12,000 current) and \$309,000 (\$299,000 noncurrent and \$10,000 current), respectively, and is included in the consolidated statements of financial position.

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

(In thousands)	2020	2019
Components of net periodic cost:		
Service cost	\$ 25	\$ 19
Interest cost	9	9
Actuarial (gain) loss	(11)	36
Net periodic cost	23	64
Plan participants' contributions	7	8
Benefits paid	(15)	(16)
Net change in benefit obligation	15	56
Benefit obligation at beginning of year	309	253
Benefit Obligation at End of Year	\$ 324	\$ 309

The discount rate used to value the obligation was 1.54% in fiscal 2020 and 2.89% in fiscal 2019. The assumed medical trend rate is 7.25% graded uniformly to 6.5% over a period of 3 years and the assumed dental trend rate is 4% per annum.

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 \$8,000 in fiscal 2020 and 2019. The table shows approximate actuarial projections of expected future postretirement benefit payments in thousands:

Fiscal 2021	\$ 12
Fiscal 2022	16
Fiscal 2023	21
Fiscal 2024	25
Fiscal 2025	34
Fiscal 2026 through 2030	116

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Note 14. Commitments

In February 2019, NASBA extended the operating lease for its New York office space through October 2028. As a part of the extended operating lease, both NASBA and the lessor have the right to terminate the lease effective October 2023. NASBA has a commitment for its Nashville office space under an operating lease that expires in January 2028. In July 2020, NASBA amended the operating lease for its Nashville office space which deferred a portion of the monthly minimum lease payments from fiscal 2020 to fiscal 2021 and fiscal 2022. This amendment did not change the total minimum lease payments required under the lease. NASBA also has a commitment for its Guam office space through December 2022. 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 2021	\$	1,822
Fiscal 2022		1,836
Fiscal 2023		1,738
Fiscal 2024		1,591
Fiscal 2025		1,586
Thereafter		4,182
Minimum Lease Payments	\$	12,755

Net rent expense charged to operations for office space in fiscal 2020 and 2019 totaled \$1,729,000 and \$1,649,000, respectively.

In addition to commitments for office space, NASBA has a commitment for information technology hosting services for 2021 and 2022. The commitment for this service is \$675,000 each fiscal year. Also, NASBA has other various commitments for subscription services as follows in thousands:

Fiscal 2021	\$	185
Fiscal 2022		175
Fiscal 2023		59
Fiscal 2024		41
Fiscal 2025		41

Note 15. 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)	2020	2019
Statutory federal income tax benefit	\$ (25)	\$ (35)
State income taxes	(8)	(10)
Change in valuation allowance	31	41
Other	2	4
Income Tax Benefit	\$ -	\$ -

The deferred income tax asset consists of the following:

(In thousands)	2020	2019
Deferred income tax asset	\$ 340	\$ 309
Valuation allowance	(340)	(309)
Net Deferred Income Tax Asset	\$ -	\$ -

At July 31, 2020, Aequo had federal and state net operating loss carryforwards of \$1,232,000. The carryforwards expire at various dates beginning July 31, 2035 for federal tax purposes and July 31, 2030 for state tax purposes. The deferred tax asset relates primarily to federal and state net operating loss carryforwards. The valuation allowance is provided primarily for the net operating loss carryforwards that management has determined have not reached the "more likely than not" threshold for realization.

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, 2020 and 2019. 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 2017.

Note 16. Subsequent Events

Management has evaluated all material events and transactions that occurred from July 31, 2020 through September 24, 2020, 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.

NASBA

National Association of State Boards of Accountancy

150 Fourth Avenue North, Suite 700

Nashville, TN 37219-2417

T/615.880.4200

F/615.880.4290

www.nasba.org

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Editor-in-Chief: Ken L. Bishop

Senior Editor: Cassandra A. Gray

Financial Editors: Michael R. Bryant and Troy A. Walker

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