

# NASBA

NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY

**AD ASTRA**



# AD ASTRA

*"TO THE STARS"*

**NASBA ANNUAL REPORT 2011**

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## REACHING AND GRASPING

For thousands of years of recorded history, the stars in our universe have confounded and baffled us, have created great wonder and mystery, and have been the inspiration for poets, lyricists, authors, sky-watchers and, of course, NASA, with its journeys into space. Whether as a symbol of providential guidance, an athletic team or as an affixed seal on a third grader's paper indicating "A-plus" work, stars are synonymous with splendor, excitement, accomplishment and, yes, challenge.

NASBA's "*ad astra per aspera*" (to the stars with difficulty and challenge) is our compelling theme as we honor and commit to our mission - to enhance the effectiveness of state boards of accountancy. Our goals relating to achieving effective programs and services, identifying emerging issues, strengthening communications and fostering relationships with organizations can only be fully met when we collectively reach and stretch beyond ordinary efforts. Reaching for the stars involves risks which are measured, mitigated, managed and appropriate to the benefits we confidently expect.

As we entered into fiscal year 2011, some of our member boards were experiencing actual or threats of impending budget cuts, consolidation with other dissimilar professions and occupations, and funds, appropriately reserved for enforcement of accountancy law and rules being swept into the general treasury of state government. While we could not alter the circumstances of the challenges, we in NASBA did respond to each plea for assistance from our boards. Working with the professional and legislative communities, we sought to provide stabilization, education, and a vision for a tomorrow where accountancy regulatory boards operate with more autonomy, increased independence and fiscal strength based on all the fees collected from its licensees.

Mobility of CPAs throughout the country is becoming a reality. This year, New York became the 48th state to enact mobility legislation providing for transborder practice of its and other states' respective licensees. What was only envisioned a few years back has now been substantially completed—the mobility of substantially equivalently qualified CPAs serving their clients (the public) in or out of their principal office. Recognizing the global importance and significance of the U.S. CPA license and credential - we together with the AICPA - launched the international delivery of the CPA examination in the five countries of Bahrain, Japan, Kuwait, Lebanon and the United Arab Emirates. This move not only provides more convenience and less cost for U.S. citizens taking the exam in these countries, but also extends the influence of the CPA license and credential on the economic stage of the world.

International access for our boards' licensees and recognition of other countries' substantially equivalent accounting credentials is another significant element in serving the public interest more professionally, competently and at reasonable cost. We currently have mutual recognition agreements (MRA) with professional institutes in Canada, Australia, New Mexico, New Zealand and Ireland. In October 2011 on the site of our annual meeting, we will execute an MRA with the Hong Kong Institute of CPAs, which will be the first such agreement signed with a Pacific Rim country. Amazing progress!

NASBA's investment, beginning about 13 years ago in Professional Credential Services (PCS), a wholly owned subsidiary, realized a significant gain this year when NASBA completed its sale of PCS as described more in detail later in this report. The non-taxable gain of over \$7 million plus our retaining 20% interest in the acquiring company provides NASBA with additional resources to further our mission of helping state boards. Some will recall that PCS struggled in its first few years to become profitable. However, in the last several years, PCS has contributed to NASBA's profitability, and its sale certainly validates the investment risk we took in 1998.

The Center for the Public Trust (CPT) is NASBA's ethics face to the world. While it is commendable for all licensees to be professionally competent in what they do, it is at least as important that they conduct themselves with truthfulness, trustworthiness and transparency. "Can I trust you" is the test of the public on our licensees. The public has confidence that our boards of accountancy will certify only technically qualified and competent accountants; they require continued assurance that our licensees behave themselves properly to earn their trust. That's what our "Being a Difference Award" is about—people who are singled out for adopting a lifestyle (being a difference) of trust and ethics. This year, the CPT launched the Ethics Network, a membership program which offers a virtual community for the ethically aware professional. Its very affordable membership fee provides benefits designed to promote ethics awareness, education, and opportunities for professional growth. Our pilot program of CPT student chapters on five university campuses while emphasizing the "fourth e"—ethics—is exceeding our expectations in the numbers of students involved and the very active support provided by university sponsors.

In January 2011, the NASBA Board of Directors - after receiving a report from its Selection Advisory Committee - selected Ken Bishop, Executive Vice President and Chief Operating Officer, to succeed David Costello upon his retirement on December 31, 2011. This exciting development will help ensure that NASBA continues on the path of excellence and determination to further enhance our effectiveness to our member boards.

NASBA's committees as reported herein advanced the mission of NASBA and afforded tremendous assistance to our boards. NASBA's operations performed well, and we continue to enjoy sound financial strength and vigor.

The wonder and mystery of reaching for the stars in all we seek to accomplish is that we never quite grasp all that is opportune or available. And no matter the struggle, the challenge, the hits and misses and the adversity, reaching for the higher, the nobler, and the trusted is made all the grander when we in joyful excitement grasp some part of what we never had before. "*Ad astra per aspera*." To the stars with challenge - Yes!



Michael T. Daggett, CPA  
Chair



Ken L. Bishop  
Executive Vice President & Chief Operating Officer



David A. Costello, CPA  
President & Chief Executive Officer





# AD ASTRA

*"TO THE STARS"*

## NASBA INTRODUCTION

Founded in 1908, the National Association of State Boards of Accountancy (NASBA) has served as an association dedicated to enhancing the effectiveness of the country's 55 state boards of accountancy for more than 100 years. As a driving force within the accounting profession, NASBA accomplishes its mission by creating a forum for accounting regulators and practitioners to address issues relevant to the viability of the accounting profession. NASBA takes pride in offering its member boards a rich portfolio of products and services, all designed to effectively aid boards in their goal to protect the public.

In addition to accounting, NASBA's Center for the Public Trust (CPT) also continues to develop and positively impact the ethical climate of business by hosting training events and awards programs recognizing outstanding ethical individuals and organizations. NASBA is privileged to have established a reputation as a trusted resource in regulatory and professional services.

The 2011 Annual Report highlights NASBA's milestones over the past year and sets the tone for the growth the organization aims to continually pursue in the future.

### OUR MISSION

To enhance the effectiveness of state boards of accountancy.

### OUR GOALS

- Provide high-quality, effective programs and services.
- Identify, research and analyze major current and emerging issues affecting state boards of accountancy.
- Strengthen and maintain communications with member boards to facilitate the exchange of ideas and opinions.
- Develop and foster relationships with organizations that impact the regulation of public accounting.

### OUR VALUES

- Preserve the public trust and confidence in the CPA license and credential.
- Support the licensing of individuals who demonstrate and maintain competence through education, examination and experience requirements.
- Ensure that the integrity, objectivity and independence of licensees are not compromised.
- Foster compliance with ethical and all professional standards.
- Promote the rights of boards of accountancy to regulate licensees in all their professional activities.

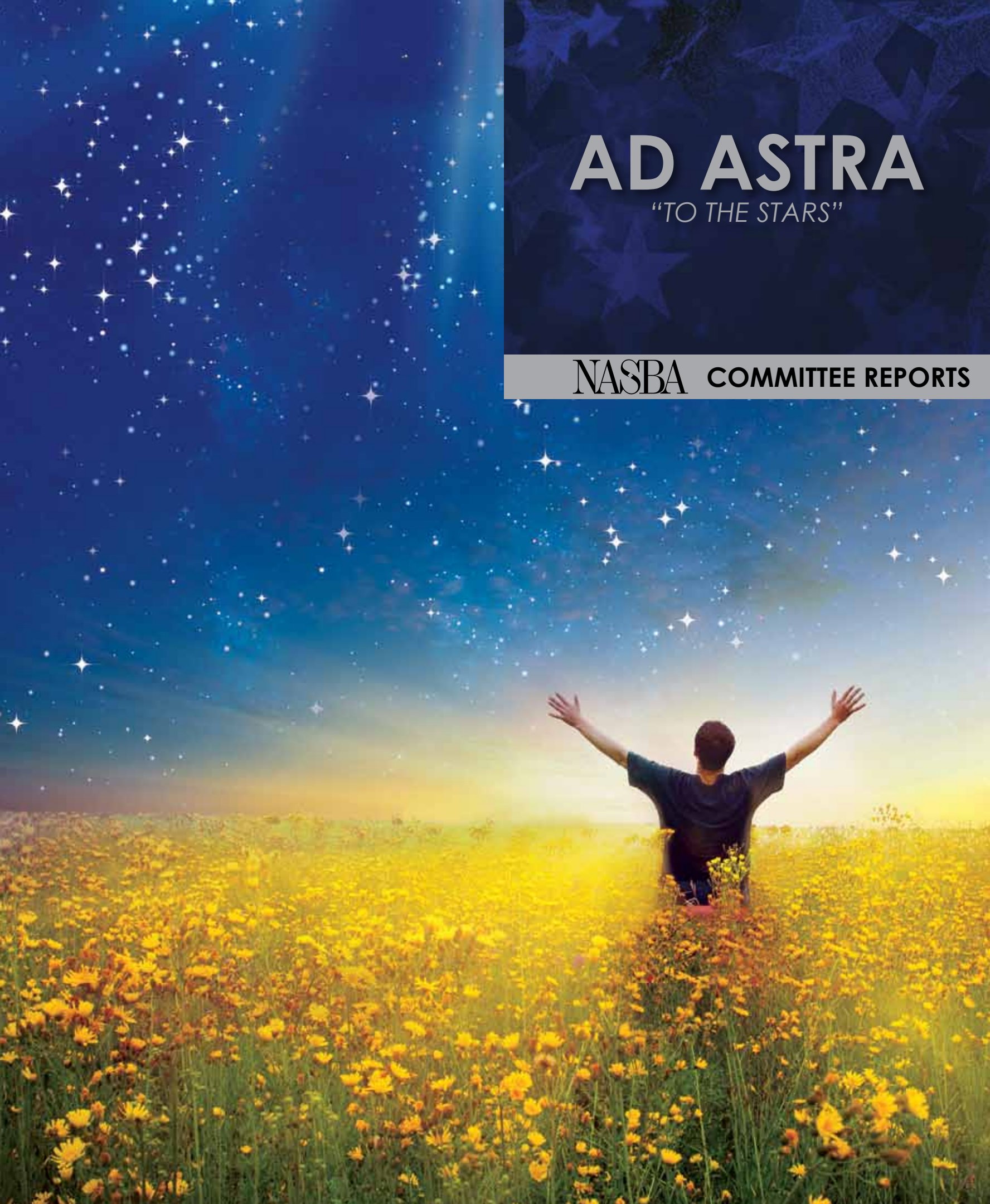
### OUR VISION

To be and to be known as the clear, trusted and leading voice of state boards of accountancy serving the public interest.

# AD ASTRA

*"TO THE STARS"*

NASBA COMMITTEE REPORTS





## ACCOUNTANCY LICENSEE DATABASE (ALD) COMMITTEE

The Accountancy Licensee Database (ALD) Task Force was appointed in 2008. The ALD was implemented in 2005 as a central repository of licensee and firm information provided and kept current by boards of accountancy. The primary purpose of the ALD is to assist boards with their regulatory efforts. Ideally, the ALD will become the most comprehensive, current and accurate source of licensing information about individual licensed accountants and accounting firms in the U.S. By early 2008, only 15 boards were actively contributing to and using the ALD and there was not demonstrated interest by many other boards. The goal of the Task Force is to assist boards in overcoming any obstacles they may face in participating in the ALD. Obstacles include privacy concerns, policy issues and technical difficulties in exchanging data.

Today, 35 boards are contributing licensee and firm information to the ALD and 14 more have committed to joining. A major effort is in progress to bring the remaining committed states on board and ultimately have all 55 licensing jurisdictions' data included. With the wide-spread adoption of mobility, the need for the general public to be able to determine if a person/firm is licensed and in good standing is more prevalent than ever. The launch of the public version of the ALD (CPAverify) in the fall of 2011 is the first huge step in meeting this need because it provides for a single search that reveals all jurisdictions where a person/firm has been licensed. This is limited only by the number of jurisdictions supplying information for the database and currently there are 28 states that have opted in for CPAverify.

**Committee Charge:** Promote and assist with implementation of the ALD in every state.

**Chair:**

Daniel Sweetwood (NE)

**Staff Liaisons:**

Kenneth Denny

Rebecca Rodriguez

**Members:**

Rebecca Adams (CT)

Sally Anderson (CA)

Patti Bowers (CA)

Joseph Cote (NASBA)

Mark H. Crocker (TN)

Ofelia Duran (CO)

Daniel J. Dustin (NY)

Russ Friedewald (IL)

Doreen Frost (MN)

Michael W. Skinner (GA)

Edith Steele (OK)

Richard C. Sweeney (WA)

Viki A. Windfeldt (NV)

Lisa Zolman (WA)

## ADMINISTRATION & FINANCE COMMITTEE

**Committee Charge:** Oversee and monitor the financial operations of NASBA.

**Chair:**

Theodore W. Long, Jr. (OH)

**Staff Liaison:**

Michael R. Bryant

**Members:**

Robert B. Cagnassola (NJ)

John E. Katzenmeyer (OH)

Donald R. Roland (GA)

Leonard R. Sanchez (NM)

E. Kent Smoll (KS)

Robert G. Zunich (OH)

The Administration and Finance Committee monitors the fiscal operations of the Association. Theodore W. Long, Jr., CPA, NASBA Treasurer, serves as chair of the Committee. The Board of Directors relies on the Administration and Finance Committee to provide oversight of the Association's financial performance from operational, financial and investment-related activities. The Committee met four times during the fiscal year and reviewed the financial policies, financial statements and projected operating results of NASBA, Professional Credential Services, Inc. and the NASBA Center for the Public Trust. NASBA's wholly owned subsidiary, Professional Credential Services, was disposed of on June 16, 2011, and the Committee was apprised of aspects of the sale-related transaction as it progressed during the year. The Committee also reviewed the Association's enterprise risk management program, internal controls and operating and capital budgets.

The Investment Committee, a subcommittee of the Administration and Finance Committee, reviewed the performance of NASBA's short-term and long-term investments and monitored compliance with the board-approved investment policy of the Association.

**\*\*Note: The Audit Committee report is featured on page 48.**



# AWARDS COMMITTEE

**Committee Charge:** Review nominees for the NASBA Distinguished Service Award, the William H. Van Rensselaer Public Service Award and the Lorraine P. Sachs Standard of Excellence Award. Recommend to the Board of Directors the recipients of the awards.

**Chair:**

Thomas J. Sadler (WA)

**Staff Liaison:**

Cassandra A. Gray

**Members:**

Andrew P. Marincovich (CA)

Carol A. Schuster (IA)

Daniel Sweetwood (NE)

Michael Weinshel (CT)

In preparation for the 2011 NASBA Awards program, the Awards Committee extended its annual call for nominations to NASBA membership April – July 2011. The Committee met in July 2011 to review nominations received for the following awards: William H. Van Rensselaer Public Service Award, the NASBA Distinguished Service Award and the Lorraine P. Sachs Standard of Excellence Award. Committee recommendations were presented and approved by the NASBA Board of Directors in July 2011.

The 2011 NASBA award recipients include: Sandra A. Suran of Oregon (William H. Van Rensselaer Public Service Award), Philip W. Gleason of Minnesota (NASBA Distinguished Service Award) and Barbara R. Porter of Idaho (Lorraine P. Sachs Standard of Excellence Award). NASBA will formally recognize each recipient during the 104th Annual Meeting in Nashville, TN (October 23-26, 2011).



# BYLAWS COMMITTEE

This year, NASBA's Bylaws Committee considered items raised as needed clarifications to the wording of the bylaws. During its frequent conference calls, the Committee continues to discuss wording options that will provide further clarity around interpretation questions that have been brought to the Committee. Currently, the Committee is reviewing areas in the bylaws regarding Nominations Committee member selection, voting procedures, and Committee composition and terms. The Bylaws Committee is also considering a proposed format change to the bylaws document to allow for easier reading and navigation through the document.

**Committee Charge:** In response to suggestions from the boards of accountancy, Board of Directors and NASBA committees, review Bylaws and Articles of Incorporation for clarity and consistency and recommend changes as needed.

**Chair:**

Kathleen J. Smith (NE)

**Staff Liaison:**

Alfonzo Alexander

**Members:**

James J. Carroll (OH)

Claireen Herting (IL)

Myra A. Swick (IL)





## COMMUNICATIONS COMMITTEE

**Committee Charge:** *Develop and promote innovative and unique programs and methods for communications by state boards of accountancy and NASBA with other agencies, consumers, the CPA profession, related professionals and legislative bodies.*

**Chair:**

Jefferson Chickering (NH)

**Staff Liaisons:**

Cassandra A. Gray  
Thomas G. Kenny

**Members:**

Jim Abbott (ND)  
Melvin E. Bush (CO)  
Michael S. Comer (OH)  
Sally Flowers (CA)  
Lisa R. Hearne (NC)  
Mark T. Hobbs (SC)  
Nicole Kasin (SD)  
Vicky Petete (OK)  
Edward H. Rudert (NY)  
Leonard R. Sanchez (NM)  
Lisa Mays Stickel (TN)  
Sandra A. Suran (OR)

During the 2010-2011 year, the Communications Committee continued its efforts to assist state boards in enhancing their communications to candidates, licensees and the public-at-large. The Committee expanded its scope of work to include communications assistance with legislative bodies and related professions. In an effort to fulfill its newly expanded charge, three subcommittees were formed: Social Media, Target Audience Strategies and Tools (TAST) and In-Reach.

**Social Media Subcommittee:** The Social Media Subcommittee is a continued subcommittee from 2010. The Subcommittee centered its efforts on enhancing social media outreach initiatives for boards of accountancy. Currently, 10 boards of accountancy use social media including Facebook, LinkedIn and Twitter to communicate with their candidates and licensees.

**TAST Subcommittee:** The Target Audience Strategies and Tools (TAST) Subcommittee is a continuation of the Macro Outreach Subcommittee from 2010. The Macro Outreach Subcommittee centered its efforts on external groups including, but not limited to, other related professions, CPA candidates and legislative bodies. This Subcommittee worked closely with NASBA's State Board Relevance and Effectiveness Committee.

**In-Reach Subcommittee:** The In-Reach Subcommittee has the role to reach out to fellow NASBA Committees to find ways to assist and/or collaborate with other NASBA committees in their communicative and outreach efforts. During the year, this Subcommittee worked with a number of NASBA committees to assist in their particular communications efforts.

In 2011, the Committee hosted and lead discussions at Communications Officer breakfast meetings during the 2010 Annual Meeting and lead breakout sessions entitled: "Communicating with Licensees and the Public" at the 2011 Regional Meetings. Additionally, table topic discussions on social media and marketing were facilitated by Committee members at the Executive Directors and State Board Legal Counsel Conference.

The Committee plans to work with boards of accountancy on a one-to-one basis to implement outreach and social media programs in the coming year.

## COMPLIANCE ASSURANCE COMMITTEE

Fiscal year 2011 was spent participating in outreach programs that increased awareness about the need for oversight of the peer review process in order to fulfill the state boards' mandate to protect the public. A series of presentations and meetings explaining the process and offering guidance lead to the culmination of a successful year.

After months of outreach and planning, the Compliance Assurance Committee hosted the Peer Review Oversight Committee (PROC) Summit in Charleston, SC, in August 2011. The group of more than 60 individuals participated in discussions about the benefits and challenges of forming and/or refining an Oversight Committee. Legal Counsel Noel Allen shared valuable information to assist boards in understanding the legal aspects of a PROC while certain states offered assistance in the way of standard procedures, questionnaires and report writing. Attendees received a flash drive tool kit to help them implement the procedures and generate the reports discussed at the Summit.

Subsequent to the PROC Summit, members of the leadership team of NASBA and the AICPA met to discuss how to better collaborate in the area of peer review. During this meeting, Committee Chair Janice Gray confirmed that PROC members can attend Report Acceptance Body (RAB) meetings and other oversight meetings to ensure that the PROC is providing system review on the entire review process. The attendees of the joint meeting agreed that information obtained at the RAB meetings should not be used to identify enforcement opportunities. Out of concern for public protection, the attendees discussed steps taken to identify the firms continuously performing substandard engagements and the mechanisms that are in place to limit their scope of practice.

**Committee Charge:** Explore, develop and implement opportunities for state boards to become uniformly involved in standard setting and oversight of mandatory peer review or other compliance assurance review programs.

**Chair:**

Janice L. Gray (OK)

**Staff Liaison:**

Linda L. Biek

**Members:**

Jimmy E. Burkes (MS)  
James S. Ciarcia (CT)  
Charles W. Clark (ID)  
Doris Cubitt (SC)  
Alicia J. Foster (MD)  
Elizabeth Gantnier (MD)  
James W. Goad (AR)  
J. Lamar Harris (AL)  
Henry Krostich (NY)  
David L. Miller (MS)  
Kenneth R. Odom (AL)  
Virginia A. Powell (KS)  
Richard N. Reisig (MT)  
Robert G. Zurich (OH)



## CPA EXAMINATION AND ADMINISTRATION COMMITTEE

**Committee Charge:** Provide oversight of the progress and effectiveness of the CPA Examination; communicate with the Boards' Executive Directors; work collaboratively with the Board of Examiners and the NASBA Examination Review Board to advance the interests of the Boards of Accountancy; and assist with the administration delivery of the examination.

**Co-Chairs:**

Walter C. Davenport (NC)  
Daniel J. Dustin (NY)

**Staff Liaisons:**

Ken L. Bishop  
Patricia Hartman

**Members:**

Robert N. Brooks (NC)  
Richard C. Carroll (KY)  
Philip W. Gleason (MN)  
John M. Greene (SC)  
Richard O. Hanson (NH)  
Gary W. Heesacker (WA)  
Pamela Ives Hill (MO)  
Margaret A. Houston (OH)  
Nina B. Kavich (NE)  
Max E. Mertz (AK)  
Leslie A. Mostow (MD)  
John B. Peace (AR)  
Ronald J. Rotaru (OH)  
Patricia Soukop (NM)  
William Treacy (TX)  
Thomas R. Weirich (MI)

Operational examination issues and enhancements continue to be the focus for the CPA Examination and Administration Committee. The Committee met via telephone conference calls throughout the year to discuss administration and operation issues such as CBTe, increased involvement with the AICPA's Board of Examiners (BOE), fee changes, internationalization administration of the examination and the International Qualification Examination (IQEX.)

The new schedule of testing fees was announced on July 15, 2011, for candidates testing on or after January 1, 2012, as follows:

AICPA	\$95.00 per section (no change from current fee per section)
NASBA	\$18.00 per section (no change from current fee per section)
Prometric	\$19.10 per test hour (decrease from the current fee of \$22.05 per hour), plus \$5.95 per section (no change from current fee per section)

## CPA EXAMINATION REVIEW BOARD (ERB)

The 2010 ERB Annual Report issued to the boards of accountancy of the 55 U.S. jurisdictions reads: "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, 2010."

Additionally, the ERB presented a comprehensive management letter to the chairman and board of directors of NASBA, which included recommendations that could enhance future examinations.

**Committee Charge:** 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 such observations, inspections and inquiries as it deems necessary; report annually to the boards of accountancy.

**Chair:**

Wesley P. Johnson (TX)

**Staff Liaison:**

Toerien DeWit

**Members:**

Nicholas J. Mastracchio, Jr. (NY)  
Charles L. Talbert, III, (SC)  
David A. Vaudt (IA)  
Sandra R. Wilson (AK)

**Consultants:**

Michael W. Harnish, CPA, CITP  
Technology Consultant  
  
Steven M. Downing, Ph.D.  
Psychometric Consultant

## CPE ADVISORY COMMITTEE

As reported in the prior year, in May 2010, the CPE Advisory Committee provided a forum for an open and candid discussion of the Statement on Standards for Continuing Professional Education Programs (Standards). A key outcome of the forum was to develop a Task Force to help review, analyze and implement suggestions and changes to the Standards.

In June 2010, the CPE Advisory Committee developed the CPE Task Force which is comprised of sponsors, state accountancy board representatives, educators and an AICPA representative. The CPE Task Force has met numerous times from July 2010 to present. The CPE Task Force reviewed and considered many elements in the process of proposing revisions to the Standards.

The initial working draft of the Standards as recommended by the CPE Task Force was presented to a subcommittee of AICPA and NASBA designated representatives (the Joint AICPA/NASBA CPE Standards Committee) for review and approval.

The same working draft of the Standards was distributed to participants at NASBA's 2011 CPE Conference, March 7-9, 2011, in San Diego. During the CPE Conference, breakout sessions were held in order to provide participants the opportunity to share feedback and comments on the working draft. In addition, subsequent to the CPE Conference, several sponsors submitted feedback on the working draft to Task Force members and to NASBA. Additionally, in conjunction with the CPE Conference, the CPE Advisory Committee met on March 7, 2011, in San Diego, to discuss the working draft of the Standards, provide feedback and comments and discuss the revisions process.

Subsequent to the 2011 CPE Conference, the CPE Task Force met to review and consider the feedback and comments provided by Committee members, CPE Conference participants and sponsors. The CPE Task Force provided an amended working draft of the Standards to the Joint AICPA/NASBA CPE Standards Committee.

The Joint AICPA/NASBA CPE Standards Committee finalized its recommendation on the revised Standards and received approval for exposure from the respective AICPA and NASBA Boards of Directors.

On August 15, 2011, NASBA and the AICPA issued an exposure draft of revisions to the Standards. In response to requests for additional time to review and comment on the exposure draft, the approved 60-day commentary period has been extended until December 1, 2011.

It is anticipated that the revised Standards will be presented to the respective Boards of Directors for final approval at their meetings at the end of January 2012. The Standards would then have an effective date of March 1, 2012.

**Committee Charge:** Monitor the Statement on Standards for Continuing Professional Education Programs to encourage implementation by state boards, develop aids and interpretations and oversee the sponsor membership appeal process. Lead the bi-annual CPE Conference.

### Chair:

Telford A. Lodden (IA)

### Staff Liaisons:

Maria-Lisa Caldwell  
Jessica Luttrull

### Members:

Maria E. Caldwell (FL)  
Thomas S. Chambers (MD)  
Rick Elam (MS)  
Robert F. Fay (OH)  
Carole M. Hersch (VA)  
Theodore W. Long, Jr. (OH)  
John Steven Marcum (KY)  
John McManus (DE)  
Marianne Mickelson (IA)  
L. Martin Miller (PA)  
John R. Rogers (IL)  
Ramanik Shah (MN)  
Willie B. Sims, Jr. (MS)  
D. Lynn Smith (ID)  
John E. Tully (NJ)  
Thomas T. Ueno (HI)  
Lydia M. Washington (NY)  
Richard G. Zacharia (NE)



# EDUCATION COMMITTEE

**Committee Charge:** 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 such observations, inspections and inquiries as it deems necessary; report annually to the boards of accountancy.

**Chair:**

Karen F. Turner (CO)

**Staff Liaison:**

Alfonzo Alexander

**Members:**

Shelly B. Boone (MS)

Walter F. D'Olive (AL)

David deSilva (NY)

James C. Flagg (TX)

Nathan T. Garrett (NC)

Patrick D. McCarthy (LA)

Marianne Mickelson (IA)

John E. Peterson (SD)

Lela D. "Kitty" Pumphrey (ID)

Douglas W. Skiles (NE)

Melanie G. Thompson (TX)

The NASBA Education Committee had a very active year. The Committee made strides in identifying ways for NASBA to be a resource to the academic and professional communities, increasing NASBA's presence and involvement with accountancy educational organizations, and tracking changes in accounting education requirements across the United States.

The Accounting Education Research Grant Program got off to a successful start this year. The Committee reviewed the grant applications and awarded three research grants. The three grants, totaling over \$21,000, were awarded to seven researchers representing five different academic institutions. The research for these initial grants will be completed in spring of 2012. The Committee expects year two to yield even more interests and grant awards.

Education Committee members represented boards of accountancy by participating in discussions of the Pathways Commission this year. The Committee also had representatives attend the American Accounting Association, Federation of Schools of Accountancy and Accounting Program Leadership Group annual meetings. Additionally, the Committee spent time tracking changes in educational requirements across the U.S. jurisdictions and Canada. Some states are adopting or proposing significant changes to their educational requirements for licensure. Canada also began an initiative to update and make its accounting curriculum more relevant.

In the coming years, the Education Committee plans to continue its efforts to help the accounting regulatory community and the accounting education community work together to protect the public.



# ENFORCEMENT ASSESSMENT & BEST PRACTICES COMMITTEE

The Best Practices Manual has been completed and uploaded to the internet for the benefit of state board members and staff. The Manual is available in PDF format and will remain an evergreen document on Sharepoint. The strategy will allow the Committee to continue to enhance the document as new challenges and solutions present themselves.

In order to maintain communication with the individual state boards to determine the effectiveness of the Manual, the Committee has identified ways for improvement through quick polls, conversations at NASBA meetings and outreach.

Future action steps include opportunities to assess activities and assist state boards in investigations, hearings and sanctions to ensure effective enforcement and discipline in a timely, fair, equitable and confidential manner.

**Committee Charge:** *Refine and assist in implementation of the "Best Practices" state board's manual for seeking and managing complaints and conducting investigations, hearings, sanctions and appeals together with their disposition.*

**Chair:**  
Michael Weinshel (CT)

**Staff Liaison:**  
Linda L. Biek

**Members:**  
Karla Blair (WI)  
Albert J. Cannon (OH)  
Sharron M. Cirillo (DE)  
David D. Duree (TX)  
Shelley R. Johnson (IN)  
Neil N. Lapidus (MN)  
Thomas J. Shea (MT)  
Viki A. Windfeldt (NV)





## ENFORCEMENT RESOURCE COMMITTEE

**Committee Charge:** To assess and provide resource support to state boards in enforcement matters, including discovery, investigations, expert witness sourcing, etc.

**Chair:**

Harry O. Parsons (NV)

**Staff Liaison:**

Linda L. Biek

**Members:**

Carla Bassler (AK)  
Donald R. Bays (AZ)  
Daniel J. Cristofano (NY)  
Tyrone Dickerson (VA)  
Gary F. Forte (SC)  
Larry L. Gray (MO)  
Susan M. Harris (MS)  
Mark D. Hunsaker (HI)  
Jeffrey A. Leiserowitz (KS)  
Patrick McGuire (WY)  
Edilberto C. Ortiz (IL)  
Leonard M. Romaniello (CT)  
Michael W. Skinner (GA)  
James Sturgeon (WV)  
Patrick M. Thorne (NV)  
Jim Titus (NE)

With the official release of the NASBA Best Practices Manual, developed by the Enforcement Assessment and Best Practices Committee, the Enforcement Resource Committee was poised to build support around the Manual. The complexities surrounding the accounting and auditing profession helped the Committee identify a critical area in need of development.

Investigator resources are often at a minimum in the state boards' budgeting scenario. As a value-added service, the Committee has worked to develop an Investigator training course which could be supplemented by a manual and, possibly, a certification indicating superior competency. Information was gathered and subject matter experts were interviewed to determine potential areas for improvement. Assistance by the NASBA project management team has moved this effort forward.

The Committee continues with their outreach to federal agencies, as well as federal legislators and other regulators. As complexity increases and resources remain scarce, attempts to assist state boards in executing efficient, effective enforcement activities will continue.

# ETHICS & STRATEGIC PROFESSIONAL ISSUES COMMITTEE

The Ethics and Strategic Professional Issues Committee was divided into three subcommittees, each tasked with a particular area of focus. The purpose of the Public Interest Subcommittee, chaired by Ray Johnson, was to consider the role of the public interest in the regulatory environment. This Subcommittee drafted a comment letter to IFAC on their Policy Position Paper #4, *A Public Interest Framework for the Accountancy Profession*. Committee Chair Gaylen Hansen and Ray Johnson also led plenary discussions on the meaning of "public interest" at the 2011 NASBA Regional Meetings. Chaired by Kent Bailey, the Professional Ethics Executive Committee (PEEC) Subcommittee was responsible for monitoring and evaluating issues of the AICPA's PEEC. Over the course of the year, the Subcommittee reviewed two PEEC Omnibus. Proposals of the AICPA PEEC and formulated a summary of major issues identified for referral to the Regulatory Response Committee. Led by Kurt Kofford, the International Ethics Standards Board for Accountants (IESBA)/Consultative Advisory Group (CAG) Subcommittee actively monitored the IESBA agenda and supported NASBA's CAG representative. This Subcommittee monitored major activities and projects such as CAG activities, conflicts of interest, inadvertent independence violations, and duty to disclose fraud and illegal acts.

The Committee also participated in reviewing a number of strategic issues during the year:

- The European Union's "Green Paper" proposal that covered many ethics and independence issues. NASBA responded with a comment letter encouraging the EU to consider the global ramifications of its decisions.
- The United Kingdom's House of Lord's Report of the Financial Crisis and the profession's role in the events of 2008.
- The SEC's IFRS Work Plan was studied and debated. Gaylen Hansen represented NASBA at the SEC's IFRS Roundtable on July 7. The Committee and the Regulatory Response Committee held a "town hall" conference call in preparation for the SEC Roundtable.

**Committee Charge:** Monitor and evaluate the issues of AICPA's PEEC, to harmonize ethics standards of state boards with other regulatory bodies. To promote the development and adoption of UAA ethics provisions uniformly among the states, and to share with state boards emerging ethics and other professional issues.

**Chair:**

Gaylen Hansen (CO)

**Vice Chair:**

Rick David (MI)

**Staff Liaison:**

Lisa Axisa

**Members:**

Cathy Allen (NY)  
Kent Bailey (OR)  
Steven Corbeille (WI)  
Bobby R. Creech (SC)  
Jack Dailey (NJ)  
Andrew L. DuBoff (NJ)  
Gary W. Fleming (AZ)  
Gary R. Forte (SC)  
Wayne Michael Fritz (OH)  
Raymond Johnson (OR)  
Kurt L. Kofford (CO)  
N. Chad Singletary (AL)  
Richard D. Thorsen (MN)  
Cecil D. Wood (MO)







## GLOBAL STRATEGIES COMMITTEE

**Committee Charge:** *Identify and assert state boards' influence among short and long term global issues affecting regulation in accounting principles, auditing standards, standards of ethics and education, and other international aspects of the accounting profession. Manage and monitor NASBA's periodic International Accounting Regulators' Forum. Identify, refer and monitor issues with appropriate NASBA committees and/or task forces for action.*

**Chair:**

Laurie J. Tish (WA)

**Staff Liaison:**

Linda L. Biek

**Members:**

Rudy Bermudez (CA)  
Charles H. Calhoun (FL)  
John G.D. Carden (AL)  
Samuel K. Cotterell (ID)  
Ruben A. Davila, CPA (CA)  
Wayne Michael Fritz (OH)  
Gaylen R. Hansen (CO)  
Venable M. Houts (MO)  
Sharon A. Jensen (MN)  
Grace M. Lopez-Williams (GA)  
Kermit Lucena (PR)  
T. Farrell Nichols (GA)  
Jose Ramon Rodriguez (NC)  
Thomas J. Sadler (WA)  
Howard S. Todo (HI)  
William Treacy (TX)  
Arthur M. Winstead, Jr. (NC)

As the Committee's year began, those in the global business arena were enthusiastically discussing the European Commission Green Paper on Audit Policy and the potential effects on policy and regulation in the United States. In order to capitalize on the free-flow of information pertaining to audit policy, the Global Strategies Committee chose to weave the theme throughout the NASBA 4th Annual International Forum in Vancouver, Canada. *The Future of International Regulation* featured experts from around the world with topics such as "International Consistency," "Trends and Threats in the Profession," and "PCAOB Report." In addition to an impressive group, the Canadian Institute of Chartered Accountants sponsored an evening cruise through the Harbor, as well as a reception to welcome attendees. With the pace of opportunities and challenges in the international arena, subsequent Forums will likely address issues that were not on the horizon in 2011.

Communication is the key in delivering the purpose of NASBA's international efforts to global organizations as well as to state boards of accountancy. The Committee worked diligently to create a top quality piece for distribution at the NASBA International Forum in Vancouver, Canada, and at the NASBA Annual Meeting in Nashville, Tennessee. In addition, the Committee will continue to increase visibility and understanding of the role of NASBA and state boards through the implementation of a multi-faceted communications plan. Furthermore, NASBA's voice grew internationally through the appointment of members to the Consultative Advisory Groups for the international auditing (IAASB), ethics (IESBA) and education (IAESB) standards boards.

As the year ended, the Committee refined its mission to allow for a more pointed approach to strategy development. This will offer a better understanding of what state board members will gain from the Global Strategies Committee over the years to come.



## INTERNATIONAL QUALIFICATIONS APPRAISAL BOARD (IQAB)

The Mutual Recognition Agreement (MRA) developed by NASBA/AICPA IQAB with the Hong Kong Institute of Certified Public Accountants was approved by the NASBA Board of Directors at their July meeting, the AICPA Board of Directors at their August meeting, and will be formally signed at the NASBA 2011 Annual Meeting and then distributed to the state boards for their consideration, adoption and implementation. This is IQAB's first agreement with an Asian body. IQAB subcommittees are continuing to exchange information as they consider new mutual recognition agreements with:

- Institute of Chartered Accountants in England and Wales
- Institute of Chartered Accountants of Scotland
- South African Institute of Chartered Accountants

Task forces are considering each of these applications. In addition, IQAB has two other task forces, one considering distance education and the other the extent of coverage of the MRAs.

IQAB Chair William Treacy participated in the NASBA/CICA/AICPA summit discussions on July 23. Throughout the year, Mr. Treacy has been in contact with representatives from other international bodies, including those in China. NASBA staff and Chair Treacy completed the Asia-Pacific Economic Cooperation (APEC) Accounting Services Initiative questionnaire for NASBA on July 12, as requested by the U.S. Trade Representative's Office.

Current mutual recognition agreements successfully negotiated by IQAB include those with:

- Canadian Institute of Chartered Accountants
- Chartered Accountants Ireland
- Hong Kong Institute of CPAs (to be signed at 2011 NASBA Annual Meeting)
- Institute of Chartered Accountants in Australia
- Instituto Mexicano de Contadores Públicos
- New Zealand Institute of Chartered Accountants

**Committee Charge:** Review accounting qualifications of other countries, negotiate reciprocity agreements with the professional accounting organizations and make reciprocity recommendations to state boards of accountancy.

**Chair:**

William Treacy (TX)

**Staff Liaisons:**

Louise Dratler Haberman  
Patricia Hartman

**Members:**

Charles H. Calhoun (FL)  
Ruben A. Davila (CA)  
Jeffrey A. Leiserowitz (KS)  
Antonia Browning Smiley (DC)  
Kathleen J. Smith (NE)



## NOMINATING COMMITTEE

**Committee Charge:** *Nominate officers and directors for 2010-2011, in accordance with NASBA's Bylaws.*

**Chair:**

Billy T. Atkinson (TX)

**Staff Liaison:**

Anita Holt

**Members:**

Charles W. Clark (ID)

Bobby R. Creech (SC)

Andrew L. DuBoff (NJ)

Dorothy M. Fowler (TX)

Edwin G. Jolicoeur (WA)

Marianne Mickelson (IA)

Lisa Stickel (TN)

Myra A. Swick (IL)

**Alternates:**

Charles Calhoun (FL)

James Ciarcia (CT)

Tyrone Dickerson (VA)

Robert Petersen (CA)

Douglas Skiles (NE)

Ray Stephens (OH)

Michael Tham (LA)

Patrick M. Thorne (NV)

Nominating Committee members gathered in March and June of 2011 to make their recommendations for Vice Chair, Directors-at-Large and Regional Directors. As part of the process to select a Vice Chair, each recommended candidate completed a questionnaire that included specific skills and experience that they could bring to NASBA through a leadership role as chair. Committee members were encouraged to attend both June Regional Meetings to familiarize themselves with nominees being considered for Board positions. In accordance with the Bylaws, the Committee submitted its report to Chair, Michael T. Daggett, CPA, in June 2011.

## PAST CHAIR ADVISORY COUNCIL

**Committee Charge:** *Review NASBA's current issues and identify past activities that could help significantly in analyzing present problems.*

**Chair:**

Billy M. Atkinson (TX)

**Staff Liaison:**

Ken L. Bishop

**Members:**

Barton W. Baldwin (NC)

Sarah G. Blake (AZ)

Milton Brown (NJ)

Thomas F. Cardegna (MD)

K. Michael Conaway (DC)

Samuel K. Cotterell (ID)

Albert J. Derbes, III (LA)

Robert C. Ellyson (FL)

Welling W. Fruehauf (PA)

Nathan T. Garrett (NC)

John M. Greene (SC)

Thomas Iino (CA)

Wesley P. Johnson (TX)

Noel P. Kirch (OK)

Andrew P. Marincovich (CA)

John B. Peace (AR)

Diane M. Rubin (CA)

Ronnie Rudd (TX)

Thomas J. Sadler (WA)

Jerome A. Schine (FL)

Wilbert H. Schwotzer (GA)

Jerome P. Solomon (MA)

Dennis P. Spackman (UT)

Wilbur H. Stevens (CA)

Sandra A. Suran (OR)

David A. Vaudt (IA)

Michael D. Weatherwax (CO)

Sam Yellen (CA)

Established in 2000, members of the Past Chair Advisory Council have come together annually to provide insight into NASBA's performance and current issues based on their experiences. They meet prior to each year's Annual Meeting.

The Council met in San Antonio, TX, in conjunction with the 2010 NASBA Annual Meeting and discussed the progress of mobility, the pending launch of international delivery of the CPA examination, and other current issues and topics.

# REGULATORY RESPONSE COMMITTEE

This year, the Regulatory Response Committee continued to carry out its deliberations via conference call. They not only reviewed many large exposure drafts and multi-paged background materials, but they also made themselves available to participate in "town hall meetings," i.e., calls to assist NASBA's representatives reflect the views of many boards when speaking at public forums.

Exposure drafts were reviewed and, when found to contain issues relevant to the regulation of CPAs, comment letters were crafted and presented to NASBA leadership for their approval and signature. The initial drafts were frequently prepared by Chair Rick Isserman, but other Committee members took the lead in some instances, including Gaylen Hansen, Raymond Johnson, Kenneth Odom and Ray Stephens. Several times, the Committee was directly contacted and asked to comment on public exposure drafts.

In some cases, working with other NASBA committees, in others consulting only the Regulatory Response Committee's members, letters were developed this Committee year regarding:

- European Commission's Green Paper "Audit Policy: Lessons from the Crisis";
- International Auditing and Assurance Standards Board "ISRS 4410 (Revised) Compilation Engagements";
- AICPA "Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews of Compilations Performed Under SSARS 19";
- International Federation of Accountants "Policy Position #4, A Public Interest Framework for the Accountancy Profession";
- Auditing Standards Board "Omnibus Statement on Auditing Standards 2011";
- AICPA "Omnibus Proposal AICPA Professional Ethics Division, Interpretations & Rulings";
- Securities and Exchange Commission Staff Paper "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System" ;
- Auditing Standards Board "Strategic Plan Survey";
- Public Company Accounting Oversight Board "Concept Release on Possible Revisions to PCAOB; and
- Standards Related to Reports on Audited Financial Statements."

The Committee is presently working on PCAOB "Concept Release on Auditor Independence and Audit Firm Rotation."

**Committee Charge:** *Develop regulatory responses to issues embodied in accounting and auditing exposure drafts and statements, and drafts and statements of other entities that will impact the state boards' regulatory and enforcement responsibilities.*

## Chair:

Richard Isserman (NY)

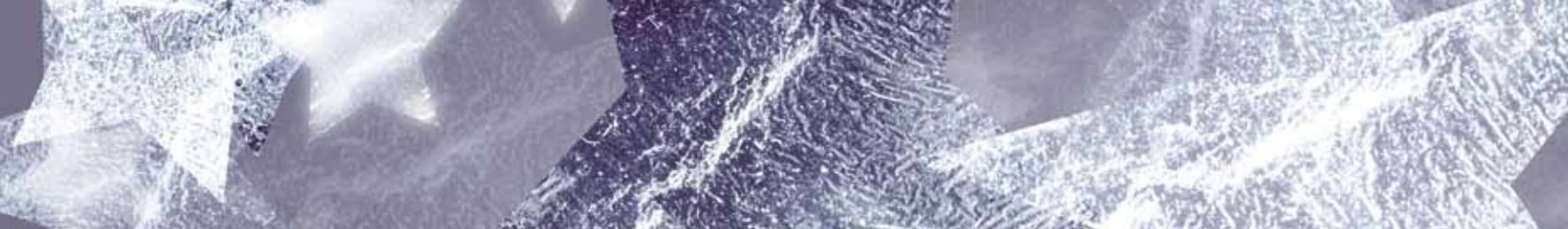
## Staff Liaison:

Louise Dratler Haberman

## Members:

Billy M. Atkinson (TX)  
Alan J. Bronstein (VI)  
Jimmy E. Burkes (MS)  
Gerald W. Burns (OR)  
Gaylen R. Hansen (CO)  
Gordon Haycock (UT)  
Robert J. Hyde (MN)  
Raymond Johnson (OR)  
Thomas J. Kilkenny (WI)  
Leslie A. Mostow (MD)  
Kenneth R. Odom (AL)  
John A. Olsen (NY)  
Thomas G. Prothro (TX)  
Steven H. Richards (AL)  
Jose Ramon Rodriguez (NC)  
Diane M. Rubin (CA)  
Ray G. Stephens (OH)  
Robert H. Temkin (MA)  
Kathleen Thompson (AK)





# RELATIONS WITH MEMBER BOARDS COMMITTEE

**Committee Charge:** *Provide for the exchange of information and ongoing communications between NASBA and its member boards. In coordination with NASBA Officers, visit State Boards in respective regions to identify issues, obtain input and report on NASBA and other State Boards' activities. Identify issues for Regional Meetings and recommend sites.*

**Chair:**  
Kenneth R. Odom (AL)

**Staff Liaison:**  
Louise Dratler Haberman

**Members:**  
Jefferson Chickering (NH)  
Miley W. Glover (NC)  
Janice L. Gray (OK)  
Telford A. Lodden (IA)  
Richard Sweeney (WA)  
Laurie J. Tish (WA)  
Kim Tredinnick (WI)  
Karen F. Turner (CO)

The Relations with Member Boards Committee, consisting of all of NASBA's Regional Directors and the Executive Directors' Liaison to the Board of Directors, has reached out to the member state boards to hear their concerns, opinions and needs. This has been accomplished through: face-to-face sessions at the Regional Meetings and Annual Meeting; Focus Questions distributed in the winter, summer and fall; visits to state board meetings; conference calls and calls to board chairs and executive directors. Chair Odom encouraged the Regional Directors to ensure that all state boards have been visited within a three-year cycle, either by a Regional Director or another NASBA leader. Together, the Committee members created the questions posed to the boards, both through the Focus Questions as well as at the meetings, to informally gather a sense of where the boards stand on major regulatory issues.

Based on what they learned from the boards, the Regional Directors developed the program for the 2011 Regional Meetings and then moderated those meetings. This year, there was particular interest in the work of the Blue Ribbon Panel on standard setting for private companies, the Uniform Accountancy Act and Model Rules' guidance on CPA firm names, as well as the measures being put in place for the international administration of the Uniform CPA Examination.

Several state boards' structures were threatened this year, and the Regional Directors supplied information and counsel to assist those boards, in conjunction with NASBA's executive staff.

At the 2011 New State Board Orientation Programs, the Regional Directors provided information about the operations and issues common to all state boards, what NASBA does and how state board members can become involved in the Association's activities. Through NASBA's scholarships for new state board members to attend these orientation sessions, as well as the following Regional Meetings, NASBA leaders were able to discover talented new people to become involved in committees and projects.



The State Board Relevance and Effectiveness Committee met on May 12 in Chicago; however, it began its work via conference calls in previous months. Chair Miley Glover divided the members among three task forces, issuing the following charges:

- State Board Support – Responsible for communication with boards to explain the benefits of a more independent status, assisting with developing a model independent Board, and communicating with boards and NASBA regarding those Boards that may be in jeopardy of losing independence. Chairs – Michael Henderson and Richard Sweeney.
- State Society and AICPA – Responsible for promoting the independent board concept to state societies. State societies are probably the best local state contact sources to promote the concept to state legislatures. Chairs - J. Michael Barham and Raymond Johnson.
- Legislative Initiatives – Responsible for promoting the benefits of independent boards to state legislators, including supporting documentation (such as the study done by the state of Washington), providing position papers, and testimony at hearings and subcommittees. Chairs - Patrick Hearn and Carlos Johnson.

At the June Regional Meetings, Chair Glover and Committee Members Michael Barham, Michael Henderson, Raymond Johnson, Patrick Thorne and Richard Sweeney led breakout sessions describing the attributes of a semi-independent board and the need for the board to work with licensees to have legislation passed to create this type of board. Both Committee Chair Glover and Former Committee Chair Carlos Johnson visited state boards and state societies during the year to detail the benefits of a state having a semi-independent accountancy board.

The Committee is also preparing a communications template that could be used by state boards to clearly report board activities to each state legislator.

**Committee Charge:** Promote a legislative template for self-directed, semi-independent Boards of Accountancy and enhance state boards' relevance, effectiveness, and operational and financial independence. Such efforts will include assisting with best practices in legislative management, interaction with professional groups, regulatory bodies and the public, including board and legislative testimony.

Miley W. Glover (NC)

Louise Dratler Haberman

Gregory L. Bailes (TX)  
Robert M. Baldwin (SC)  
J. Michael Barham (NC)  
A. Carlos Barrera (TX)  
Jennifer Brundidge (TN)  
Ellis M. Dunkum (VA)  
Stephen H. Epstein (MI)  
James W. Goad (AR)  
Patrick Hearn (OR)  
Michael A. Henderson (LA)  
Pamela Ives Hill (MO)  
William E. Hunt, Jr. (VA)  
Carlos E. Johnson (OK)  
Raymond Johnson (OR)  
Kenneth R. Odom (AL)  
Marshal Oldman (CA)  
Harry O. Parsons (NV)  
Barbara R. Porter (ID)  
Ronald J. Rotaru (OH)  
Ray G. Stephens (OH)  
Sandra A. Suran (OR)  
Richard C. Sweeney (WA)  
Patrick M. Thorne (NV)  
Michael D. Weatherwax (C)  
Cheryl S. Wilson (IL)





## UNIFORM ACCOUNTANCY ACT COMMITTEE

In December 2010, the NASBA/AICPA Uniform Accountancy Act Committee released an exposure draft providing guidance on CPA firm names. This included a revision to Section 14(i) of the Act as well as conforming changes to the Model Rules Article 14 (Unlawful Acts). Initially, the exposure period ran until March; however, the Executive Directors requested an extension of the comment period and the deadline was stretched to June 1, 2011. Comments were also taken at the NASBA 2011 Regional Meetings in June. At those meetings, Committee Chair Carlos Johnson, along with Committee Member J. Dwight Hadley and Past Committee Chairs Andrew DuBoff and Laurie Tish, held breakout sessions to address state boards' questions about the proposed revisions. Based on the comments received, the proposed changes were streamlined and a sentence added to the beginning of Rule 14-1: "A CPA Firm name may not be used unless such name has been registered with and approved by the board." The NASBA Board of Directors approved these changes to the Act and Model Rules at their July meeting and the AICPA approved the changes to the Act at their August meeting. Both the Act and Model Rules can be found on the NASBA website.

Based on the recommendation of the UAA Committee, in January 2011, the NASBA Board approved the issuance of a UAA Model Rule and commentary to ensure state boards would continue to regulate services that had been under the definition of "attest," but had been moved by the Auditing Standards Board from SAS 70 into SSAE 16 (primarily "Reporting on Controls at a Service Organization"). This change was effective for service auditors' reports for periods ending on or after June 15, 2011. The ASB's reorganization of standards was done for clarity, convergence with international standards and utility; however, in some states, it might have the unintended effect of lessening public protection and endangering mobility by omitting certain important services related to auditing from the definition of "attest" depending on the wording of the state's law. States that needed to consider this emergency Rule were contacted by NASBA.

Committee Chair Johnson has appointed a task force to study the UAA's definition of "attest" to ensure it will cover other anticipated ASB reclassifications. The UAA Committee has several other issues it will be considering including: status of auditor's report, title of retired CPAs, confidentiality and qualifications for non-U.S. professionals seeking reciprocity.

**Committee Charge:** Monitor the need for revisions to the UAA and the Model Rules, including proposals from other NASBA Committees, and suggest appropriate new revised provisions to the NASBA Board of Directors for approval and release for exposure and comment.

**Chair:**

Carlos E. Johnson (OK)

**Staff Liaison:**

Louise Dratler Haberman

**Members:**

Donald A. Driftmier (CA)

Andrew L. DuBoff (NJ)

J. Dwight Hadley (NY)

Robert J. Hyde (MN)

Thomas J. Mulligan (OH)

Ronald E. Nielsen (IA)

Robert A. Pearson (MO)

Eric Robinson (FL)

James F. Thielen (FL)

Michael D. Weatherwax (CO)



# AD ASTRA

"TO THE STARS"

NASBA LEADERSHIP



# 2010 - 2011 BOARD OF DIRECTORS

## OFFICERS

*Michael T. Daggett (AZ), Chair*

*Mark P. Harris (LA), Vice Chair*

*Billy M. Atkinson (TX), Past Chair*

*Donald H. Burkett (SC), Director-at-Large*

*Walter C. Davenport (NC), Director-at-Large*

*Gaylen R. Hansen (CO), Director-at-Large*

*Carlos E. Johnson (OK), Director-at-Large*

*Theodore W. Long, Jr. (OH), Director-at-Large*

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

*Kathleen J. Smith (NE), Director-at-Large*

*E. Kent Smoll (KS), Director-at-Large*

WWWWW

## REGIONAL DIRECTORS

*Jefferson Chickering (NH), Northeast Regional Director*

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

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

*Richard Isserman (NY), Director-at-Large*

*Telford A. Lodden (IA), Central Regional Director*

*Kenneth R. Odom (AL), Southeast Regional Director*

*Laurie J. Tish (WA), Pacific Regional Director*

*Kim Tredinnick (WI), Great Lakes Regional Director*

*Karen F. Turner (CO), Mountain Regional Director*

WWWWW

## EXECUTIVE DIRECTORS' LIAISON

*Richard C. Sweeney (WA)*



**NASBA BOARD OF DIRECTORS 2010-2011 – Front row (left to right):** Billy M. Atkinson, Laurie J. Tish, David A. Costello, Michael T. Daggett, Mark P. Harris, Richard C. Sweeney, Karen F. Turner and Joseph T. Cote. **Middle row (left to right):** Jefferson Chickering, Gaylen R. Hansen, Kim Tredinnick, Janice L. Gray, Telford A. Lodden, Donald H. Burkett and Walter C. Davenport. **Back row (left to right):** Kenneth R. Odom, Theodore W. Long, Jr., Ken L. Bishop, Richard Isserman, Noel L. Allen, Harry O. Parsons and Carlos E. Johnson. **Not shown:** Miley W. Glover, Kathleen J. Smith and E. Kent Smoll.



# HONORING 17 YEARS OF VISIONARY LEADERSHIP



*Ad Astra* is a phrase that has permeated throughout the walls of NASBA since David A. Costello, CPA accepted the helm as the organization's executive director in 1994. Since that time, as president and chief executive officer, Costello's visionary leadership and keen insight on accounting and business has transformed NASBA into the organization it is today –The Trusted Resource for Regulation and Professional Services.

As President Costello nears his retirement at the close of 2011, NASBA wishes to highlight a series of milestones that have given life to *Ad Astra*, and taken the success of NASBA and state boards of accountancy –To The Stars and Beyond.

## 1994

NASBA Board approves Search Committee's selection of David Costello as executive director; Costello becomes executive director in September 1994, and title changes to president in October 1994.

## 1995

Costello writes letter in support of 150-hour education requirement in response to American Legislative Exchange Council's paper calling 150 "unnecessary restriction"; Establishes NASBA office in Washington, DC; Meets with delegation from Indonesian Ministry of Finance; Attends Chartered Accountants Joint International Committee Conference in Republic of Ireland; Electronic polling on regulatory system of CPAs conducted at Regional Meetings.

CWWW CWWW CWWW CWWW CWWW CWWW CWWW CWWW CWWW CWWW

## 2000

AAA/AICPA/NASBA Ethics Conference "Ethical Challenges in the New Millennium"; First New State Board Member Orientation Program held in conjunction with Regional Meetings; Costello testifies before the Public Audit Oversight Board on Audit Effectiveness.

## 2001

*CPEmarket.com* is launched; NASBA Examination Conference – all 53 Boards represented said they were not ready to accept the AICPA's proposed agreement with Prometric for the new Computer-Based Test (CBT); Costello meets with SEC Chairman Harvey Pitt.

CWWW CWWW CWWW CWWW CWWW CWWW CWWW CWWW CWWW CWWW

## 2006

Fourth Edition of Uniform Accountancy Act approved; CPEtracking made available to individuals; *NASBAtools.com* unveiled; CPT presents its first "Being a Difference Award."

## 2007

Adds Ken Bishop to NASBA staff as director of CPA Examination Services and PCS president; Meets with IFAC President Fermin del Valle and Chief Executive Ian Ball; NASBA Board approves 5th edition of UAA – including mobility revisions to *Section 23*; Reorganizes NASBA staff.

NASBA hosts first CPE Conference;  
Praises substantial equivalency  
concept. Supports rule proposed  
by Future Licensing, Litigation  
and Legislative Committee;  
Principles agreement for reciprocal  
licensing with Institute of Chartered  
Accountants in Australia.

NASBA headquarters opens in Nashville, TN; Joint AICPA/NASBA Committee on Regulation meet and decide to use substantial equivalency as the basis for reciprocal licensing; First time two (instead of four) Regional Meetings held; Third edition of UAA approved; NASBA Ethics Committee formed; NASBA Amicus in Florida Board v. American Express Tax and Business Services, Inc.

CredentialNet launches nationwide; First NASBA video distributed; Recommendation for a single IQEX for all non-U.S. professionals covered by reciprocity agreements; Quality Assurance Service for self-study CPE introduced; NASBA Services Group becomes processing agent for all new CO individual CPAs and CPA firm licenses; First time IQEX is given in Canada and Australia; NASBA Board representatives meet with representatives of federal agencies at a half day conference in Washington, DC.

Professional Credential Services (PCS) created to offer examination services in other professions; Wirthlin Worldwide poll weighs public's perception of the state boards; AAA/AICPA/NASBA Ethics Conference "Ethics Under Stress"; Visits Mexico to discuss UAA examination and education requirements; Four NASBA representatives selected for task forces of Independence Standards Board; AICPA/NASBA Legislative and Regulatory Conference in Tempe, AZ.

Special conference on the proposed NASBA/AICPA/Prometric contract for the computer-based Uniform CPA Examination; Mutual recognition agreement with Instituto Mexicano de Contadores Publicos; Costello meets with Institute of Chartered Accountants of Ontario to discuss impact of Sarbanes-Oxley Act on other nations; NASBA Board approves Third Edition – Revised UAA re: computerized CPA Exam, internet practice, and notification under substantial equivalency.

Development of National Candidate Database (NCD) proceeding on schedule; Addresses meeting of PCAOB in Washington, DC; NASBA Board approves for distribution a proactive plan, including development of a national database to address issues raised by SOX; NASBA Board recognized recent Bylaws change by NYSSCPA that will bring discipline cases to attention of the NYSBPA and the Board adopted a recommendation from the Litigation Response Assistance Committee that all SBAs urge their state societies to move in a similar direction; NASBA Board approves initial plans for the development of the U.S. Accountancy Licensee Database (ALD).

NASBA leaders respond to PCAOB on the oversight of non-U.S. public accounting firms; Tells ASB meeting why it's important for the state boards to be well represented on the ASB; Official opening of National Candidate Database and Gateway System; Computer-based Uniform CPA Examination launched; Guam Computer Testing Center, with 2,638 CPA exams scheduled as of May, has the largest number of any testing center in the world; Early plans for NASBA Center for Public Trust unveiled; UAA Rules approved by NASBA Board; Board approved Ethics Recommendations – ethics courses should be part of the 150-hour requirement; Meets with SEC Chief Accountant Donald T. Nicolaisen; MRA signed with Institute of International Accountants in Ireland; CPETracking launches.

Model UAA Rules developed by NASBA's Education Committee approved for exposure and comment; Responds to California Governor Arnold Schwarzenegger's proposal to eliminate boards; NASBA unveils a website designed to answer questions of executive directors and staff on administration of CBT; Announces pilot project for the NASBA U.S. Accountancy Licensee Database is progressing; NASBA leaders kickoff program to afford membership and leadership closer communication; Exam Conference held in Washington, DC.

Revisions to *Section 5* of the UAA Model Rules on qualifying education approved; first issue of CPT's newsletter "Ethics Matters" published; Examination Conference for State Boards; Release of discussion paper on 120/150 education requirement; Peer Review Oversight Conference held in Nashville, TN; U.S. Treasury's ACAP report released calling for state boards to pass mobility legislation; NASBA's 1st Forum of International Accountancy Regulators held in Boston, MA.

First NASBA University for state board executive directors held in Nashville; NASBA Management & Administrative Services Division and NASBA Meetings Division created; Mutual recognition agreement with New Zealand Institute of Chartered Accountants signed; National CPE Expo held in San Antonio, TX; NASBA becomes "affiliate" of International Federation of Accountants.

NASBA Board extends agreement with AICPA for computer-based Uniform CPA Examination to 2024 and Prometric until 2014; FAF/AICPA/NASBA Blue Ribbon Panel on standards for private companies commences deliberations; Announces retirement as of January 1, 2012; Restructured CPA Examination Review Board (ERB) begins work; First Student Center for Public Trust chapter established at Lipscomb University in Nashville, TN.

NASBA's Accounting Education Research Grant Program to advance research on education issues initiated; Guam International Call Center opens; Ohio University's Beta Alpha Psi chapter names David Costello "Accountant of the Year"; NASBA Board approves 6th Edition of UAA and Model Rules, including CPA firm name guidance; International administration of Uniform CPA Examination begins in five international locations; *Accounting Today* names Costello to its "Top 100 Most Influential in Accounting" list as it has every year since the list's inception; Orchestrates sale of PCS realizing a net gain of 7.2M for NASBA.



Alfonzo Alexander - Chief Relationship Officer

Lisa Axisa- Executive Director, Center for the Public Trust

Ed Barnicott- Chief Technology Officer

Shawn Bell, Esq. - Manager, Contracts and Legal Research

Pam Bergeron - Manager, Scheduling and Planning

Tim Berry, PMP - Sr. Project Manager

Linda Biek, CPA - Director, Gov'l, Int'l & Professional Relationships

Kimberly Blevins - CPAES Program Manager

Brent Breaux - Manager, Software Development

Michael Bryant, CPA - Chief Financial Officer

Maria-Lisa Caldwell, Esq. - Director, Compliance Services & General Counsel

Liz Carrier - Manager, Software Development

Dean Carroll - Director, IT Operations and Security

Lisa Dampf - Manager, Benefits

Sandra Davidson, CPA - Manager, Compliance and Supporting Services Accounting

Toerien DeWit, CPA - Director, Examination Review Board

Stacey Douglas - Manager, IT Compliance and Risk

John Fields, PMP - Director, Project Management Office

Jill Gordon - Manager, Strategic Initiatives

Meritta Grant - Manager, Accounts Payable

Cassandra Gray - Manager, Communications

Stacey Grooms, Esq. - Manager, Regulatory Affairs

Louise Dratler Haberman - Director, Information and Research

Denise Hanley - Chief Data Officer

Pat Hartman - Director, Client Services

Adam Herjeczki - Manager, Special Accommodations

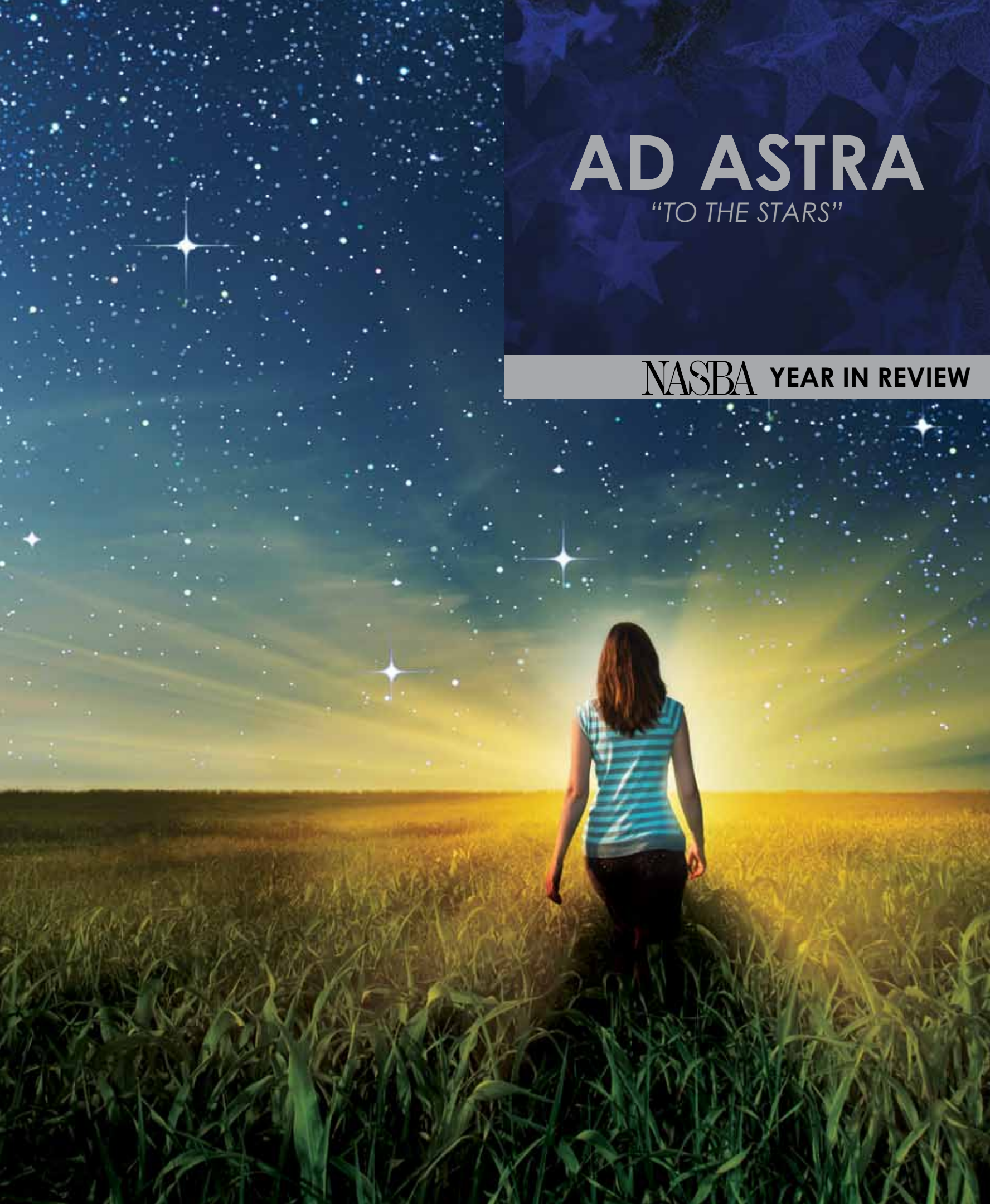
Allan Hicks - Manager, Project Management Office

Ryan Hirsch - Manager, Multimedia and Video Services

# AD ASTRA

*"TO THE STARS"*

NASBA YEAR IN REVIEW





# NASBA CENTER FOR THE PUBLIC TRUST: YEAR IN REVIEW

The NASBA Center for the Public Trust (CPT) had a truly extraordinary year. The launch and introduction of the Ethics Network, the membership program which offers a virtual community for the ethically aware professional, was a huge accomplishment. This membership program will create a community focused on advancing and promoting business ethics. The Ethics Network is a unique program—as it allows one to define him or her self as an individual who values ethical leadership and integrity; it is for people who want to make a positive difference in the world. The Ethics Network provides members with several intangible benefits: it helps promote responsibility, transparency, accountability, and steers the future to a better course. The Ethics Network also provides many tangibles --valuable membership benefits.

This year, the Student Center for the Public Trust (SCPT) invited all U.S. college students to participate in the Ethics in Action Video Competition. Teams entered from diverse colleges such as South Carolina State University, University of Colorado at Boulder, University of Miami, FL, and Elon University, NC. The contest was promoted on Facebook and Twitter. A Viewers' Choice contest was also held on Facebook. the confession, this year's winning video was an amazingly clever three-minute video created by two Lipscomb University students, Zach Shunk and Andy Hubright, who also star in the film. With a continuous rhythmic soundtrack in the background which provides a sense of urgency, the video flips between the two students while they discuss their various ideas of how to portray ethics in action. The discussion is a contrast of film-making action sequences and serious discourses of their personal thoughts on what ethics mean to them. For instance, they deliberate portraying toppling a dictatorship or developing a script involving the FBI and terrorists; in between these sequences come their own thoughts that ethics boil down to "small daily decisions that can lead to life changing decisions" and that the root of most ethical dilemmas are distilled to honesty and integrity.

Student chapter activities continued to impact future leaders and three new student chapters were launched. Campuses at Baruch College, The City University of New York, NY, NY; Rutgers, The State University of New Jersey, Newark, NJ, and University of Tennessee-Knoxville, Knoxville, TN, have welcomed student chapters this fall. Student chapters provide an interactive environment where ethical behaviors and ideas can flourish, while creating opportunities for students to network with the business community and develop professional leadership skills. Through NASBA's support and guidance, events are offered for all students, which provide a forum for ethics education blended with real-life events.

A huge success for the CPT this year was the inaugural Student Leadership Conference. Twenty-two college students attended the event held in conjunction with the NASBA Eastern Regional Meeting in Point Clear, Alabama. This day and a half event exposed students to a variety of leadership development workshops designed to broaden their understanding of accountability, communications, integrity and career awareness. Students were also given the unique opportunity to meet and network with the NASBA Regional Meeting participants.

Students represented schools such as the University of New Mexico, Albuquerque, NM, Denver University, Denver, CO, University of Tennessee, Knoxville, TN, Baruch College, New York, NY, Elon University, Elon, NC, Lipscomb University, Nashville, TN, Winthrop University, Rocky Hill, SC, and Birmingham Southern College, Birmingham, AL.



Co-sponsors the Fifth Annual Ensuring Integrity in Auditing Conference in New York City on December 2, 2010.



Launches the Ethics Network, a virtual community for ethically aware professionals.

Zach Shunk and Andy Hubright place first in the Second Annual Ethics in Action Video Competition.



Hosts the inaugural Student Leadership Conference in Point Clear, Alabama.



This year, more nominations than in any other year thus far were received for the CPT's Being a Difference Awards. Among this year's honorees include:

Malissia Clinton serves as the senior vice president, general counsel and secretary of The Aerospace Corporation in El Segundo, California. Ms. Clinton is a proponent of ethics education at all levels across the company and has developed educational processes including on boarding new Board members.

Kathleen Edmond is the chief ethics officer for the entire Best Buy global enterprise in Richfield, Minnesota. Known for her head-on approach to dealing with ethical dilemmas on both personal and corporate levels, Ms. Edmond has a blog in which she posts issues that arise within her company and asks questions of what others have done in similar situations. Patrick Hagen, HR Communications Manager says of Ms. Edmond, "Kathleen's ongoing effort to bring transparency to the discipline of business ethics is truly revolutionary...she is blazing a trail that few of her peers have had the courage to follow."

Stephen Epstein, CPA is an ethics educator for the Michigan Association of Certified Public Accountants in West Bloomfield, Michigan. Peggy A. Dzierzawski, President and CEO of Michigan Association of CPAs shared that Mr. Epstein's "sustained dedication to the highest professional standards, his passion for ethics, his commitment to the CPA profession and his lasting legacy for the future of the profession make him an outstanding candidate for the Being a Difference Award."

Thomas A. Hill is CEO and Chairman of the Board of Kimray, Inc. and Founder and President of Character First! located in Oklahoma City, Oklahoma. Mr. Hill is renowned locally for his staff-centered leadership and is a well-known public speaker on character and ethics in business. Through Character First! Mr. Hill developed a curriculum for training families, schools, businesses and other organizations interested in building good character.

Robbie Narcisse is vice president of global ethics and business practices at Pitney Bowes, Inc., Stamford, Connecticut. Ms. Narcisse educates, counsels, coaches and trains business leaders, managers and employees of the company. She keeps her finger on the company pulse to assess risk and communicates potential issues and works toward solutions.

## **2011-2012 BOARD OF DIRECTORS**

LARRY BRIDGESMITH, ESQ.  
*CPT Chair*

NOEL ALLEN, ESQ.  
*CPT Board Vice Chair*

MILTON BROWN, PA  
*CPT Life Director*

JANET BUCHANAN

ROBERT CHANDLER, PH.D.

MANNY ESPINOZA

JERRY ESSELSTEIN

JACK FARIS

LINDA FERRELL, PH.D.

OC FERRELL, PH.D.

ELLEN GLAZERMAN

MICHAEL SANTORO, PH.D.

CHARLES STORY

C. DAN STUBBS, CPA

## **CPT BOARD STAFF**

DAVID COSTELLO, CPA  
*President & CEO*

LISA AXISA  
*Executive Director/Vice President*

ALFONZO ALEXANDER  
*Chief Relationship Officer*

MICHAEL BRYANT, CPA  
*Chief Financial Officer*

SANDRA DAVIDSON, CPA  
*Manager, Compliance and Supporting Services Accounting*

LARA LOEWL  
*Activities Coordinator*

AMY WALTERS  
*Manager of Programs*

The NASBA Center for the Public Trust Board of Directors adopted two important guiding documents during the year: Core Commitments and Aspirations. The purpose of these documents is to act as the Board's guiding principles and to assure stakeholders of the intent and integrity with which the Board of Directors leads the organization. The main points of each are listed below.

### **Core Commitments:**

- 1) A Dedication to Ethics
- 2) A Passionate Commitment to Ethics Education

### **Board Aspirations:**

- 1) Promoting Trust and Integrity
- 2) Supporting Ethics Education
- 3) Maintaining a Positive Perspective
- 4) Engaging in and Supporting Business Practices that are Honest and that Strive to Make a Difference
- 5) Bridging the Gap Between Theory and Practice
- 6) Governing with Openness, Mutual Respect, Candor and Personal Accountability

Held in New York City on December 2, 2010, the Fifth Annual Ensuring Integrity in Auditing Conference asked auditors to understand the big picture, and seek a culture of consultation because the public expects it. Co-sponsored by the NASBA Center for the Public Trust and the Baruch College Robert Zicklin Center for Corporate Integrity, the Conference featured big names speakers such as Brian Croteau, SEC Office of the Chief Accountant; Martin Baumann, Chief Auditor of the PCAOB; and Darrell Schubert, Chair of the AICPA Auditing Standards Board.



# NASBA

November 2010 – Ethics Committee posts on NASBA.org two discussion papers: "Audit Fees and Engagement Profitability: A Threats and Safeguards Approach to Strengthen Compliance with Standards of Ethical Behavior" and "Proposed Uniform Definition of Independence."



January 2011 – Executive Vice President and Chief Operating Officer Ken L. Bishop chosen by NASBA Board of Directors to become President and Chief Executive Officer upon the retirement of David A. Costello at the end of 2011. NASBA launches the Accounting Education Research Grant Program, committing up to \$25,000 to advance research on educational issues impacting the accounting profession.

## NASBA YEAR IN REVIEW

October 2010 – SEC Chief Accountant James L. Kroeker speaks at NASBA's 103rd Annual Meeting and praises NASBA for posing "exactly the right questions" during the deliberations of the FAF/AICPA/NASBA Blue Ribbon Panel on private company entity accounting standards.



December 2010 – NASBA Center for the Public Trust co-sponsors Baruch College's Fifth Annual Auditing Conference, "Ensuring Integrity."



February 2011 – NASBA celebrates the 3-month culmination of the Health 4 Life corporate wellness initiative designed to provide employees with an opportunity to improve their physical and emotional health, while promoting teamwork and camaraderie among fellow co-workers.





March 2011 – Executive Vice President Ken Bishop meets with representatives of the Abu Dhabi Accountability Authority at the Emirate Palace to prepare for the international administration of the Uniform CPA Examination. NASBA holds Executive Directors, Legal Counsel and Continuing Professional Education Conferences in San Diego, CA.



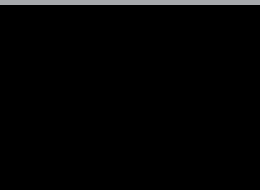
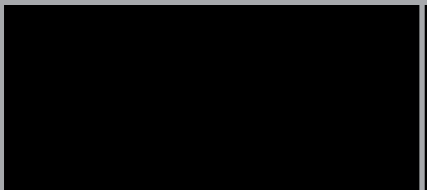
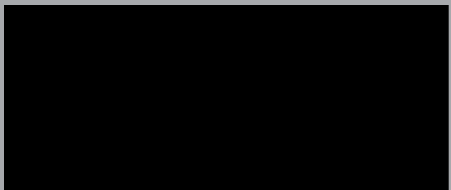
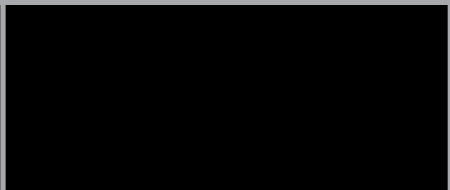
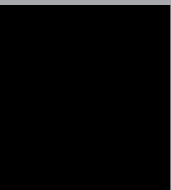
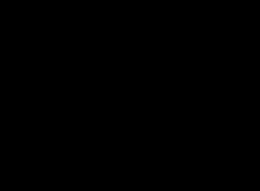
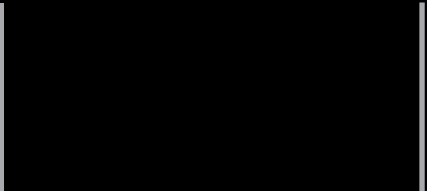
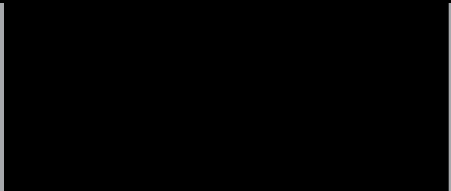
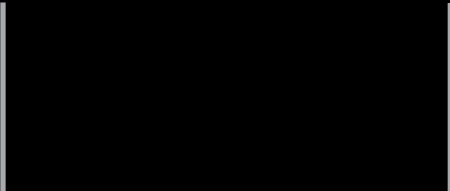
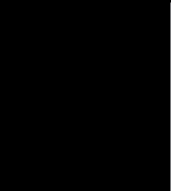
May 2011 – NASBA celebrates the opening of its new international call center in Guam with a ribbon-cutting ceremony. The Center will coordinate with NASBA's Nashville headquarters in responding to examination – related questions, offering consumers nearly 24-hour access to dial-in customer service.



July 2011 – NASBA Board approves UAA revisions (6th edition of UAA) and mutual recognition agreement (MRA) with Hong Kong Institute of CPAs. Formal signing of the MRA takes place in October. Board approves release for comment of revised Standards for Continuing Professional Education. NASBA's Fourth International Forum held in Vancouver, following NASBA Leadership Summit with the Institute of Chartered Accountants in Canada and AICPA.



September 2011 – A total of 35 states participate in the U.S. Accountancy Licensee Database. Plans for CPAverify, to be a public website, advance.



April 2011 – Toastmasters International presents the *SpeakUp* NASBA Toastmasters club with the Toastmasters Corporate Recognition Award. Presented twice a year, the award recognizes organizations that have displayed significant support for the Toastmasters program. NASBA was selected from over 12,500 chapters vying for the coveted award.

June 2011 – Professional Credential Services (PCS) sold realizing a net gain of 7.2 million for NASBA. Eastern and Western Regional Meetings discuss significance of changes, ethics codification and how to create semi-independent boards. Comment period ends on Uniform Accountancy Act's and Model Rules' proposed revisions providing guidance on CPA firm names.

PROFESSIONAL  
**CREDENTIAL**  
SERVICES, INC.

August 2011 – International administration of the Uniform CPA Examination begins in Bahrain, Japan, Kuwait, Lebanon and the United Arab Emirates. NASBA holds Peer Review Oversight Committee Conference in Charleston, SC.



October 2011 – Colleen K. Conrad, former President of the Missouri State Board of Accountancy and former Chair of the Board of Examiners (BOE), becomes NASBA Chief Operating Officer and will accede to Executive Vice President on January 1, 2012.





# NASBA LAUNCHES A NEW AND IMPROVED NASBA.ORG

In July 2011, NASBA launched an improved and expanded website – [www.NASBA.org](http://www.NASBA.org). Existing online offerings were enhanced in an effort to better reflect the Association's role as the trusted resource for state boards, CPA professionals, examination candidates, firms and learning provider communities. In many ways, the website reflects what we as an organization have been doing to further support the communities we serve.

Our reputation as a trusted resource was further enhanced throughout 2011, as we continued to support the state boards of accountancy, implemented the international administration of the CPA Examination, expanded our educational partnerships, established our new international call center and strengthened our continuing education partnerships through our Learning Market website ([LearningMarket.org](http://LearningMarket.org)) and much more.

A new addition to the revamped website was the launch of a new NASBA blog. Featuring commentaries from NASBA leadership, staff and members, as well as industry experts, the blog addresses the latest happenings in the accounting profession – from news and events to hot topics of interest.

We also expanded our social media presence in conjunction with the new website. CPAs, firms, state boards and other financial professionals can now follow our activities on Twitter, Facebook and LinkedIn to get the latest news, updates and important information. We believe these dialogues are instrumental in keeping NASBA's many audiences in the loop with our activities and initiatives, now and in the future.

With the launch of the new website, blog and social media platforms, we are proud of the technological advancements made throughout the past year.



## REFLECTING ON THE MOBILITY MOVEMENT

The accounting profession has witnessed rapid movement in the area of mobility over the past year. In fact, some would argue that mobility is the most significant development to happen in the world of accounting for years, even decades. Through a collaborative effort with state boards of accountancy, the AICPA, state CPA societies and other professional organizations, NASBA has led the way - assisting states to write mobility into law, ensuring that member boards and jurisdictions have safeguards they can rely on, holding CPAs to higher standards and ultimately, moving the concept of mobility beyond U.S. borders, expanding across the globe.



As of September 2011, a total of 48 states have enacted laws that provide for CPA inter-state mobility, as outlined in Section 23 of the Uniform Accountancy Act.

Other recent mobility milestones include the recent launch of CPAmobility.org and the expansion of the Uniform CPA Examination to international locations.

Launched jointly with NASBA and the AICPA, CPAmobility.org is an online tool designed to help Certified Public Accountants navigate the new practice privilege requirements that allow CPAs to more easily practice across state borders. Updated regularly, the website provides helpful information on state practice privilege requirements for CPAs, commonly referred to as "mobility" laws, for all 50 states and 5 U.S. jurisdictions.

August 1, 2011, marked a pivotal day in the accounting world as the U.S. CPA Examination was successfully administered to candidates in five international locations -- Japan, Bahrain, Kuwait, Lebanon and the United Arab Emirates. The launch was made possible through a collaboration between NASBA, the AICPA and Prometric in response to the escalating international demand for U.S. CPA licensure. NASBA looks forward to expanding the Exam's administration to more international locations in the near future.

While the success of mobility has been great, there is still work to do. In the coming year, we will continue the conversation on mobility, removing more barriers and re-energizing our efforts among state boards.





# AD ASTRA

*"TO THE STARS"*

**NASBA** PRODUCTS & SERVICES



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

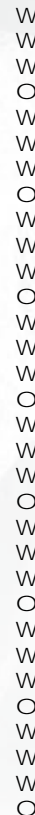
Over the years, several additional products and services have been developed to meet the growing needs of the accounting profession. Clients include individual CPAs, CPE providers, state accounting societies and accounting firms of all sizes. These and other stakeholders can be assured that NASBA will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

# CPA Examination Services

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



The National Candidate Database is a database of CPA candidate information created to help NASBA, state boards, the AICPA and the 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 National Candidate Database 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 National Candidate Database is a powerful tool for managing testing information.



The NASBA Center for the Public Trust created Student Center for the Public Trust (SCPT) chapters to focus on educating and engaging future business leaders on ethics, accountability and integrity. SCPT chapters are based on college campuses and are inter-disciplinary, student-run organizations committed to understanding, addressing and promoting ethics. SCPT events are also great opportunities to network with business leaders throughout NASBA, state boards of accountancy and beyond.





## LEARNING MARKET

Looking for CPE to meet your requirements?  
Find CPE courses anywhere in the country!  
Visit Learning Market to search through more  
than 16,000 CPE courses to find just what  
you need. You can even narrow your search  
by date, location, subject area, number of  
credit hours, CPE provider, delivery method  
and more! With all of the different continuing  
education options out there, Learning Market  
makes finding the exact CPE credit you need  
faster and easier.



## NATIONAL REGISTRY OF CPE SPONSORS

The National Registry of CPE Sponsors was created to help recognize CPE program sponsors who make a commitment to meeting the highest CPE program standards. Only CPE Providers who are committed to offering high-quality learning programs, that improve a CPA's professional competence, are listed on the Registry. 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.



## QUALITY ASSURANCE SERVICE

The Quality Assurance Service was created to help recognize CPE program sponsors who make a commitment to meeting the highest CPE program standards. Only CPE Providers who are committed to offering high-quality self-study learning programs, that improve a CPA's professional competence, are listed on the Registry. The Quality Assurance Service logo is the seal of approval for self-study CPE. When you see that logo, you can trust that the continuing education you receive will be of the highest quality.



## NASBA PRODUCTS & SERVICES: LICENSURE



**ACCOUNTANCY LICENSING  
LIBRARY**

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



## CPA MERCHANDISE

Once you have added the CPA designation to your title, you are proud to tell your colleagues, friends and family that you are "official." All of the hard work and studying paid off, and the exams are out of the way. As you move to the next level and become a practicing CPA, you may want something in addition to your wall certificate to display and celebrate your achievement. NASBA's CPA Merchandise allows you to do exactly that. Choose from high-quality products such as CPA-branded cufflinks, mugs, mouse pads and pens that take your level of practicing professional to an entirely different level. These items also make great gifts for bosses, family members, coworkers or friends who are also CPAs.



**CREDENTIALNET**

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



# CPAmobility.org

## MOBILITY

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

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## NASBA LICENSING SERVICES

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

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## WALL CERTIFICATE SERVICE

Passing the CPA Exam and getting a CPA license is a significant achievement. What better way to showcase the hard work and effort put into this accomplishment than with a professional wall certificate? NASBA's Wall Certificate Service is designed to enhance the quality of licensing certificates of professionals by offering creative and professional design options. Offering superior custom design, production and processing, this service efficiently produces professional wall certificates licensees can be proud to display. In addition to state-of-the-art printing of the certificates, other offerings include custom framing and distribution.





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## MEETINGS DIVISION

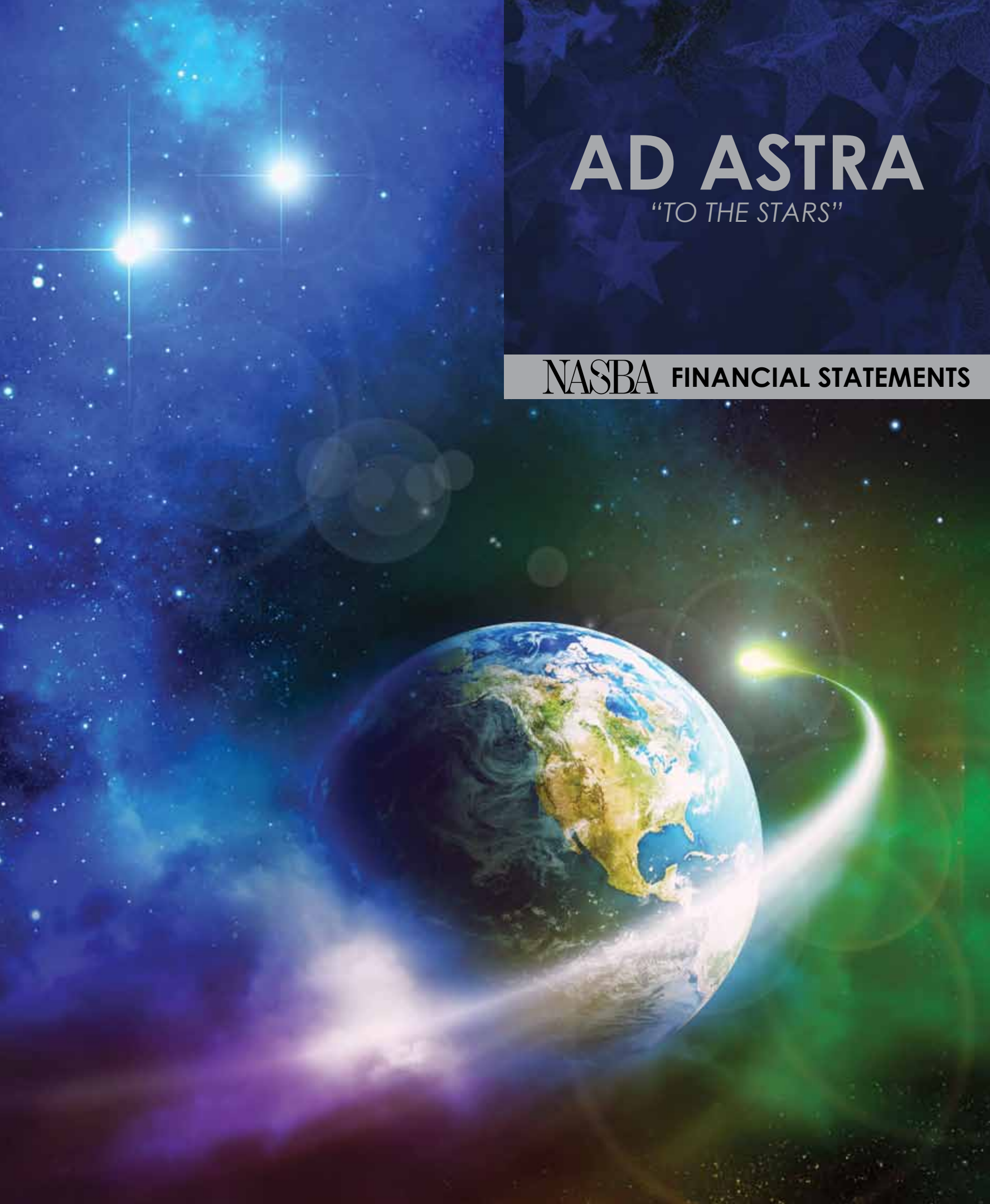
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# AD ASTRA

*"TO THE STARS"*

**NASBA** FINANCIAL STATEMENTS





National Association of State Boards of Accountancy, Inc.  
And Related Organizations

Consolidated Financial Statements

July 31, 2011 and 2010



National Association of State Boards of Accountancy

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

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

September 23, 2011

We, David A. Costello, CPA, President & Chief Executive Officer and Michael R. Bryant, CPA, 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 Related Organizations at and for the years ended July 31, 2011 and 2010, including the Notes thereto, as reported on by NASBA's independent auditors, Lattimore Black Morgan & Cain, PC, such financial statements do not contain an untrue statement of a material fact as of the date hereof nor do such financial statements fail to state a material fact necessary to make the financial statements, in light of the circumstances under which they were prepared, not misleading.

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

A handwritten signature in black ink, reading "David A. Costello".

David A. Costello, CPA  
President & Chief Executive Officer

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

Michael R. Bryant, CPA  
Chief Financial Officer





National Association of State Boards of Accountancy

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

## REPORT OF MANAGEMENT

September 23, 2011

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

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

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

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

A handwritten signature in black ink, appearing to read "David A. Costello".

David A. Costello, CPA  
President & Chief Executive Officer

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

Ken L. Bishop  
Executive Vice President &  
Chief Operating Officer

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

Michael R. Bryant, CPA  
Chief Financial Officer

A handwritten signature in black ink, appearing to read "Troy A. Walker".

Troy A. Walker, CPA  
Controller

## NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The mission of the National Association of State Boards of Accountancy, Inc. ("NASBA") of enhancing the effectiveness of boards of accountancy was prevalent in the activities of the organization during fiscal 2011. The volume of services and products NASBA provided on behalf of boards of accountancy once again increased over the prior year. One key addition relates to services provided under the International CBT Services Agreement which provides for the delivery of the Uniform CPA Examination (the "examination") to candidates outside of the jurisdictions of the fifty-five boards of accountancy. The services provided under this agreement are an extension of those NASBA provides as a part of the National Candidate Database. Sections processed by NASBA for this international delivery of the examination began in May 2011.

Of great significance to NASBA and boards of accountancy during fiscal 2011 was the sale, exchange, and redemption of all of NASBA's ownership in its wholly-owned subsidiary, Professional Credential Services, Inc. ("PCS"). This transaction (the "PCS sale") was finalized June 16<sup>th</sup>, 2011. PCS began operations in fiscal 1999 in response to the need to serve boards of accountancy in states that required examination service providers to work in non-accountancy areas under multi-board contracts. Additionally, during the past thirteen years, NASBA was able to leverage existing resources via cost-sharing with PCS under a joint operating agreement between the two entities. An unsolicited bid to acquire PCS developed into the largest single financial transaction (\$7.5 million in total consideration) in NASBA's history. The proceeds from this event, as well as a continuing investment interest in the acquirer of PCS, serves to further strengthen the financial position of NASBA and its ability to serve boards of accountancy in the future.

In addition to the above mentioned historic events, NASBA continued its other long-standing services to boards of accountancy. These included support for committees and conferences focusing on various regulatory issues, the role of boards of accountancy globally, ethics in business and professional practice, licensing and the examination. In addition, NASBA provided candidate application processing for certain boards of accountancy and section processing for all boards of accountancy related to the examination. Operational revenue and expenses related to the examination included approximately 309,000 sections processed through the National Candidate Database. NASBA also offered services related to continuing professional education providers and other services on behalf of state boards of accountancy related to licensing of professionals.

The NASBA Center for the Public Trust ("NCPT") remained mission-focused by addressing issues of ethics and ethical behaviors in business, education, public policy and society, while promoting a positive perspective on activities within the business and accounting communities. The Student Center for the Public Trust, which focuses on educating future business leaders on ethics, accountability and integrity, through university-based chapters, continues to add new participants. Along with the continuing programs in which NCPT has been actively involved, such as the Student Center for the Public Trust, the Ethics Network, a new resource-based membership program, was inaugurated. In support of its expanding program activities, NCPT was able to garner increased contributions from individuals and organizations.

#### **Program Revenues**

Total consolidated revenue from continuing operations was \$26.3 million in fiscal 2011 compared to \$25.0 million in fiscal 2010. This represents an increase of 5.2% from the prior year. The following table compares operating revenue by program for fiscal 2011 and 2010:

In millions		2011	2010	Change
Examination related	\$	22.9	\$ 21.9	4.6%
Other programs		2.9	2.7	7.4%
Member dues and other revenue		0.5	0.4	25.0%
Total	\$	26.3	\$ 25.0	5.2%

Examination related revenue increased by 4.6% over the prior year and was driven by additional candidate volume for the examination. Revenue generated from sections processed through the National Candidate Database increased by 2.3% from the prior year. Examination related revenue from PCS of \$7.6 million is included in discontinued operations for fiscal 2011 and is not reflected in the above schedule. This represents revenue for 10.5 months, which is through the date of the PCS sale. For the prior full fiscal year, PCS had revenue of \$7.7 million in examination related revenue.



## NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS

Revenue from other programs, primarily licensee-related services that assist boards of accountancy, increased over the prior year. This 7.4% increase in revenue is the combined result of additional licensee services and revenue from the biennial CPE Conference held during fiscal 2011. Licensing revenue from PCS of \$0.9 million, through the date of the PCS sale, is included in discontinued operations.

Member dues and other revenue reflect increases primarily from growth in contributions to NCPT.

### **Program Expenses**

Total consolidated expenses from continuing operations in fiscal 2011 were \$25.8 million compared to \$24.3 million in fiscal 2010. This is an increase of 6.2% from the prior year. The following table compares operating expenses from continuing operations by program for fiscal 2011 and 2010:

In millions	2011	2010	Change
Examination related	\$ 20.8	\$ 18.8	10.6%
Other programs	2.7	2.9	-6.9%
Communications	2.3	2.6	-11.5%
Total	\$ 25.8	\$ 24.3	6.2%

Expense variation amounts by caption for fiscal 2011 and 2010 from continuing operations are presented in the following table:

In millions	2011	2010	Change
Examination program costs	\$ 1.9	\$ 1.3	46.2%
Salaries and related costs	16.2	14.8	9.5%
Professional fees	1.5	1.6	-6.3%
Travel and meetings	2.1	2.5	-16.0%
Other captions	4.1	4.1	0.0%
Total	\$ 25.8	\$ 24.3	6.2%

A substantial portion of the increase in examination program costs and a portion of the increase in total examination related expenses stems from changes in CPA examination fees, which are collected from candidates and remitted to contract partners, and the expense of any shortfall between collection and remittance being borne by NASBA. Professional fees declined in fiscal 2011 from 2010 as a result of technology development activities begun in prior fiscal years and completed in fiscal 2011. In addition, travel and meetings expenses were reduced in fiscal 2011 from the prior year primarily as a result of costs incurred in early fiscal 2010 for a non-recurring conference forum which included licensees, CPE service providers, profession-related product exhibitors, and state board of accountancy representatives.

### **Other Income**

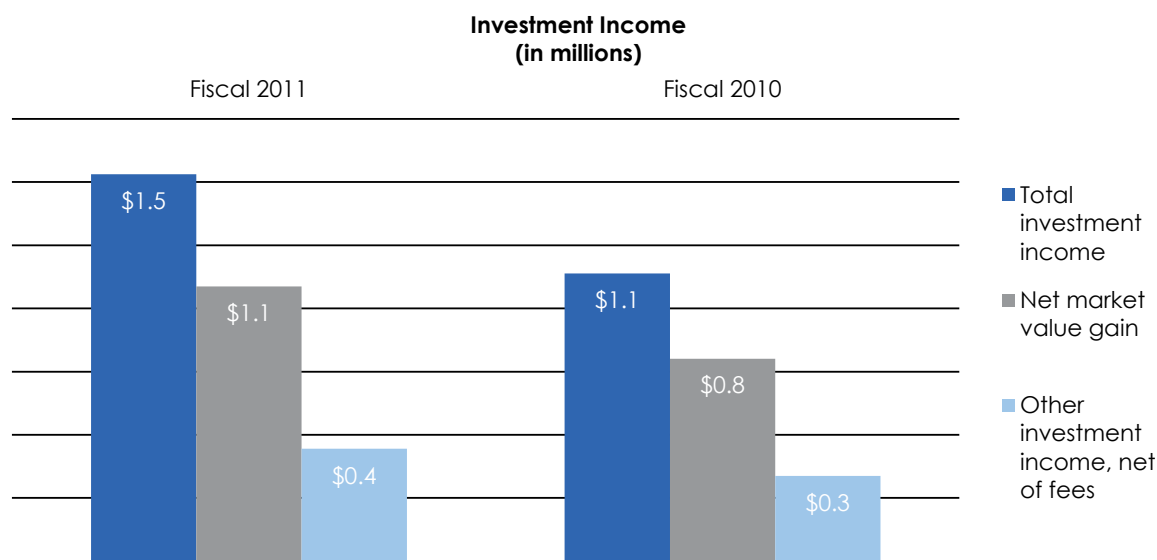
In fiscal 2010, NASBA had income of \$300,000 resulting from the resolution of a contractual issue related to the CBT Services Agreement.

### **Investment Income**

Total investment income for fiscal 2011 was \$1.5 million as compared to the \$1.1 million in fiscal 2010. For fiscal 2011, the net gain in the market value of total long-term investments was \$1.1 million. In the prior year, the net gain in market value was \$0.8 million. Interest and dividends from long-term investments, short-term investments, and the note receivable from PCS amounted to \$0.5 million, an increase of \$0.1 million from fiscal 2010. Both the current and prior fiscal year total investment income amounts are net of related investment fees and expenses.

## NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS

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



The total return for NASBA's long-term fund for fiscal 2011 and 2010 was 12.2% and 11.8%, respectively.

### **Discontinued Operations**

As discussed previously, NASBA disposed of its wholly-owned subsidiary, PCS, during fiscal 2011. The results of PCS' operations for 2011, through the date of the PCS sale, and 2010 are included in discontinued operations, net of income taxes. In addition, a gain on the PCS sale in the amount of \$7.4 million resulted for NASBA. This amount was reduced by associated expenses of \$0.3 million which consisted primarily of legal and other professional fees and future sublease losses with PCS.

### **Cash Flow and Financial Position**

In total, cash increased by \$0.7 million in fiscal 2011 compared to the \$1.9 million increase in fiscal 2010. Most of this increase during fiscal 2011 is a result of net operating activities. The overall net increase in cash from operating activities was partially offset by a decrease in accounts payable, accrued expenses, and other liabilities from continuing operations as a result of examination fees collected near the end of fiscal 2010 on behalf of various vendors and examination partners. The timing of these collections increased current liabilities at the prior fiscal year end and were subsequently paid during fiscal 2011.

Net investing and financing activities used minimal cash during fiscal 2011. As a part of the PCS sale, NASBA received \$4.0 million in cash. This single source of cash from investing and financing activities was offset by new investments and reinvestments in the long-term fund totaling a net amount of \$1.6 million. Approximately \$1.3 million was invested from the operating fund into the long-term fund during fiscal 2011 with the remaining difference representing reinvested dividends. In addition, the deconsolidation of PCS and the corresponding elimination of cash of \$1.7 million from the consolidated statements as a consequence of the PCS sale reduced the total net increase in cash and cash equivalents. Along with the impact the PCS sale had on cash investing activities in fiscal 2011, non-cash proceeds from the PCS sale were also received. These consisted of a \$2.5 million note receivable from PCS and a 20% equity interest in the buyer of PCS, which has an estimated value of \$1.0 million.

Fiscal 2011 was a significant year in the contribution made to the long-term financial capabilities of NASBA to support boards of accountancy in the face of mounting challenges. Unrestricted net assets increased by \$9.5 million in the current fiscal year. A majority of this increase was provided for by the PCS sale. In addition, within continuing operations, NASBA increased its overall services provided to and on behalf of boards of accountancy through the processing of candidates for examination testing in international locations and through the provision of additional licensee-related services. Fiscal 2011 marked the ninth consecutive year of increases in unrestricted net assets for NASBA, producing a total increase over this period in excess of \$22 million, and culminating in an unrestricted net assets balance of \$26.8 million at fiscal year end.





National Association of State Boards of Accountancy

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## REPORT OF AUDIT COMMITTEE

September 23, 2011

The Board of Directors and Members  
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, 2011, was charged by the Board of Directors with the responsibility for oversight of the annual independent audit of the consolidated financial statements.

In connection with the discharge of its responsibility,

- Prior to commencement of the year-end audit work, the Committee met with the independent auditors to discuss (1) the overall scope and specific plans for the conduct of the audit and (2) the accounting, reporting and internal control processes and procedures of the National Association of State Boards of Accountancy, Inc. and Related Organizations, including the safeguarding of assets and other resources against unauthorized acquisition, use or disposition;
- The Committee reviewed the Audit Committee Charter, which governs the Committee's scope of responsibilities and actions, and assessed the need for charter changes for recommendation to the Board of Directors;
- After the completion of the audit, the Committee, along with members of senior management, met with the independent auditors to discuss the results of the audit and, without senior management present, the Committee had an opportunity to discuss privately with the independent auditors any matters of concern of the independent auditors; and
- The Committee met privately with senior management to discuss and consider the credentials and performance of the independent auditors and decided on a recommendation to the Board of Directors of an independent audit firm for the year ending July 31, 2012.

Based on the above, the Committee believes that the annual independent audit was properly completed and that management has maintained adequate systems and controls and followed the appropriate procedures related to financial accounting, reporting and safeguarding of assets for the year ended July 31, 2011.

Respectfully submitted,

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

A handwritten signature in black ink, reading "Don H Burkett CPA". The signature is written in a cursive, flowing style.

Donald H. Burkett, CPA, Chair, on behalf of the Members of the Committee as follows:

Barton W. Baldwin, CPA  
Kenneth J. Hull, CPA  
Michael M. Vekich, CPA  
Harris W. Widmer, CPA



## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Members  
National Association of State Boards of Accountancy, Inc.

We have audited the accompanying consolidated statements of financial position of the National Association of State Boards of Accountancy, Inc. and Related Organizations as of July 31, 2011 and 2010, and the related consolidated statements of activities, program expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the National Association of State Boards of Accountancy, Inc. and Related Organizations as of July 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lattimore Black Morgan & Cain, PC*

Brentwood, Tennessee  
September 23, 2011



**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF ACTIVITIES**

For Years Ended July 31,

	2011	2010
<b>Program Revenues</b>		
Examination related	\$ 22,874,650	\$ 21,911,637
Other programs	2,921,990	2,703,473
Member dues and other revenue	472,263	400,657
Total program revenues	<u>26,268,903</u>	<u>25,015,767</u>
<b>Program Expenses</b>		
Examination related	20,780,186	18,725,914
Other programs	2,676,454	2,901,867
Communications	2,303,445	2,633,981
Total program expenses	<u>25,760,085</u>	<u>24,261,762</u>
<b>Excess of Program Revenues Over Program Expenses</b>	508,818	754,005
<b>Income From Contract Issue</b>	<u>-</u>	<u>300,000</u>
<b>Increase in Unrestricted Net Assets Before Investment Income and Discontinued Operations</b>	508,818	1,054,005
<b>Investment Income</b>	<u>1,531,583</u>	<u>1,138,973</u>
<b>Increase in Unrestricted Net Assets From Continuing Operations</b>	2,040,401	2,192,978
<b>Discontinued Operations, Net of Income Taxes</b>	<u>7,432,072</u>	<u>67,540</u>
<b>Increase in Unrestricted Net Assets</b>	9,472,473	2,260,518
<b>Increase in Temporarily Restricted Net Assets From Contributions</b>	31,371	-
<b>Increase in Permanently Restricted Net Assets From Contributions</b>	<u>28,427</u>	<u>-</u>
<b>Increase in Net Assets</b>	9,532,271	2,260,518
<b>Net Assets, Beginning of Year</b>	<u>17,333,406</u>	<u>15,072,888</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 26,865,677</u></u>	<u><u>\$ 17,333,406</u></u>

See Accompanying Notes to Consolidated Financial Statements

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF PROGRAM EXPENSES**

	<u>Examination related</u>	<u>Other programs</u>	<u>Communications</u>	<u>Totals</u>
<u>Year Ended July 31, 2011</u>				
Examination program costs	\$ 1,874,873	\$ -	\$ -	\$ 1,874,873
Salaries and related costs	14,264,293	1,584,704	330,869	16,179,866
Occupancy	787,220	185,107	149,666	1,121,993
Professional fees	1,061,572	201,085	226,873	1,489,530
Printing and postage	145,642	14,305	82,362	242,309
Travel and meetings	789,307	147,008	1,166,664	2,102,979
Depreciation and amortization	971,058	272,448	105,452	1,348,958
Telephone	100,266	17,354	21,228	138,848
Equipment rentals	377,460	97,292	49,256	524,008
Marketing	29,843	75,633	115,956	221,432
Insurance	113,809	13,683	1,471	128,963
Supplies	112,041	10,429	6,658	129,128
Other	152,802	57,406	46,990	257,198
Totals	<u>\$ 20,780,186</u>	<u>\$ 2,676,454</u>	<u>\$ 2,303,445</u>	<u>\$ 25,760,085</u>

Year Ended July 31, 2010

Examination program costs	\$ 1,255,995	\$ -	\$ -	\$ 1,255,995
Salaries and related costs	12,868,595	1,406,899	500,241	14,775,735
Occupancy	744,223	194,101	157,012	1,095,336
Professional fees	974,137	322,379	321,712	1,618,228
Printing and postage	190,615	32,588	72,985	296,188
Travel and meetings	804,005	429,304	1,267,574	2,500,883
Depreciation and amortization	1,056,702	207,425	104,088	1,368,215
Telephone	109,234	22,210	21,640	153,084
Equipment rentals	297,185	80,008	21,555	398,748
Marketing	33,245	144,788	106,980	285,013
Insurance	138,586	17,532	1,805	157,923
Supplies	117,223	12,932	8,044	138,199
Other	136,169	31,701	50,345	218,215
Totals	<u>\$ 18,725,914</u>	<u>\$ 2,901,867</u>	<u>\$ 2,633,981</u>	<u>\$ 24,261,762</u>

See Accompanying Notes to Consolidated Financial Statements



**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

July 31,

	2011	2010
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 9,735,018	\$ 9,051,428
Receivables	1,923,903	1,769,480
Prepaid expenses	276,066	374,622
Deferred income taxes, net of allowance	-	166,700
Total current assets	<u>11,934,987</u>	<u>11,362,230</u>
Investments and Other Assets		
Investment securities, at fair value	13,015,318	10,324,342
Receivables	22,447	3,619
Note receivable	2,500,000	-
Investment in equity affiliate	1,000,000	-
Deferred income taxes	-	59,000
Other	80,897	60,143
Total investments and other assets	<u>16,618,662</u>	<u>10,447,104</u>
Property and Equipment	6,185,340	5,998,887
Less accumulated depreciation and amortization	<u>3,450,170</u>	<u>3,080,819</u>
Net property and equipment	<u>2,735,170</u>	<u>2,918,068</u>
Software Development Costs	5,422,076	5,400,807
Less accumulated amortization	<u>4,005,859</u>	<u>3,461,281</u>
Net software development costs	<u>1,416,217</u>	<u>1,939,526</u>
Total assets	<u><u>\$ 32,705,036</u></u>	<u><u>\$ 26,666,928</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,333,915	\$ 7,523,602
Deferred revenues	493,137	858,921
Capital lease, current portion	57,130	29,156
Other current liabilities	<u>47,942</u>	<u>52,245</u>
Total current liabilities	<u>4,932,124</u>	<u>8,463,924</u>
Long-Term Liabilities		
Capital lease, non-current	120,292	93,841
Other long-term liabilities	<u>786,943</u>	<u>775,757</u>
Total long-term liabilities	<u>907,235</u>	<u>869,598</u>
Total liabilities	5,839,359	9,333,522
Net Assets		
Unrestricted	26,805,879	17,333,406
Temporarily restricted	31,371	-
Permanently restricted	<u>28,427</u>	<u>-</u>
Total net assets	<u>26,865,677</u>	<u>17,333,406</u>
Total liabilities and net assets	<u><u>\$ 32,705,036</u></u>	<u><u>\$ 26,666,928</u></u>

See Accompanying Notes to Consolidated Financial Statements

**NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY, INC. AND RELATED ORGANIZATIONS**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For Years Ended July 31,

	2011	2010
<b>Operating Activities</b>		
Increase in net assets	\$ 9,532,271	\$ 2,260,518
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	776,300	715,535
Amortization of software development costs	572,658	652,680
Gain on sale of subsidiary	(7,433,672)	-
Net gains on investment securities	(1,086,936)	(801,247)
Reduction of deferred rent credit	(47,942)	(47,942)
Net losses on disposal of property and equipment	5,104	13,728
Total contributions restricted for endowment	(28,427)	-
Changes in assets and liabilities		
Increase in:		
Receivables	(279,350)	(29,087)
Prepaid expenses and other non-current assets	(35,810)	(2,573)
Increase (decrease) in:		
Accounts payable, accrued expenses, and other liabilities	(1,491,442)	1,552,442
Deferred revenues	113,257	(125,706)
Cash provided by continuing operations	596,011	4,188,348
Cash provided by discontinued operations	156,682	201,475
Net cash provided by operating activities	752,693	4,389,823
<b>Investing Activities</b>		
Cash proceeds from sale of subsidiary	4,000,000	-
Property and equipment additions	(590,540)	(328,614)
Capitalized software development costs	(86,226)	(785,189)
Purchases of investment securities	(2,451,655)	(2,654,285)
Redemptions of investment securities	847,615	1,303,510
Cash provided (used) by continuing operations	1,719,194	(2,464,578)
Cash used by discontinued operations	(1,741,628)	(70,964)
Net cash used by investing activities	(22,434)	(2,535,542)
<b>Financing Activities</b>		
Principal payments on capital leases	(48,169)	(2,365)
Cash contributions restricted for endowment	1,500	-
Net cash used by continuing financing activities	(46,669)	(2,365)
<b>Net Increase in Cash and Cash Equivalents</b>	683,590	1,851,916
<b>Cash and Cash Equivalents, Beginning of Year</b>	9,051,428	7,199,512
<b>Cash and Cash Equivalents, End of Year</b>	\$ 9,735,018	\$ 9,051,428
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 9,020	\$ 522
Income taxes paid	\$ 56,050	\$ 103,574
<b>Non-cash Investing and Financing Activities</b>		
Capital lease obligation incurred	\$ 102,594	\$ 125,362
Note receivable and investment securities received from sale of subsidiary	\$ 3,500,000	\$ -
Contributions receivable restricted for endowment	\$ 26,927	\$ -

See Accompanying Notes to Consolidated Financial Statements



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

**Note 1. Organization**

The National Association of State Boards of Accountancy, Inc. (the "Association") is a nonprofit voluntary membership association of the boards of accountancy (or their equivalent) 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's assets are limited to use or distribution in accordance with its Articles of Incorporation. The Association had a wholly-owned, for profit subsidiary, Professional Credential Services, Inc. ("PCS") that provided testing, examination development, licensing and certification services to various non-accounting related professions and occupations. On June 16, 2011, NASBA sold, exchanged, and redeemed all of its ownership of PCS (the "PCS sale") under a stock purchase, contribution and redemption agreement with PCS Holding Company, LLC, a third-party buyer (the "buyer"). The results of PCS' operations for both fiscal periods are shown as discontinued operations. The disposal of PCS is discussed more fully in Note 17. Also included in the Consolidated Financial Statements ("financial statements") is the NASBA Center for the Public Trust ("NCPT"), a related nonprofit, public benefit corporation whose mission is to spotlight ethical business practices and to foster the public's trust in American institutions and the professions that serve them.

The Association's examination related activities include programs and services which facilitate boards of accountancy in fulfilling their licensing responsibilities related to the testing of applicants for the Certified Public Accountant ("CPA") license. Other programs consist of licensing and certification activities related to assisting boards of accountancy and licensees in the issuance and sustainment of licenses. In addition, services to boards of accountancy and licensees related to identifying quality continuing professional education providers that meet nationally accepted standards for development, presentation, measurement and reporting of educational programs are included in other programs. Communication programs provide information and facilitate discussion and actions related to issues that involve boards of accountancy. Also included in communication programs are the activities of NCPT.

**Note 2. Significant Accounting Policies**

**Basis of accounting**

The Association and related organizations follow the accrual basis of accounting under which revenue is recognized when earned and expenses when incurred. All material intercompany accounts and transactions are eliminated from the financial statements.

**Cash and cash equivalents**

Cash equivalents include investments in marketable securities, certificates of deposit and U.S. Government obligations with original maturities, or remaining maturities when acquired, of 90 days or less. Cash and cash equivalents are maintained at a level to meet anticipated operating needs, and cash is maintained in Federal Deposit Insurance Corporation ("FDIC") insured financial institutions. At times, such amounts may exceed the FDIC insurance limits.

**Receivables, note receivable and credit policies**

Receivables are primarily uncollateralized obligations arising from contractual agreements with customers. The Association and related organizations anticipate collection within 30 days unless otherwise specified. Receivables also include unconditional promises to give which are recorded in the year the promise is made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Contributions receivable are discussed more fully in Note 3. The note receivable represents consideration from the PCS sale and the related interest income is accrued and included in investment income. The note receivable is discussed more fully in Notes 6 and 17. The carrying amount of 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 and contributors, historical loss experience, and existing economic conditions. Management has determined that no allowance is required at July 31, 2011 or 2010.

**Prepaid expenses**

Prepaid expenses consist primarily of prepaid insurance premiums, prepaid equipment maintenance contracts and payments to reserve testing facilities for future examinations.

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

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

**Investment securities**

The Association and related organizations generally invest all resources in excess of anticipated working capital requirements in U.S. Treasury and other Federal Agency obligations, corporate obligations and fixed income and equity investment funds. Investments are made in accordance with an investment policy approved by the Board of Directors. The Association's investments are valued at fair value in accordance with the FASB Fair Value Measurements and Disclosures Topic. These investments are discussed more fully in Note 4. Derivative financial instruments are not permitted investments under the Association's policy except as components of permitted investment funds. Investment 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 the value of investment securities will occur in the near term and that such changes could be materially different from the amounts reported.

**Investment in equity affiliate**

The Association's equity investment is carried at initial fair value and adjusted for the proportionate share of the investee's income, losses and distributions. This investment is discussed more fully in Notes 7 and 17. The carrying value of the equity investment is assessed and, when an indicator of a loss in value is present, a loss is recorded in the value of the investment when the assessment indicates that an other-than-temporary decline in the investment exists.

**Property and equipment**

Property and equipment 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. Property and equipment are recorded in the Consolidated Statements of Financial Position at their carrying value until disposed. Repair and maintenance costs are expensed as incurred.

**Software development costs**

The Association and PCS capitalize and amortize certain costs associated with the development of software for internal use. These costs are amortized over the software's useful life or, if shorter, the period for which contractual services that utilize the software are rendered. Amortization begins when the software is ready for its intended use. Software development costs are recorded in the Consolidated Statements of Financial Position at their carrying value until no longer used.

**Realization of long-lived assets**

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

**Net assets**

Unrestricted net assets are available for use in general operations. All of the Association's net assets at July 31, 2011 and 2010 are unrestricted. Temporarily restricted net assets of NCPT are donor-imposed restrictions which permit the use of the donated assets in accordance with the donor restriction. Permanently restricted net assets are donor-imposed restrictions in which the principal will remain permanently invested. Restricted net assets are discussed more fully in Note 14.

**Revenue recognition**

Examination related program fees and licensing fees are recognized as revenue when the services to which they relate have been completed. Other program fees for services provided over a period of time are recognized ratably during the period. Fees for conferences and meetings, and related expenses, are recognized when the event occurs. Temporarily restricted contributions for NCPT that are used for the purpose specified by the donor in the same year as the contribution are treated as unrestricted.

**Management and administrative costs**

Management and administrative costs are allocated to program expenses based principally on the program's contribution to revenue of the Association.

**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. NCPT is also exempt from federal and state income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and applicable state tax statutes. PCS 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.



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

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

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Contributed services**

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

**Subsequent events**

The Association and related organizations have evaluated events and transactions that occurred from the date of the financial statements through September 23, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. No subsequent events require adjustments to or disclosure in the financial statements.

**Note 3. Contributions Receivable**

Contributions receivable for NCPT consist of the following unconditional promises to give and are included in receivables in the Consolidated Statements of Financial Position at July 31, 2011 and 2010:

	2011	2010
Amounts due in:		
Less than one year	\$ 62,825	\$ 46,310
One to five years	23,600	4,000
Total contributions receivable	86,425	50,310
Less unamortized discount	1,622	641
Present value of total contributions receivable	84,803	49,669
Less current contributions receivable	62,356	46,050
Non-current contributions receivable	\$ 22,447	\$ 3,619

**Note 4. Investment Securities, at fair value**

Investment securities owned by the Association and related organizations are required under the Board-approved investment policy to meet certain criteria as to allowable asset classes and the composition of investments within those classes. Diversification of the portfolio is managed through three primary asset classes of equity, fixed income and alternative strategy investments. The alternative strategy asset class provides portfolio risk-versus-return characteristics that are attractive from a diversification standpoint in that such investment funds are not correlated with the equity and fixed income asset classes. Additional information on the asset classes is disclosed in Note 5. At July 31, all of the Association and related organizations' investment securities were invested in mutual funds and exchange traded funds and each of the asset classes were primarily invested in the following:

	2011	2010
U.S. Treasury and other Federal Agency obligations	\$ 2,308,262	\$ 2,352,113
Corporate and other debt obligations	1,379,923	1,164,085
Equity securities	8,756,164	6,570,684
Other securities	570,969	237,460
Total Investment Securities	\$ 13,015,318	\$ 10,324,342

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

**Note 4. Investment Securities, at fair value (Continued)**

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

	2011	2010
Interest and dividends	\$ 501,385	\$ 387,385
Net gains on investments	1,086,936	801,247
Investment fees and expenses	(56,738)	(49,659)
Total Investment Income	\$ 1,531,583	\$ 1,138,973

**Note 5. Fair Value Measurement**

The Fair Value Measurement and Disclosures Topic 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 unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

At July 31, 2011 and 2010, the valuation method used for asset measurement measured at fair value for 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 (Level 1), which approximates fair value. There have been no changes in the method used.

The fair value measurements for the Association and related organizations' investment securities, of which the entire amount is invested in mutual funds and exchange traded funds, at July 31 are as follows:

	2011	2010
Equity securities:		
U.S. Large-Cap	\$ 3,853,918	\$ 2,905,302
U.S. Mid-Cap	698,212	563,628
U.S. Small-Cap	787,064	634,661
International	2,370,036	1,882,256
Alternative strategies	1,046,935	584,837
Fixed income securities:		
U.S. Government, corporate	2,308,262	2,352,113
High yield	697,383	545,371
International	682,539	618,714
Other securities:		
Alternative strategies	570,969	237,460
Total Investment Securities	\$ 13,015,318	\$ 10,324,342

The carrying amounts for cash, cash equivalents, receivables, accounts payable and certain other assets and liabilities approximate fair value due to the short-term maturity of these financial instruments.

As of August 1, 2009, the Association and related organizations adopted the provisions prospectively for nonfinancial assets and liabilities that are not required to be measured at fair value on a recurring basis. The Association'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 2011 and 2010, the Association and related organizations did not measure any nonfinancial assets at fair value or recognize any amounts in the financial statements related to changes in fair value for nonfinancial assets.



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

**Note 6. Note Receivable**

On June 16, 2011, the Association, as part of the PCS sale, redeemed a portion of its common stock in PCS for a convertible promissory note (the "note") with a principal amount of \$2,500,000. The note bears interest at the Wall Street Journal Prime Rate plus 1.75%, which at July 31, 2011 and currently equals 5%. The rate is reset annually on August 1. Payments are scheduled to begin October 31, 2012 and continue for five years. From August 1, 2012 until September 29, 2012, the majority owner of PCS shall have the option to require NASBA to convert all or a portion of the principal amount of the note to additional equity in the buyer. The note receivable is discussed further in Note 17.

**Note 7. Investment in Equity Affiliate**

On June 16, 2011, the Association exchanged a portion of its common stock in PCS for a 20% interest in the buyer of PCS as a part of the PCS sale. This investment is accounted for under the equity method of accounting. The balance of \$1,000,000 as of July 31, 2011 represents the initial recognition of this investment at its estimated fair value. This estimate is based on the entity value of PCS determined in the PCS sale and applying NASBA's 20% interest in the buyer. The Association's share of earnings from June 16, 2011 through July 31, 2011 has been excluded from the fiscal 2011 financial statements due to the estimated immaterial amount. This investment is discussed further in Note 17.

**Note 8. Property and Equipment**

Property and equipment at July 31 consists of the following:

	2011	2010
Office and computer equipment	\$ 2,899,552	\$ 2,745,347
Furniture	1,377,795	1,547,540
Building and leasehold improvements	1,907,993	1,706,000
Total Property and Equipment	6,185,340	5,998,887
Accumulated depreciaton and amortization	(3,450,170)	(3,080,819)
Net Property and Equipment	\$ 2,735,170	\$ 2,918,068

**Note 9. Contract to Provide Examination Services**

Effective December 31, 2009, the Association entered into an amended and restated agreement (the "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 Agreement expires on December 31, 2014 between the Association, AICPA and Prometric and expires on December 31, 2024 between the Association and AICPA. The initial term, number of renewal options and renewal terms for each party to the Agreement are as follows:

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

Under the terms of the Agreement, the Association operates and maintains a National Candidate Database which serves as a gateway for all examination candidates. The Agreement allows for the Association 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 August 13, 2010, the Association entered into an agreement (the "International Agreement") with the AICPA to deliver the examination in international locations. The International Agreement has the same term and renewals as the Agreement. In addition, effective February 1, 2011, the Association and AICPA entered into an agreement (the "CBT International Agreement") with Prometric for the delivery of the examination in certain international locations. The CBT International Agreement expires on August 31, 2013. Under the terms of the International Agreement and CBT International Agreement, the Association provides similar services as provided in the Agreement.

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

**Note 9. Contract to Provide Examination Services (Continued)**

The Association also collects from candidates the Prometric fee under the Agreement and AICPA fees under the Agreement and International Agreement related to the examination. These funds are held in escrow accounts in the names of the respective parties and are disbursed when services are provided. At July 31, 2011 and 2010, escrowed funds amounted to \$24,879,403 and \$26,924,872, respectively. The escrowed funds and the related obligations are not included in the financial statements because they do not represent assets or obligations of the Association.

**Note 10. Retirement Plans and Other Postretirement Benefits**

The Association maintains a 401(k) plan which allows employee and employer contributions for all full-time employees meeting specified requirements. Expenses related to the Association's funding of the retirement plan amounted to approximately \$837,000 for 2011 and \$761,000 for 2010. The Association funds its obligation through annual contributions made after the end of the December 31 plan year. The Association pays all fees related to the plan.

The Association has made available limited postretirement medical benefits for certain management-level employees with five years of service and a minimum age of 60. At July 31, 2011 and 2010, the accumulated postretirement benefit obligation was determined by actuarial valuation to be \$201,428 (\$189,540 noncurrent and \$11,888 current) and \$170,053 (\$163,272 noncurrent and \$6,781 current), respectively, 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:

	2011	2010
Components of net periodic cost:		
Service cost	\$ 19,549	\$ 15,951
Interest cost	8,164	7,712
Actuarial (gain) loss	15,924	(6,526)
Net periodic postretirement benefit cost	43,637	17,137
Plan participants' contributions	12,210	8,645
Benefits paid	(24,472)	(16,128)
Net change in benefit obligation	31,375	9,654
Benefit obligation at beginning of year	170,053	160,399
Benefit obligation at end of year	\$ 201,428	\$ 170,053

The discount rate used to value the obligation was 4.75% in 2011 and 5.00% in 2010. The assumed medical trend rate is 7.5% declining to 4% over a period of 7 years and the assumed dental trend rate is a constant 4%. The effect on the accumulated postretirement benefit obligation of a one percentage point change in the assumed health care cost trend rate is shown below:

	1% Increase in Rates	1% Decrease in Rates
Accumulated Postretirement Benefit Obligation Effect	\$ 30,998	\$ (24,868)



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

**Note 10. Retirement Plans and Other Postretirement Benefits (Continued)**

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 \$12,262 and \$7,483 for 2011 and 2010, respectively. The following table shows actuarial projections of expected future postretirement benefit payments:

Fiscal 2012	\$	11,888
Fiscal 2013		15,729
Fiscal 2014		13,370
Fiscal 2015		18,624
Fiscal 2016		19,131
Fiscal 2017 through 2021		63,039

**Note 11. Capital Lease**

During fiscal 2011 and 2010, the Association leased office equipment under capital leases. The Association is obligated at July 31, 2011 with future minimum lease payments as follows:

Fiscal 2012	\$	64,704
Fiscal 2013		64,704
Fiscal 2014		61,817
Minimum lease payments		191,225
Less imputed interest		13,803
Present value of future lease payments		177,422
Less non-current portion		120,292
Current Obligation	\$	57,130

The depreciated cost of the office equipment under the capital leases is approximately \$173,000 and \$123,000 at July 31, 2011 and 2010, respectively.

**Note 12. Lease Commitments**

The Association leases office space under operating leases that expire at various dates through 2017. 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:

Fiscal 2012	\$	1,384,249
Fiscal 2013		1,446,772
Fiscal 2014		1,479,143
Fiscal 2015		1,530,146
Fiscal 2016		1,449,023
Thereafter		1,477,828
Minimum Lease Payments	\$	8,767,161

In June 2011, the Association entered into a new sublease agreement with PCS for a portion of the office space leased. The initial term of the sublease is through May 31, 2012. The sublease automatically renews for up to five twelve-month periods following the initial term. Either party may terminate the lease effective one year from the date of notification unless both parties agree to a shorter period. Total minimum rentals to be received in the future under the noncancelable lease term as of July 31, 2011 are \$125,625.

Net rent expense charged to operations for office space in 2011 and 2010 totaled approximately \$1,289,000 and \$1,303,000, respectively. Rent expense for 2011 has been reduced by approximately \$17,000 from sublease income related to PCS.

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

**Note 13. Other Commitments**

The Association is obligated at July 31, 2011 under various service agreements. Minimum payments remaining for these commitments are approximately \$246,000 in fiscal 2012, \$178,000 in fiscal 2013, \$119,000 in fiscal 2014 and \$119,000 in fiscal 2015.

**Note 14. Net Assets**

During fiscal 2011, NCPT established an endowment fund. The income generated from the endowment fund will be used to benefit two specific programs of NCPT. The contributions received for the endowment fund in 2011 are included in permanently restricted net assets at July 31, 2011 with approximately \$1,000 and \$27,000 included in cash and cash equivalents and contributions receivables, respectively. Also during fiscal 2011, the NCPT Board of Directors established a Board-designated fund to benefit the same two programs as the earnings of the endowment fund. No contributions received for this Board-designated fund were used during fiscal 2011. The Board designation will remain in place until all of the funds are used for the intended purpose, or until a future Board revokes it. Contributions to the Board-designated fund are included in unrestricted net assets except for pledges to be paid in future periods which are included in temporarily restricted net assets. Total contributions for this fund during fiscal 2011 were approximately \$34,000 of which approximately \$8,000 is included in cash and cash equivalents and approximately \$26,000 is included in contributions receivable, respectively, at July 31, 2011.

**Note 15. Income Taxes**

Income tax expense for PCS, which is included in discontinued operations, comprises the following:

	2011	2010
Current		
U.S. federal	\$ 26,000	\$ -
Puerto Rico	-	15,700
State	30,100	7,900
Deferred		
U.S. federal	235,500	105,700
Puerto Rico	(1,400)	-
State	17,500	4,000
Income Tax Expense	\$ 307,700	133,300

In 2011 and 2010, income tax expense includes a benefit of \$196,500 (\$181,700 federal and \$14,800 state) and \$93,400 (\$87,000 federal and \$6,400 state), respectively, from the utilization of net operating and capital loss carryforwards.

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

	2011	2010
Statutory federal income tax	\$ 262,100	\$ 102,400
Puerto Rico income tax, net of U.S. federal benefit	(1,400)	10,400
State income taxes, net of U.S. federal benefit	37,400	13,400
Change in valuation allowance	-	(5,700)
Other	9,600	12,800
Income Tax Expense	\$ 307,700	\$ 133,300

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

**Note 15. Income Taxes (Continued)**

The deferred income tax asset consists of the following:

	2011	2010
Deferred income tax asset - current	\$ -	\$ 169,000
Deferred income tax asset - long-term	-	98,900
Valuation allowance	-	(2,300)
Total deferred income tax asset	-	265,600
Deferred income tax liability - long-term	-	39,900
Net Deferred Income Tax Asset	\$ -	\$ 225,700

As of August 1, 2009, the Association and related organizations adopted the Income Taxes Topic related to uncertainty in income taxes. As of July 31, 2011 and 2010, the Association and related organizations have accrued no interest and penalties related to uncertain tax positions. It is the Association and related organizations' policy to recognize interest and penalties related to income tax matters in other expense. In general, the Association is no longer subject to examinations by tax authorities for U.S. federal and state income tax returns before fiscal 2008.

**Note 16. Income From Contract Issue**

As a part of the initial CBT Services Agreement effective May 31, 2002, Prometric was required to obtain and maintain insurance policies for certain specific perils, coverage amounts, terms and conditions naming the Association and its member boards as additional insureds. During fiscal 2010, the Association asserted that Prometric failed to comply with certain applicable insurance requirements. Prometric denied the assertions but, in resolution of the matter, provided evidence that it had come into compliance, agreed to indemnify, hold harmless and defend for any coverage lapses, and paid \$300,000 to the Association. In addition, Prometric reimbursed the Association for certain legal and administrative expenses related to the resolution.

**Note 17. Discontinued Operations**

As discussed in Note 1, the Association sold, exchanged and redeemed all of its ownership in its wholly-owned subsidiary, PCS, on June 16, 2011. In addition to the \$4,000,000 cash proceeds received from the buyer, the Association received as consideration a convertible promissory note from PCS in the principal amount of \$2,500,000, and securities representing a 20% interest in the buyer, a limited liability company whose sole asset is 100% of PCS' common stock, which is estimated at a fair value of \$1,000,000. As a result of the sale, the Association realized a gain of \$7,433,672. The valuation method and inputs used to measure the initial ownership in the buyer included the total amount paid to the Association for the purchase of PCS, the total value of the buyer after the transaction and the capital contribution attributed to the Association as valued in the sale transaction. The Association also recognized \$272,900 in expenses related to the sale in fiscal 2011. These expenses primarily include legal fees, other professional fees and losses related to a future sublease with PCS and reduce the aforementioned gain to \$7,160,772.

In accordance with the Presentation of Financial Statements Topic related to discontinued operations, PCS' results of operations, including associated income taxes, for fiscal 2011 through the date of the PCS sale and fiscal 2010 are included in discontinued operations along with the gain on the sale of PCS and related expenses. The operating results of PCS classified as discontinued operations are as follows:

	2011	2010
Revenue	\$ 8,461,933	\$ 8,706,710
Increase in unrestricted net assets from discontinued operations before income tax expense	579,000	200,840
Income tax expense	307,700	133,300
Increase in unrestricted net assets from discontinued operations before gain on disposal of discontinued operations	271,300	67,540
Gain on disposal of discontinued operations, net of expenses	7,160,772	-
Increase in unrestricted net assets from discontinued operations	\$ 7,432,072	\$ 67,540



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

**Note 17. Discontinued Operations (Continued)**

The following are the major classes of assets and liabilities related to the discontinued operations of PCS in the Consolidated Statements of Financial Position as of July 31, 2010:

Assets:		
Cash and cash equivalents	\$	2,018,102
Receivables		133,026
Prepaid expenses		113,612
Deferred income taxes, net of allowance		225,700
Investment securities, at fair value		943,383
Net property and equipment		94,628
Net software development costs		36,877
Total assets	\$	3,565,328
Liabilities:		
Accounts payable and accrued expenses		1,587,082
Deferred examination fee revenue		479,041
Other long-term liabilities		56,338
Total liabilities	\$	2,122,461

The Association will have some continuing cash flows from the discontinued operations. These include minimal amounts of operating revenue and reimbursed expenses, which were included in PCS' operating results and which relate to similar activities of the Association. In addition, the Association will receive interest income from the note receivable and its proportionate share of earnings of the buyer. As discussed in Note 12, the Association and PCS have a sublease for the portion of the office space the Association subleases to PCS. The amount of sublease income for the Association from PCS eliminated in the financial statements prior to the sale is approximately \$110,000 and \$208,000 in 2011 and 2010, respectively. These cash flows to the Association are considered to be indirect based on the type or insignificance of the cash flows.



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