

NASBA



Opening Doors

2009 Annual Report



NASBA

Opening Doors

Founded in 1908, the National Association of State Boards of Accountancy (NASBA) is a nonprofit association that has served as a forum for the country's state boards of accountancy for more than 100 years. It is an honor for NASBA to provide products and services to its member boards and a variety of accounting professionals. NASBA works to build trust with its stakeholders by opening doorways that lead to ways in which we collaboratively impact the profession. With its mission being to enhance the effectiveness of state boards of accountancy, NASBA strives to provide assistance for state boards of accountancy to protect the public. Through its consistent work, NASBA is privileged to have built a reputation as a trusted resource in regulatory and professional services.



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Bigger Than We Are

What an enviable position for NASBA — the membership organization for the world's largest accountancy regulator, the 55 state boards of accountancy!

The reach and influence of any one or several boards throughout the world is truly emblematic of our 2009 theme — Bigger Than We Are. The synergistic results of the licensing process, mobility of CPAs, continuing professional education, ethics awareness programs, and disciplinary regimes display to a trusting public that state accountancy regulation extends throughout the U.S. and the world. Enhancing the effectiveness of state boards is not only the mission of NASBA, but also the true test of a coordinated program of individual boards focusing on public protection principally within respective sovereign borders, but having national and international influence.

Because both the public and licensed CPAs are mobile and dynamic in their pursuits, accountancy regulation, while state-based, must be bigger than any one state or jurisdiction. State accountancy regulation must and, indeed, does have a role in affecting national and international examinations and accounting, auditing, education and ethics standards.

The year 2009 was dynamic for NASBA and its members. Doors of opportunity opened to demonstrate that NASBA is "Bigger Than We Are" in . . .

Examination Leadership

- Began contract negotiations with AICPA for both the national and international delivery of the Uniform CPA Examination. The longer term of the revised national agreement will benefit boards and candidates in planning cost and quality enhancements
- Began developing an online education evaluation system for CPA examination candidates
- Continued the assessment and improvement of services provided through the Guam Computer Testing Center

Regulatory Support

- Increased the number of states passing Mobility legislation to 45
- Represented state boards at more than 20 international and federal agencies and forums
- Received prominent mentioning of NASBA and state boards in the U.S. Government Accountability Office report on the single audit process
- Commented in writing, and in person on numerous occasions, on significant exposure drafts and requests for response on regulatory and professional issues

Knowledge and Awareness

- Hosted the Second Annual Forum of International Accountancy Regulators
- Presented ethics awareness conferences through the Center for the Public Trust in several states
- Developed a social media plan to promote awareness of NASBA and state board activity

Operational Excellence

- Selected for the 4th consecutive year, NASBA was one of *Nashville Business Journal's* Best Places to Work in Nashville; also selected as the second Best Place to Work in Tennessee by *Business TN Magazine*
- Developed best practices and consolidation plans for customer service functions based on focus group results
- Completed the development of the National CPE Expo showcasing National Registry sponsors, state boards and staff, NASBA services and awareness of state accountancy regulation

Financial Strength

- Increased diversification among long-term fund asset classes
- Grew Professional Credential Services, Inc. (PCS) revenue by approximately 11%
- Exceeded goals in revenue and, except for uncontrollable market declines, also increased in unrestricted net assets

The year 2009 was also a year where NASBA's voice and actions were heard and felt at national and international levels. Representing the largest accountancy regulator, NASBA emphasized to international forums that standard setting adoption is within the province of sovereign boards of accountancy and standard setting bodies must meet high standards of quality, transparency and independence.

We advised the SEC that their "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards" calling for wholesale adoption of IFRS is heading in the wrong direction. We strongly urged a reconsideration of approach to convergence of global standards led by the FASB instead of adoption of standards not tested, not trusted and not transparently developed.

Over 250 NASBA volunteers, representing 55 jurisdictions, have diligently served their respective sovereign states and have enhanced a more effective regulatory scheme in the national offices of the PCAOB, the SEC, IRS, FASB and several other entities and agencies having regulatory aspects. Our "Bigger Than We Are" mindset simply says that what happens in our local sovereign states affects the nation and the world and we are intent that the synergism we create will benefit the public locally, nationally and internationally. We are state boards of accountancy within a great nation and among the countries of the world. We have no choice: We must be "Bigger Than We Are!"



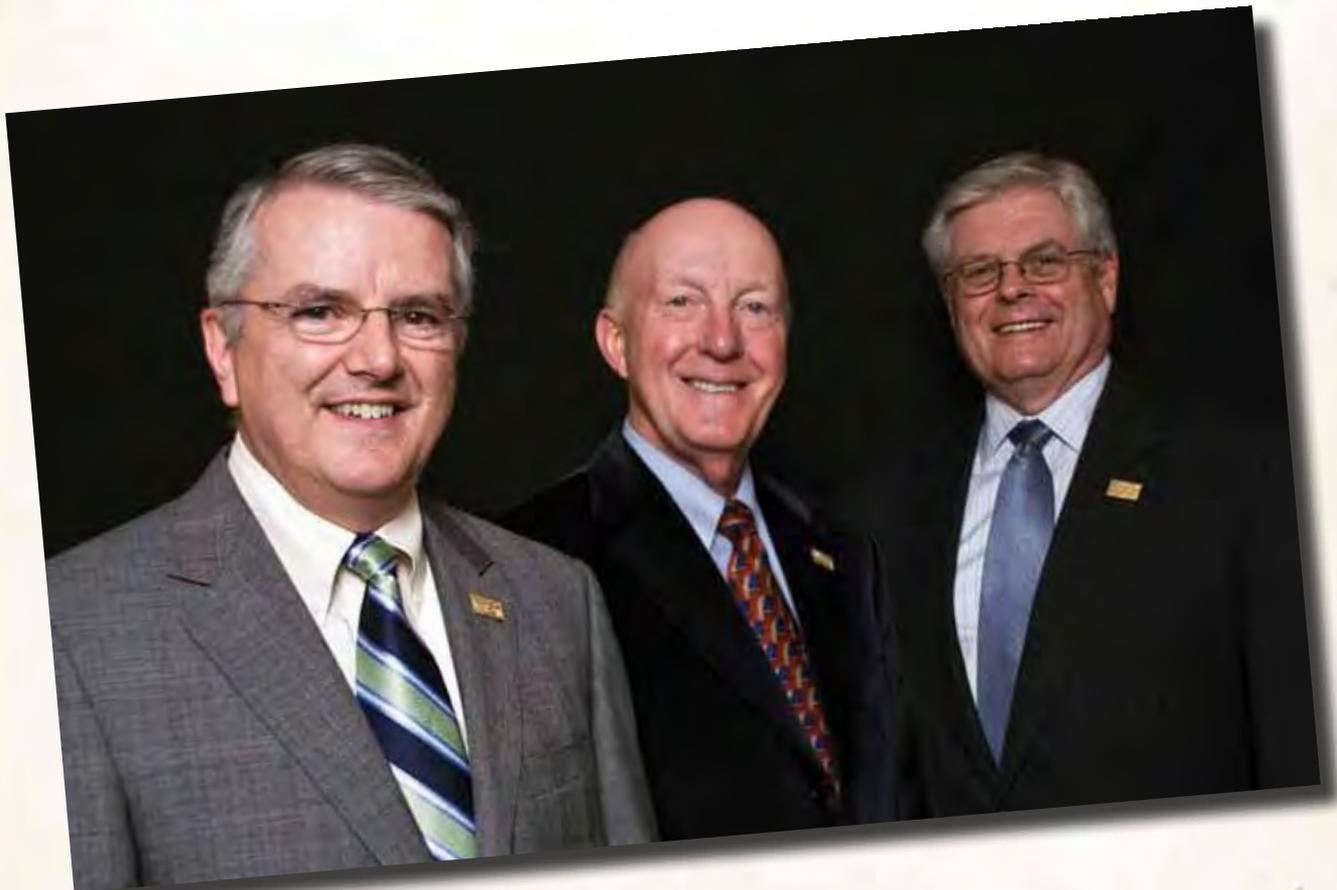
Thomas J. Sadler, CPA
Chair



David A. Costello, CPA
President & Chief Executive Officer



Joseph T. Cote, CPA
Executive Vice President &
Chief Operating Officer





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.





Committee Reports

Accountancy Licensee Database (ALD) Task Force

Promote and assist with implementation of the ALD in every state.

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. Since the Task Force was formed, four additional boards have joined the ALD and 19 have committed to joining. This should hopefully bring the total of participating boards to 38 sometime in 2010.

Chair: Daniel Sweetwood (NE)

Members: Rebecca Adams (CT)
Sally Anderson (CA)
Mark H. Crocker (TN)
Daniel J. Dustin (NY)
Russ Friedewald (IL)
Edith Steele (OK)
Richard C. Sweeney (WA)
Viki A. Windfeldt (NV)
Lisa Zolman (WA)

Staff Liaisons: Joseph T. Cote, Sandra Davidson and
Kenneth Denny



Administration & Finance Committee

Oversee and monitor the fiscal operations of NASBA.

The Administration and Finance Committee monitors the fiscal operations of the Association. Leonard Sanchez, 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 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, its wholly-owned subsidiary, Professional Credential Services, Inc. and the NASBA Center for the Public Trust. The Committee also reviewed insurance coverages, internal controls and operating and capital budgets.

investments and monitored compliance with the board-approved investment policy of the association.

Chair: Leonard R. Sanchez (NM)

Members: David P. Kassouf (AL)
John E. Katzenmeyer (OH)
E. Kent Smoll (KS)
Kim Tredinnick (WI)
Harris W. Widmer (ND)

Staff Liaison: Michael R. Bryant

The Investment Committee, a subcommittee of the Administration and Finance Committee, reviewed the performance of NASBA's short-term and long-term

Awards Committee

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.

In preparation for the 2009 NASBA Awards program, the Awards Committee extended its annual call for nominations to NASBA membership March – June 2009. The Committee met in June 2009 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 2009.

This year's award recipients are Barton W. Baldwin of North Carolina (William H. Van Rensselaer Public Service Award), Ellis M. Dunkum of Virginia (NASBA Distinguished Service

Award) and William Treacy of Texas (Lorraine P. Sachs Standard of Excellence Award).

Chair: Welling W. Fruehauf (PA)

Members: Nathan T. Garrett (NC)
Phillip W. Gleason (MN)
Joe C. Lawrence (AL)
Andrew P. Marincovich (CA)
Barbara R. Porter (ID)

Staff Liaison: Cassandra A. Gray



Bylaws Committee

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

This year NASBA's Bylaws Committee focused upon a small number of important clarifications to be recommended for consideration. These clarifications address ambiguities that required legal interpretation. To address these issues, the Bylaws Committee proposed, to the NASBA Board of Directors, amendments clarifying language around term limits for the NASBA Board of Directors and the NASBA Nominating Committee. The proposed amendments are still being reviewed and further developed for presentation to the membership once finalized. The Committee also proposed that the Board continue to refine the bylaws in order to provide clarity in additional areas.

Chair: Claireen Herting (IL)

Members: Sheila M. Birch (OH)
Patrick D. McCarthy (LA)
Myra A. Swick (IL)

Staff Liaison: Alfonzo Alexander

CBT Administration Committee

Assist boards of accountancy in resolving administrative and operations issues for the computer-based exam system, and coordinate communications and surveys of State Board Executive Directors about issues related to the Uniform CPA Examination.

Operational examination issues and enhancements continued to be the focus for the CBT Administration Committee. The Committee reviewed Prometric's Test Center Security Guide and Client Guide. NASBA requested the Committee review and make policy recommendations on the Retention of Gateway Data. The Committee is also reviewing the Score Holding process as we move towards CBT-E. As a result of her promotion to President, Management Administrative Services (MAS), Denise Hanley stepped down as the Staff Liaison of the Committee. Denise provided major support and insight to the Committee and will be greatly missed. The CBT Administration Committee will be coordinating efforts with the Examination Review Board (ERB) to further develop the Site Visit program in 2010.

Chair: Daniel J. Dustin (NY)

Members: Robert N. Brooks (NC)
Richard C. Carroll (KY)
Michael A. Henderson (LA)
Barbara R. Porter (ID)
Ronald J. Rotaru (OH)
Patricia Soukup (NM)

Staff Liaison: Patricia Hartman



Committee on Internationalization of the CPA Examination

Develop and implement a program and process for the expansion of the administration of the Uniform CPA Examination to international locations.

In 2006, the Special Examination Issues Task Force issued a report to NASBA's Board of Directors calling for additional study in two areas related to the CPA Examination – international delivery of the Exam and preparing for the Exam's future. As a result, two new committees were formed - the Committee on International Delivery (iExam) of the CPA Examination and the Committee on National Exam Preparedness. (This latter Committee completed its work in 2008.)

The iExam Committee formed a joint effort with the AICPA and Prometric and studied why international candidates have such an interest in taking the CPA Examination and how many international candidates might take the CPA Examination if it were offered internationally. They discovered that many international candidates take the CPA Examination in order to progress in their employment in their home countries without ever intending to seek licensure in the United States.

They believe that if the CPA Examination were offered in international locations, more international candidates than the current 8,000 would likely take the Examination. The Joint Committee concluded that the CPA Examination

could be offered internationally, if international candidates would agree to meet certain conditions. For example, international candidates would be asked to agree to seek licensure with a state board of accountancy and meet certain additional requirements that would parallel the requirements that licensed CPAs must meet. The Joint Committee's recommendations were discussed at both 2009 NASBA Regional Meetings. Those recommendations were then approved by NASBA's and the AICPA's Boards of Directors and are in the process of being implemented. Implementation calls for a pilot program during which the CPA Examination would be offered in two other countries (possibly, Japan and the United Arab Emirates) starting in late 2010 or early 2011.

Chair: John B. Peace (AR)

Members: Gary L. Fish (IL)
John M. Greene (SC)
Nina B. Kavich (NE)
Wendy S. Perez (CA)
William Treacy (TX)

Staff Liaison: Joseph T. Cote

Communications Committee

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 and legislative bodies.

During the 2008-2009 year, the Communications Committee continued its efforts to develop the role of the state board Communications Officer. The Committee hosted Communications Officer meetings during the 2008 Annual Meeting and 2009 Regional Meetings. In March 2009, the Committee introduced five strategic initiatives designed to enhance public relations and outreach between state boards, their constituents and the publics they serve. These initiatives include:

- Student Outreach
- Speaker's Bureau
- Society Outreach
- Licensee Outreach
- Outreach Through Mobility and Technology

Communications Officers were encouraged to implement at least one or more of the initiatives within their current board structure. During the Regional Meetings, the Committee recognized Communications Officers and boards that submitted various communication samples and initiatives used to populate the Communications Committee Web page. To date, over 30 new initiatives and sample documents have been submitted and posted to the page on *nasba.org*. The Committee will continue its efforts to enhance the quality of communications among its member boards by hosting a meeting of Communications Officers during the 102nd Annual Meeting.

Chair: Sally Flowers (CA)

Members: Jim Abbott (ND)
Norman Wade Biswell (OK)
Jefferson Chickering (NH)
Bennie L. Hadnott (NJ)
Mark T. Hobbs (SC)
Nicole Olson-Kasin (SD)
Leonard R. Sanchez (NM)
Lisa Mays Stickel (TN)
Dena G. Williams (NY)

Staff Liaisons: Cassandra A. Gray and Thomas G. Kenny



Compliance Assurance Committee

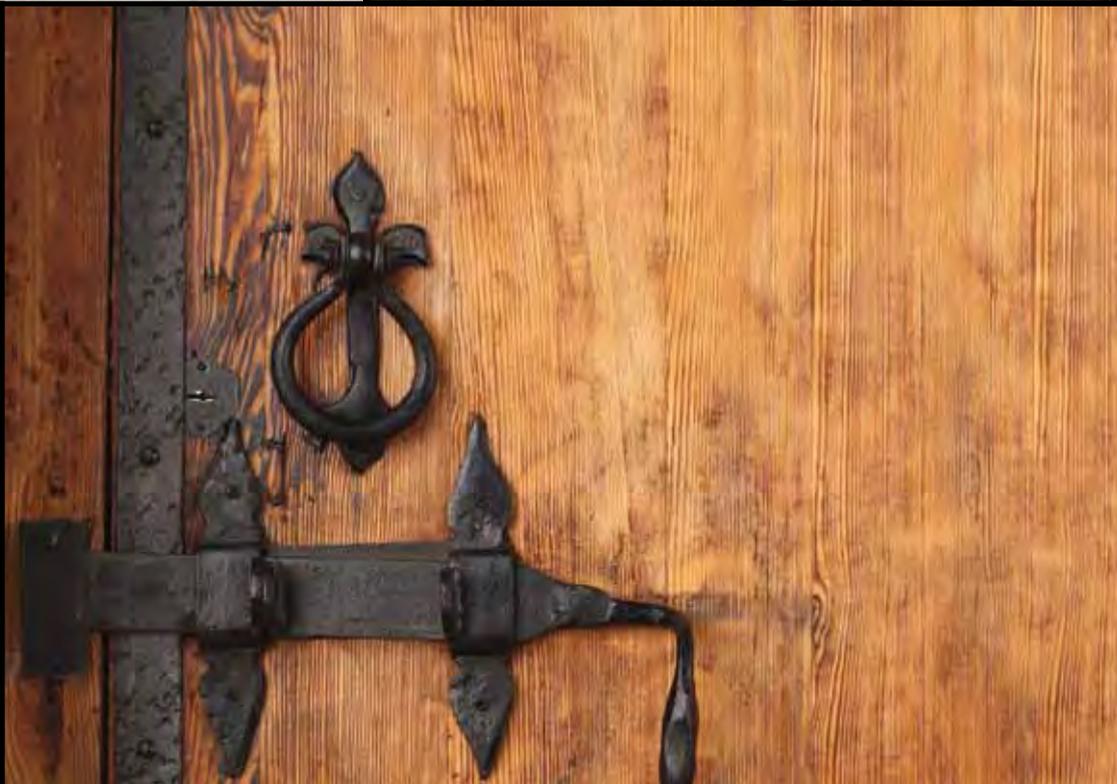
Explore, develop and implement opportunities for state boards to become involved in standard setting and oversight of mandatory compliance assurance review programs. Develop and implement a plan for a compliance assurance review program.

The Committee focused on the peer review programs, specifically areas that will expand regulators' understanding and involvement in oversight processes. The Peer Review Oversight Committee Implementation Task Force compiled results of a survey on the format and responsibilities of 12 State Board Peer Review Oversight Committees (PROCs). Boards of Accountancy were encouraged to implement PROCs with observatory functions and were provided examples of checklists, reports and trends at NASBA's Regional Meetings. A proposal for increased independence in the oversight process was presented to and evaluated by the Committee's Oversight Evaluation Task Force. The Committee's Peer Review and UAA Rule Adoption Task Force is conducting comparative research of six foreign professional accounting organizations' systems of practice assurance. Following the Committee's recommendation, two former regulators were selected for membership to the National Peer Review Committee which administers the CPCAF Peer Review Program. The CAC Web page was launched on the NASBA Web site. The Web page includes a model description of a Peer Review Oversight Committee (PROC), State Board Peer Review Status Matrix, State Board Peer Review Map, links to various AICPA Peer Review Documents and PDFs of numerous peer review oversight documents created to assist state boards in regulating the peer review process.

Chair: Mark P. Harris (LA)

Members: Jimmy E. Burkes (MS)
James S. Ciarcia (CT)
Charles W. Clark (ID)
Doris Cubitt (SC)
Alicia J. Foster (MD)
James W. Goad (AR)
Janice L. Gray (OK)
Bennie L. Hadnott (NJ)
J. Lamar Harris (AL)
Edwin G. Jolicoeur (WA)
Henry Krostich (NY)
Sharon J. McNair (NV)
Robert Petersen (CA)
Virginia A. Powell (KS)

Staff Liaison: Lisa Axisa



CPA Examination Review Board

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

The 2008 ERB Annual Report provided state boards of accountancy with the following opinion: "Based on our review and evaluations, it is our opinion that the boards of accountancy may rely on the 2008 Uniform CPA Examination and the International Qualification Examination in carrying out their licensing responsibilities." Additionally, the ERB presented a comprehensive management letter to the CPA Licensing Examinations Committee, which provided recommendations to all three parties to the contract for enhancing the program.

In accordance with the CBT Services Agreement, the ERB also performed an analysis of NASBA's and the AICPA's examination costs. Based on their analysis, the ERB did not note any material exceptions to the NASBA or AICPA operational expenses for the fiscal year ended July 31, 2008. Although the current terms of the contract do not require a cost analysis in 2009 (because no fee increase is planned), the ERB will conduct an analysis of examination costs in order to be fully prepared for the required cost analysis to be completed when fees are increased.

Chair: Donald E. Howard (MD)

Members: Barton W. Baldwin (NC)
O. Charlie Chewning, Jr. (NC)
Asa L. Hord (KY)
Wesley P. Johnson (TX)
David L. King (TX)
Will J. Pugh (TN)
Donald R. Roland (GA)
Charles L. Talbert, III, (SC)
David A. Vaudt (IA)
Sandra R. Wilson (AK)
Robert G. Zurich (OH)

Staff Liaisons: Lisa Axisa
Toerien DeWit

Consultants: Michael W. Harnish, CPA, CITP
Technology Consultant

Steven M. Downing, Ph.D.
Psychometric Consultant

CPA Licensing Examinations Committee

Review and evaluate the CPA Examination; communicate and work with the CPA Examination Review Board and AICPA Board of Examiners; and communicate with the state boards of accountancy and others with vested interest.

The CPA Licensing Examinations Committee is charged with communicating with boards of accountancy and others with a vested interest in both the Uniform CPA Examination and the International Uniform CPA Qualification Examination (IQEX) to ensure the boards are provided with the best professional licensing examinations possible. To achieve that goal, the Committee asked boards to provide feedback so that positive aspects would be retained and negative aspects addressed. The feedback received confirmed that the Committee was focused on the appropriate subjects, including composition of the AICPA's Board of Examiners (BOE), candidate concerns about the examinations, the practice analysis project, the effectiveness of simulations on the CPA Examination and the coverage of ethics on the CPA Examination. Again this year, the Committee coordinated NASBA's efforts to submit highly-qualified individuals to serve on the BOE and its subcommittees.

Chair: Robert A. Pearson (MO)

Members: William Dresnack (NY)
Rick Elam (MS)
Philip W. Gleason (MN)
Richard O. Hanson (NH)
Pamela Ives Hill (MO)
John E. Peterson (SD)
Richard N. Reisig (MT)
Kathleen J. Smith (NE)
Michael D. Weatherwax (CO)
Thomas R. Weirich (MI)
Janice B. Wilson-Marcum (CA)

Consultant: Robert L. Brennan
Psychometric Consultant

Staff Liaison: Joseph T. Cote

CPA Mobility Task Force

Assist state boards to make appropriate changes to state laws and rules to permit cross-border practice and mobility of the CPA license without notice.

Throughout 2009, the CPA Mobility Task Force visited 11 states. The Task Force is pleased to announce that mobility legislation was passed in 14 additional states, increasing the total number of states adopting mobility to 45. The Task Force is currently monitoring legislative activity in all remaining states, territories and the District of Columbia. Legislative planning meetings will be held in 2010.

Chair: Ronald J. Rotaru (OH)

Members: John C. Borch (VT)
Albert J. Cannon (OH)
Thomas J. Kilkenny (WI)
Cynthia H. Norwood (VA)
Kenneth R. Odom (AL)
Robert H. Temkin (MA)
Laurie J. Tish (WA)
Arthur M. Winstead, Jr. (NC)

Staff Liaisons: Ed Barnicoff and Ken L. Bishop



CPE Advisory Committee

Monitor the statements on standards for continuing professional education to encourage implementation by state boards, develop aids and interpretations and oversee the sponsor membership appeal process.

The CPE Advisory Committee participated in the 2009 biennial CPE Conference held on March 16-18 in Jacksonville, FL. At this conference, the first live Web cast of select breakout sessions was introduced.

In March 2009, the Committee approved a sponsor audit program which will launch in the last quarter of 2009.

Additional Committee highlights include development of aids on interpretations of standards that relate to self-study retests for the final examination questions and alternatives to pilot testing. New features to look for in the quarterly publication of the *CPE Monitor* 2010 are spotlights on state board executive directors and sponsor profiles.

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

Members: Courtney Cowgill (CO)
Ruben A. Davila (CA)
Carole M. Hersch (VA)
Archer M. Honea (OK)
Adley E. Johnson (KS)
Telford A. Lodden (IA)
Pamela Lynch (MT)
John Steven Marcum (KY)
John McManus (DE)
L. Martin Miller (PA)
John R. Rogers (IL)
Ramanik Shah (MN)
Willie B. Sims, Jr. (MS)
Robert H. Sommer (NJ)
Taling M. Taitano (GU)
Mark Weinstein (NM)
Richard G. Zacharia (NE)

Staff Liaisons: Carla Blake and Yordanos Dumez

Education Committee

Explore and define issues relating to educational requirements for entry into the profession.

The Education Committee had a very active year, meeting several times via conference calls, participating in meetings held by academic organizations and responding to exposure drafts. The Committee began its work by reviewing the responses to NASBA's 120 vs. 150 Hour Discussion Paper. The Committee then developed recommendations for NASBA regarding next steps, which included partnering with leading educators across the United States to conduct additional research for future publication.

The Committee worked on strengthening NASBA's relationships with the academic community. Education Committee Chair, Melanie Thompson, NASBA Vice Chair, Billy Atkinson and a NASBA staff representative attended the AAA Annual Conference and presented at the APLG Annual Conference this year. The Committee leadership also helped secure representation from both groups at the NASBA Annual Meeting.

In addition to its other work, the Education Committee responded to exposure drafts from IFAC and the IAESB. As domestic and global education-related issues continue to grow in importance, the Education Committee continues to prove to be a valuable resource for NASBA.

- Chair: Melanie G. Thompson (TX)
- Members: Billy M. Atkinson (TX)
Charles H. Calhoun, III (FL)
Stephen C. Del Vecchio (MO)
David deSilva (NY)
James C. Flagg (TX)
Sonia Gomez de Torres (PR)
Joan Jagels (ID)
Leslie J. LaManna (CA)
Barbara A. Ley (OK)
Nicholas J. Mastracchio, Jr. (FL)
Kathleen K. Mooney (MN)
Ronald E. Nielsen (IA)
John E. Peterson (SD)
Vicky Petete (OK)
Douglas W. Skiles (NE)
Karen F. Turner (CO)
Harold H. Wilde (ND)
Penelope Yunker (IL)
Richard G. Zacharia (NE)

Staff Liaison: Alfonso Alexander

Enforcement Practices Committee

Examine and evaluate enforcement practices of state boards. Develop best practices relating to evaluation of the effectiveness of state boards' enforcement efforts, including coordination efforts with other boards. Develop resource materials including expert witnesses for special areas. Provide resources for advice and resources on enforcement issues to state boards.

As the world watched companies fold in the wake of the economic crisis, many criticized accounting standards, fraudulent financial activities and the perceived inability of auditors to do their jobs. Fortunately, the leadership of NASBA had the insight to develop a committee which would focus on consistent, effective discipline of CPAs who violate professional standards.

The Enforcement Practices Committee wasted no time in developing priorities. Given the extensive mission, it was necessary to divide the group into four subcommittees—the Uniform Enforcement Education Committee, the Enforcement Assessment and the Best Practices Committee, the Enforcement Practices Subcommittee and the Multi-State Investigations Subcommittee. Within one year, these subcommittees generated a foundation for the development of a "best practices" manual for state boards; embarked on an active meeting schedule to take advantage of opportunities to educate various stakeholders about NASBA's efforts regarding enforcement and investigations; and compiled a broad resource list which will supplement the best practices. While many states are seeking ways to cut costs, NASBA believes that a strong enforcement scheme translates into a value added for boards of accountancy and the leadership is committed to continuing as a partner in this process.

- Chair: Harry O. Parsons (NV)
- Members: Kenneth R. Odom (AL)
Michael Weinschel (CT)
Jeffrey T. Barber (NC)
Carla Bassler (AK)
Dian T. Calderone (VA)
Daniel J. Cristofano (NY)
David D. Duree (TX)
Welling W. Fruehauf (PA)
Larry L. Gray (MO)
Susan M. Harris (MS)
Mark D. Hunsaker (HI)
Shelley Johnson (IN)
Neil N. Lapidus (MN)
Timothy J. Martin (IL)
Patrick McGuire (WY)
Greg Newington (CA)
Edilberto C. Ortiz (IL)
Leonard M. Romaniello, Jr. (CT)
Michael W. Skinner (GA)
Sandra A. Suran (OR)
Patrick M. Thorne (NV)
Richard D. Thorsen (MN)
Viki A. Windfeldt (NV)

Staff Liaisons: Linda L. Biek and Ken L. Bishop

Ethics Committee

Identify and propose resolutions to differences in ethical standards (including comparisons of state codes, AICPA and international codes of conduct, UAA, Model Rules, PCAOB, SEC, etc). Develop communications to share with state boards (for distribution to their licensees) on common ethical dilemmas including the charge and resolution of ethics cases that have come before state boards. Promote adoption of UAA ethics provisions and uniform ethics education standards and criteria by state boards.

The Ethics Committee has monitored the development of professional ethics, both nationally and internationally. Members reviewed the work of the NASBA/AICPA CPA Firm Name Study Group's White Paper, considered the International Ethics Standards Board for Accountants' Draft Convergence Program and received regular reports on the progress of the AICPA's Professional Ethics Executive Committee. Conference calls were held throughout the year. Members were asked to contribute pertinent articles to the Center for the Public Trust's newsletter, *Ethics Matters*.

The Ethics Committee is continuing to work with the NASBA Regulatory Response Committee to develop responses to exposure drafts related to ethical standards.

- Chair: Donald H. Burkett (SC)
- Members: Thomas S. Chambers (MD)
Rona Shor Chernov (NY)
Tyrone Dickerson (VA)
Gary Fleming (AZ)
Susan M. Harris (MS)
Gary W. Heesacker (WA)
Raymond Johnson (OR)
Pamela Lynch (MT)
Marianne Mickelson (IA)
Larry E. Nunn (IN)
Manuel Ramirez (CA)
Dan J. Rieke (AR)
Cecil Wood (MO)

Staff Liaison: Louise Dratler Haberman



Executive Directors Committee

Provide Executive Director colleagues a platform for education and information exchange; provide NASBA with administrative and regulatory perspective; and facilitate cooperation and understanding among common-ground entities.

The Executive Directors Committee represents the executive directors of the 55 boards of accountancy. The Committee is dedicated to the objective of learning from each other. The 27th Annual Conference for Executive Directors in Jacksonville, FL, achieved that objective as executive directors discussed topics such as: Data Retention, Impact of International Issues, Best Practices, Enforcement, Government Relations, Compliance Assurance, Public Communications, Accountability, Examination Security and Mobility.

The Committee continues to coordinate and plan for the 28th Annual Conference for Executive Directors in Nashville, TN. In addition, the Committee has developed a matrix outlining the frequency of each jurisdiction's board meetings.

- Chair: Edith Steele (OK)
- Members: Mark H. Crocker (TN)
J. Lamar Harris (AL)
Pamela Ives Hill (MO)
Veloria Kelly (FL)
Nicole Olson-Kasin (SD)
Richard C. Sweeney (WA)
Daniel Sweetwood (NE)
Viki A. Windfeldt (NV)

Staff Liaison: Patricia Hartman

Global Strategies

Identify short and long term global issues affecting regulation in accounting principles, standards of ethics and education and other international aspects of the accounting profession. Assert NASBA influence on behalf of state boards to organizations promoting internationalization of standards. Identify and refer issues to appropriate NASBA committees for action.

Although the world has been aware of International Financial Reporting Standards (IFRS) for years, the leadership of NASBA recognized that operating in a global economy will require more than just an understanding of international standards. The Global Strategies Committee was developed in 2008 to research the current international regulatory environment and use that knowledge to create a path for NASBA to follow. At the request of NASBA Chair Tom Sadler, the Global Strategies Committee commissioned a set of guiding principles that will form the basis for NASBA's ongoing activities in the international arena.

These principles recognize that state boards must be an integral part of the move towards a global regulatory alliance. They recognize that professional standards should

be independently developed, vetted at state and national levels, promulgated by competent standard setters and reflective of cultural and environmental influences. Furthermore, the guiding principles endorse the belief that NASBA should be vigilant in honoring and maintaining the authority of the state boards and their responsibility to protect the public and that NASBA, representing member boards, should be a significant part of the oversight of standard setting processes. Although the list is comprehensive, the common theme that emerges is that the CPA certificate is important globally and the licensing provisions for CPAs must remain with the states.

Chair: Samuel K. Cotterell (ID)

Members: Rudy Bermudez (CA)
John G.D. Carden (AL)
Michael T. Daggett (AZ)
Margaret A. Houston (OH)
Grace M. Lopez-Williams (GA)
Diane M. Rubin (CA)
Patricia G. Smith (MA)
Arthur M. Winstead, Jr. (NC)

Staff Liaison: Linda L. Biek



International Qualifications Appraisal Board

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

On August 12, 2009, a mutual recognition agreement with the New Zealand Institute of Chartered Accountants was signed in Wellington, NZ, by NASBA/AICPA IQAB Chair William Treacy. This marked the culmination of several years of consultation and analysis of the NZICA program by NASBA/AICPA International Qualifications Appraisal Board members and staff. The agreement has been sent to the state boards for their consideration and adoption. IQAB has continued to correspond with non-U.S. professional associations interested in establishing mutual recognition agreements with the U.S. profession. Besides the successful New Zealand Institute of Chartered Accountants Task Force, the 2008-09 task forces included: Hong Kong Institute of CPAs Task Force, IQAB Communications Task Force and IQEX Alternatives Task Force. Information is regularly exchanged with the U.S. Trade Representative's Office, as well as with MRA partners.

To improve licensees' and foreign professionals' access to information about IQAB's procedures and agreements, a new page dedicated to international information was added to the NASBA Web site.

IQAB last met April 27-28, 2009 in Washington, DC, and will next meet October 22-23, 2009 in Nashville, TN.

Chair: William Treacy (TX)

Members: Charles H. Calhoun, III (FL)
Kay C. Carnes (WA)
Jeffrey A. Leiserowitz (MO)
Kermit Lucena (PR)
Antonia B. Smiley (DC)

Staff Liaisons: Louise Dratler Haberman and Patricia Hartman

International Regulators Conference Committee

Identify the international government entities that regulate the practice of public accounting. Establish contact and determine if there is an interest in convening a conference to talk about accounting, auditing and ethics standards. If there is sufficient interest, develop a business plan and program for conducting a conference, including location and timing for consideration by the Executive Committee and NASBA Board of Directors.

The International Regulators Conference Committee successfully planned and hosted the Second Annual Forum of International Accountancy Regulators, September 10-11, 2009 in San Francisco, CA. International regulators representing over 20 jurisdictions assembled for the Forum. Established in 2008, the Forum is a unique roundtable devoted to the exchange of issues and ideas related to the global impact of international accounting and auditing regulation.

During the two-day event, speakers addressed the complexities of international mobility, the legal liability challenges faced by auditors of public companies, and the adoption of International Financial Reporting Standards (IFRS) in the U.S. and throughout the world. Fermin del Valle, former IFAC chair and member of the Financial Crisis Advisory Group, shared the Group's summation that fair market value did not create the current economic crisis and that standard setters must continue their efforts to resolve the weaknesses exposed in the report.

Conversations regarding the global financial crisis detailed the legal challenges faced by auditors and how they may increase significantly in an economic downturn. Managing director and chief claims strategist of Swiss Re, Richard Murray, shared insight about the comprehensive study, mandated by the European Union, on the impact of professional liability exposure and the availability of public accounting services.

The group debated the trend towards independent audit

firm inspections instead of reliance on a traditional peer review system, while PCAOB acting chairman Daniel Goelzer elaborated on the inspection process as it relates to foreign firms.

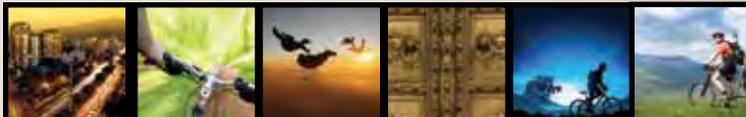
Panelists discussed emerging issues, such as aspects of the G20 meetings and their influence on activities pertaining to the accounting and auditing profession. Anthony Hegarty, World Bank executive, encouraged international agencies to take action and assist emerging markets in strengthening their regulatory structure and thereby enhance economic stability.

The Committee and NASBA's International Division will collaborate with participating agencies to develop action steps to the issues identified through the Forum.

Chair: Michael D. Weatherwax (CO)

Members: Charles H. Calhoun, III (FL)
John G.D. Carden (AL)
R. Ann Constable (MA)
Robert L. Gray (NY)
Gaylen R. Hansen (CO)
William Treacy (TX)

Staff Liaison: Linda L. Biek



Legislative Support Committee

Develop a Best Practice Model for state boards of accountancy for an effective legislative program. Provide assistance to state boards to establish strategy and process for managing legislation. Serve as a clearinghouse for common ground and course of action and promote consistency.

The Legislative Support Committee continued to build the contents of its page on the NASBA Web site. Executive Directors were asked to submit proven materials that other boards would find useful in their legislative efforts. Among the boards contributing documents were: Connecticut, Missouri, Ohio, Oklahoma and Washington. Documents posted included: chart of large state disciplinary actions; comparative state accountancy board regulatory efficiency budget; impact of hurricane on renewals; letters in support of a stand-alone board; State Supreme Court verdict in Integrated

Financial Solutions Case; and request for exemption from public disclosure act.

Chair: Carlos E. Johnson (OK)

Members: Sharron M. Cirillo (DE)
Stephen Epstein (MI)
John H. Hawkins (KY)
Desireé W. Honoré (LA)
Marshal A. Oldman (CA)
Ronald J. Rotaru (OH)
Richard C. Sweeney (WA)

Staff Liaison: Louise Dratler Haberman

Model Board Committee

Enhance NASBA and state boards' roles in the regulatory environment. Develop Model State Board best practices including barriers to execution of the Board mandate of public protection. Establish legislative initiatives and processes to assist boards with meeting goals and objectives identified in Model State Board best practices.

In support of the Committee's charge, Chair Ellis Dunkum developed a comprehensive outline and met via conference calls with members of the Committee. Documents outlining state boards' and NASBA's programs were collected and reviewed and the Committee began work on drafting a concise, comprehensive volume to be available both online and in a hard copy format.

Chair: Ellis M. Dunkum (VA)

Members: Gerald W. Burns (OR)
Margaret A. Cartier (IL)
James W. Goad (AR)
J. Dwight Hadley (NY)
Pamela Ives Hill (MO)
Robert J. Hyde (MN)
Paul Thomas Mechsner (MO)
Arthur M. Winstead, Jr. (NC)

Staff Liaison: Louise Dratler Haberman



Nominating Committee

Nominate officers and directors for 2008-2009 in accordance with the Bylaws.

The Nominating Committee had the task of selecting a slate of nominees from an impressive group of candidates. The Committee met in March to select a candidate for the position of Vice Chair. As a part of the selection process, each recommended candidate completed a questionnaire that included questions about specific skills and experience that they could bring to NASBA through a leadership role. The members attended both 2009 Regional Meetings in order to familiarize themselves with Board nominees, following which they met to select their candidates for other Board positions. In accordance with the NASBA Bylaws, the Committee submitted its report to the NASBA Chair in July.

Chair: Samuel K. Cotterell (ID)

Members: Robert B. Cagnassola (NJ)
Charles W. Clark (ID)
Dorothy M. Fowler (TX)
Edwin G. Jolicoeur (WA)
Leonard W. Jones (NC)
David P. Kassouf (AL)
Marianne Mickelson (IA)
Ray G. Stephens (OH)

Staff Liaisons: David A. Costello and Anita L. Holt

Past Chair Advisory Council

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

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.

Chair: Samuel K. Cotterell (ID)

Members: Barton W. Baldwin (NC)
Sarah G. Blake (AZ)
Milton Brown (NJ)
Thomas F. Cardegna (MD)
K. Michael Conaway (DC)
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)
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)

Staff Liaison: Joseph T. Cote

Regulatory Response Committee

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

The Regulatory Response Committee met via conference call when exposure drafts were released that could impact the state boards' regulatory and enforcement responsibilities. During this committee year, responses were drafted by the Committee, then approved by NASBA Chair Thomas Sadler and President David Costello, and sent to:

- International Federation of Accountants – RE: September 2008 Consultation Paper – Matters to Consider in a Revision of International Standard on Review Engagements 2400, *Engagements to Review Financial Statements*
- Securities and Exchange Commission – RE: Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers (File Number S7-27-08)
- AICPA Accounting and Review Services Committee– RE: Exposure Draft Dated April 28, 2009 “Proposed Statements on Standards for Accounting and Review Services.”

The Committee is working with the NASBA Ethics Committee to consider the exposure draft released by the AICPA Professional Ethics Executive Committee in early September.

Chair: Richard Isserman (NY)

Members: Billy M. Atkinson (TX)
Alan J. Bronstein (VI)
Jimmy E. Burkes (MS)
Gerald W. Burns (OR)
Gaylen R. Hansen (CO)
Raymond Johnson (OR)
Edwin G. Jolicoeur (WA)
Leslie A. Mostow (MD)
John C. Olsen (NY)
Steven H. Richards (AL)
Diane M. Rubin (CA)
Ray G. Stephens (OH)
Robert H. Temkin (MA)

Staff Liaison: Louise Dratler Haberman

Relations with Member Boards

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 and alignments.

The Committee, which includes all of NASBA's Regional Directors plus the Executive Directors' liaison, continued to reach out to the member boards to gather their input on issues being addressed by the Association. This was accomplished through sending out focus questions and analyzing their responses three times during the year, attending state board meetings and moderating regional discussion sessions during the Annual and Regional Meetings. The Regional Directors reported regularly to the NASBA Executive Committee and Board on what they learned from the member boards. Their orientation sessions for new state board members encouraged early participation in the Association.

Under the documented state board visit program, the Regional Directors have helped to ensure each state board has been visited by a NASBA officer or director at least once within a three-year cycle. Besides lending their support to the Mobility Task Force's efforts, the Regional Directors have urged their states to be part of the effort to have all actively participating in the Accountancy Licensee Database.

Chair: E. Kent Smoll (KS)

Members: Donald H. Burkett (SC)
Claireen Herling (IL)
Carlos E. Johnson (OK)
Kenneth R. Odom (AL)
Harry O. Parsons (NV)
Edith Steele (OK)
Laurie J. Tish (WA)
Michael Weinschel (CT)

Staff Liaison: Louise Dratler Haberman



Strategic Initiatives Committee

Monitor, identify and pursue areas of public and professional discourse where state boards can make an impact. Raise awareness of the pertinence of boards' views on issues and focus on what is required to maintain state boards' relevance.

To better monitor the accounting profession and identify areas of public and professional discourse, the Strategic Initiatives Committee created a publications monitoring list and assigned committee members to review more than 50 financial and accounting journals, magazines, newspapers, blogs and Web sites.

The Committee assisted the Regulatory Response Committee through its monitoring program to identify emerging issues impacting the accounting profession - issues in which NASBA can provide a formal position/response.

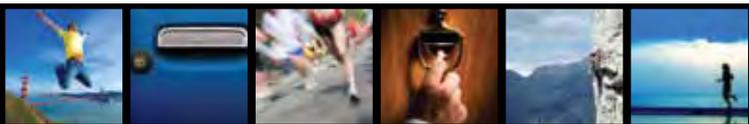
As a result of the Committee's monitoring efforts, it identified and brought numerous matters to the attention of NASBA Leadership, other NASBA committees and responded to external publications in several instances with NASBA perspectives on current events. At this year's Regional Meetings, the Committee hosted a breakout session entitled "A Rose by Any Other Name: The Firm

Name Question," and the chair of the Committee, Gaylen Hansen, presented during the plenary session "SEC's Roadmap - Will it lead the way?" an issue of impact on the profession and regulators.

Chair: Gaylen R. Hansen (CO)

Members: Kent Bailey (OR)
Holly Brunick (SD)
Gerald W. Burns (OR)
R. Ann Constable (MA)
Steven Corbelle (WI)
Bobby R. Creech, Jr. (SC)
Richard G. David (MI)
Venable M. Houts (MO)
David L. Koerwitz (WY)
Dan J. Rieke (AR)
Lazaro Serrano Cid (PR)
Patrick M. Thorne (NV)
Michael M. Vekich (MN)
Lydia M. Washington (NY)
Michael D. Weatherwax (CO)

Staff Liaison: Thomas G. Kenny



Uniform Accountancy Act Committee

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.

On April 24, 2009 the NASBA Board of Directors approved changes to the Model Rules which included: support for the "no notice, no fee, no escape" concepts included in Section 23 of the Uniform Accountancy Act, an update of the examination-related rules to reflect the advent of the computer-based examination and an alignment of terminology to conform to certain peer review concepts. The Committee met via conference call in February, March, July and September. Potential changes to both the Uniform Accountancy Act and the Model Rules are being discussed by the Committee. Among the topics under consideration are: misleading/fictitious CPA firm names, references to International Financial Reporting Standards and globalization issues.

Based on staff recommendations, the UAA Committee approved the updating of the NASBA Substantial Equivalency chart to reflect changes in certain state boards' requirements, bringing New Hampshire and Vermont into the substantially equivalent state category.

Chair: Laurie J. Tish (WA)

Members: Jefferson Chickering (NH)
Sharron M. Cirillo (DE)
Donald A. Driftmier (CA)
Andrew L. DuBoff (NJ)
J. Dwight Hadley (NY)
Robert J. Hyde (MN)
Thomas J. Mulligan (OH)
Robert A. Pearson (MO)
Kathleen J. Smith (NE)
James F. Thielen (FL)

Staff Liaison: Louise Dratler Haberman



Leadership



2008 - 2009 Board of Directors



Front Row (left to right): Walter C. Davenport (NC), Director-at-Large; Sally Flowers (CA), Director-at-Large; Billy M. Atkinson (TX), Vice Chair; David A. Costello, President and CEO; Thomas J. Sadler (WA), Chair; Samuel K. Cotterell (ID), Past Chair; Laurie J. Tish (WA), Pacific Regional Director; Joseph T. Cote, Executive Vice President and COO.

Middle Row (left to right): E. Kent Smoll (KS), Central Regional Director; Edith Steele (OK), Executive Directors' Liaison; Theodore W. Long, Jr. (OH), Director-at-Large; Claireen Herting (IL), Great Lakes Regional Director; Kathleen J. Smith (NE), Director-at-Large; Kenneth R. Odom (AL), Southeast Regional Director; Carlos E. Johnson (OK), Southwest Regional Director; Noel L. Allen, Legal Counsel.

Back Row (left to right): Donald H. Burkett (SC), Middle Atlantic Regional Director; Mark P. Harris (LA), Director-at-Large; Leonard R. Sanchez (NM), Director-at-Large; Richard Isserman (NY), Director-at-Large; Gaylen R. Hansen (CO), Director-at-Large; Harry O. Parsons (NV), Mountain Regional Director; Robert A. Pearson (MO), Director-at-Large; Michael Weinschel (CT), Northeast Regional Director.

2008 - 2009 Board of Directors

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Thomas J. Sadler, CPA (WA)
Chair

Billy M. Atkinson, CPA (TX)
Vice Chair

Samuel K. Cotterell (ID)
Past Chair

Sally Flowers (CA)
Director-at-Large

Gaylen R. Hansen, CPA (CO)
Director-at-Large/Secretary

Leonard R. Sanchez, CPA, PFS (NM)
Director-at-Large/Treasurer

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

Mark P. Harris, CPA (LA)
Director-at-Large

Richard Isserman (NY)
Director-at-Large

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

Robert A. Pearson, CPA, Esq. (MO)
Director-at-Large

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

REGIONAL DIRECTORS

Donald H. Burkett, CPA (SC)
Middle Atlantic Regional Director

Claireen Herting, CPA, Esq. (IL)
Great Lakes Regional Director

Carlos E. Johnson, CPA (OK)
Southwest Regional Director

Harry O. Parsons, CPA (NV)
Mountain Regional Director

Kenneth R. Odom (AL)
Southeast Regional Director

E. Kent Smoll, CPA (KS)
Central Regional Director

Laurie J. Tish (WA)
Pacific Regional Director

Michael Weinschel, CPA (CT)
Northeast Regional Director

EXECUTIVE DIRECTORS' LIAISON

Edith Steele (OK)



Professional Credential Services, Inc.

Professional Credential Services, Inc. (PCS) was established in 1998 as a wholly-owned, for-profit subsidiary of the National Association of State Boards of Accountancy (NASBA) to further expand service opportunities developed through NASBA's CPA Examination Services Division into non-accounting disciplines. PCS focuses on providing examination development, examination administration and licensure and certification services to state, national and international organizations responsible for the regulation and management of occupations and professions.

PCS currently provides the delivery of services in the professions of engineering, land surveying, geology, landscape architecture, tattooing and body piercing, cosmetology, barbering, chiropractic, nursing home administration, funeral services, occupational therapy, professional planning, nursing, pharmacy, waste water management, veterinary medicine, psychology, auctioneering, fire protection, radiology, interior design and podiatry.



PCS Executive Board of Directors



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Chair



ANDREW DUBOFF, CPA



BILLY ATKINSON, CPA
Vice Chair



JOHN PEACE, CPA, Esq.



THOMAS SADLER, CPA
Ex-Officio

PCS Executive Staff



KEN BISHOP
President



ANDREA BLEDSOE
COO



TROY WALKER, CPA
CFO



DENISE HANLEY
Vice President

NASBA Center for the Public Trust Board of Directors



LARRY BRIDGESMITH, ESQ.
Chair



NOEL ALLEN, ESQ.
Secretary



QUINTON BOOKER, DBA, CPA



MILTON BROWN, PA



ROBERT CHANDLER, Ph.D.



JACK FARIS



LINDA GALINDO



MARK HARRIS, CPA, APAC



LEONARD SANCHEZ, CPA, PFS



CHARLES STORY



C. DAN STUBBS, CPA



SHANNON WARREN

CPT Board Staff



DAVID COSTELLO, CPA
President & CEO



LISA AXISA
Executive Director/Vice President



ALFONZO ALEXANDER
Vice President



MICHAEL BRYANT, CPA
CFO



KATHY PHILLIPS
Director of Development



JENNIFER BOUCHARD
Activities Coordinator

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Chief Relationship Officer/Vice President,
Center for the Public Trust

Lisa Axisa
Director, Special Initiatives/
Executive Director/Vice President,
Center for the Public Trust

Ed Barnicott
Chief Technology Officer

Pam Bergeron
Manager, Software Development

Tim Berry, PMP
Sr. Project Manager

Linda Biek, CPA
Director, Governmental, International and
Professional Relationships

Ken Bishop
Sr. Vice President, NASBA/President, PCS

Carla Blake, CPA
Manager, Sponsor Services

Andrea Bledsoe
Vice President and Chief Operating
Officer/Director, Operations, PCS

Michael Bryant, CPA
Chief Financial Officer

Maria Caldwell, Esq.
Director, Business Development/
General Counsel

Bridget Candler
Manager, Instructional Design Review

Liz Carrier
Manager, Documentation

Dean Carroll, Jr.
Director, IT Operations and Security

Joy Conkwright, PMP
Sr. Project Manager

Matthew Cook
Manager, Operations, PCS

Lisa Dampf
Manager, Benefits

Sandra Davidson, CPA
Manager, Licensee Services

Toerien DeWit, CPA
Strategic & Financial Analyst

Stacey Douglas
Director, Software Development

Yordanos Dumez, CPA
Director, Compliance Services

John Fields, PMP
Director, Project Management Office

Robb Gentry
National Business Manager

Jill Gordon
Manager, Tradeshow

Meritta Phillips Grant
Manager, Accounts Payable

Cassandra Gray
Manager, Communications

Stacey Grooms, Esq.
Manager, Regulatory Affairs

Louise Dratler Haberman
Director, Information and Research

Denise Hanley
President, Management Administrative
Services/Vice President, PCS Exam
Development

Alana Hartley
Manager, Products

Patricia Hartman
Director, Exam Administration

Adam Herjeczki
Manager, Special Accommodations

Allan Hicks
Manager, Application Processing

Anita Holt
Executive Assistant to the President & CEO

Charlotte Howard, CPA
CPA Operations Accounting Manager

Cheryl Hutchings, CPA
PCS Controller

Karen Johnson, CPA
Manager, Payroll Compliance

Randy Jung
Manager, Operations
Guam Computer Testing Center

Thomas Kenny
Director, Communications

Mary Lane
Manager, Facilities

Christy Lewellen
Manager, Human Resources

Kathy Love
Manager, CPAES Exam Coordinators

Angel Lunn
Chief People Officer

Jose Manzon
Manager, Guam Computer Testing Center

Chris Mays
Manager, National Candidate Database

Rachel Nelson
Manager, CSRs

Perri duGard Owens
Manager, Marketing

Denny Phillips
Manager, Print and Delivery Operations

Kathy Phillips
Director of Development
Center for the Public Trust

James Polite, II
Manager, Software Development

Francine Rananto
Manager, Cosmetology, PCS

Rebecca Rodriguez
Manager, Business Development

Kathryn Rooks
Manager, Marketing

Anne Russell
Manager, Test Administration, PCS

Morgan Scheel
Manager, Wall Certificate Service

Vanessa Taylor
Manager, Risk and Compliance

Butch Thomas
Manager, Software Development

Thomas Tinsley
Manager, Network Operations

Penny Vernon
Manager, Candidate Care

Troy Walker, CPA
NASBA Controller/PCS Chief Financial
Officer

Janice Winslett
Director, Quality Assurance

Andrew Wolford
Manager, Business Systems Support



2008-2009 Year in Review

Meetings & Conferences

2009 Eastern & Western Regional Meetings

NASBA's 2009 Regional Meetings evidenced the growing importance of global accounting services as the progress of the adoption of International Financial Reporting Standards (IFRS) in the United States and the possibility of administering the Uniform CPA Examination abroad were discussed. Approximately 280 participants, representing over 40 state accountancy boards, attended the Western Regional Meeting in Oklahoma City, OK, June 3-5, and the Eastern Regional Meeting in Indianapolis, IN, June 17-19. The Western Meeting began with opening remarks from Larry Nichols, co-founder of Duke Energy Corporation, the largest U.S.-based independent oil and gas producer. Nichols congratulated the accounting profession for training its candidates in the importance of having the integrity to apply professional rules in an honest way. The Eastern Regional Meeting welcomed former Indiana Board Chair Martha Nommay, who read proclamations from both the Governor of Indiana and the Mayor of Indianapolis making June 18 National Association of State Boards of Accountancy Day. Interactive sessions served as a platform for attendees to discuss: IFRS and Other International Standards, Peer Review Oversight-the Regulator's Role, Firm Names and Mobility. Video recordings of sessions from both meetings are available for viewing on nasba.org.



National CPE Expo



NASBA hosted its inaugural National CPE Expo in San Antonio, TX September 21-23, 2009. The National CPE Expo is a natural extension of NASBA's current commitment to the National CPE Registry. Years ago, NASBA created the National Registry of CPE Providers, at the request of the state boards, to help them ensure that the CPE taken by their licensed CPAs to meet state mandated CPE requirements was offered by competent, high-quality providers who met the national standards established jointly by NASBA and the AICPA. Over the years, the National Registry of CPE Sponsors has grown to include more than 1,500 quality providers. The National CPE Expo offers NASBA the opportunity to showcase some of those providers, while bringing together the various key players of the accounting profession for an engaging, educational, networking experience.

The National CPE Expo is designed for CPAs and financial professionals across all levels, job functions and organization types, including partners, CEOs, CFOs, controllers, accountants, auditors and consultants.



The program featured over 60 CPE sessions, led by 23 top learning providers from the National Registry of CPE Sponsors, covering the most important technical, business and regulatory issues facing CPAs and financial professionals. The Expo also featured a Keynote Luncheon, Accounting Industry Town Hall Meeting, networking receptions and exhibits.

Attendees were afforded the opportunity to earn up to 22 CPE credits (including the option for 4 post-event self study credits). More information is available at nationalcpeexpo.com.

Center for the Public Trust: Rationing or Reform

NASBA Center for the Public Trust (CPT) hosted The Rationing or Reform Conference June 23, 2009 at Lipscomb University. The conference focused on the ethical impact of health care rationing. With speakers such as Dr. Bruce White and U.S. Representative Jim Cooper, the conference had over 90 attendees, including news reporters and film crews from three leading television networks. The *Nashville Business Journal*, *The Tennessean* and the *Nashville Medical News* were also present to cover the event. *Nashville Public Television* was on hand to film the entire conference.



2009 Forum of International Accountancy Regulators

San Francisco, CA, served as the host city to NASBA's Forum of International Accountancy Regulators. Established in 2008, the Forum is a unique roundtable devoted to the exchange of issues and ideas related to the global impact of international accounting and auditing regulation. Since its inception, representatives from the following countries have participated in the Forum:

- | | | |
|-----------|-------------|----------------|
| Argentina | Denmark | Philippines |
| Australia | France | Poland |
| Bermuda | Germany | Scotland |
| Brazil | Ireland | United Kingdom |
| Canada* | Mexico | United States |
| China | New Zealand | |

(*Provinces of Alberta, British Columbia, Manitoba and Ontario)

During the two-day event, attendees exchanged dialogue on various topics including: the global economic crisis, independent audit firm inspections vs. peer review and international mobility. Visit the nasba.org International Page to learn more about the Forum and to view 2009 Forum highlights, including video recordings, presentations and photographs.

2008-2009 Conferences

October 2008

101st NASBA
Annual Meeting



March 2009

Executive Directors
and State Board Staff
Conference



March 2009

Legal Counsel
Conference



March 2009

CPE Conference



March 2009

CPT Conference: "Let's
Talk Ethics"



June 2009

Eastern & Western
Regional Meetings



June 2009

CPT Conference:
"Rationing or Reform"



September 2009

Forum of
International
Accountancy Regulators



September 2009

National CPE Expo



Securities and Exchange Commission releases its "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers" and NASBA Regulatory Response Committee begins reviewing the document.



The NASBA 27th Annual Conference for Executive Directors and 14th Annual Conference for State Board Legal Counsel are held in Jacksonville, FL. How to implement the "no notice, no fee, no escape" slogan for the states' new mobility laws is discussed.



Comment period for NASBA's white paper on "Education and Licensure Requirements for Certified Public Accountants: A Discussion Regarding Degreed Candidates Sitting for the Uniform CPA Examination with a Minimum of 120 Credit Hours and Becoming Eligible for Licensure with a Minimum of 150 Credit Hours" concludes as the year ends.

November
2008

December
2008

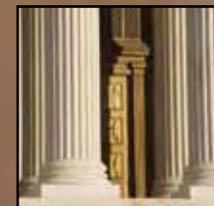
January
2009

February
2009

March
2009

April
2009

NASBA hosted its first NASBA University or "NASBA U," an orientation program to all things NASBA for new, as well as seasoned, state board executive directors. Participants receive training on NASBA products and services and network with key NASBA staff.



Revisions to the Uniform Accountancy Act's Model Rules approved by the NASBA Board of Directors. These clarify grounds for enforcement against licensees, support the mobility provisions and delete rules that applied to the paper-and-pencil version of the Uniform CPA Examination.

NASBA leaders submit comment letter on SEC's "Roadmap" underscoring the need for the Financial Accounting Standards Board to continue to act in the interest of the U.S. public and supporting the FASB and International Accounting Standards Board, working together to converge GAAP (Generally Accepted Accounting Principles) with IFRS (International Financial Reporting Standards).





To help answer questions about interstate mobility, the NASBA Web site nasba.org adds a tab that links to pages describing when mobility legislation goes into effect in each state and what is required for using practice privileges.



Second Forum of International Accountancy Regulators is held in San Francisco, CA, September 10 - 11 and the first National CPE Expo is held in San Antonio, TX, September 21-23.



At Regional Meetings (Western Regional- June 3-5 Oklahoma City, OK, and Eastern Regional - June 17-19 Indianapolis, IN), boards hear plans for administration of the Uniform CPA Examination at non-U.S. sites and the meetings' participants offer input.

May
2009

June
2009

July
2009

August
2009

September
2009

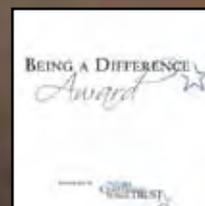
October
2009



NASBA/AICPA International Qualifications Appraisal Board and New Zealand Institute of Chartered Accountants sign mutual recognition agreement. The MRA is recommended to the member boards for their adoption.



President David Costello addresses International Federation of Accountants' "G20 Accountancy Summit" in London. He stresses the importance of independent funding of standard setters.



NASBA Center for the Public Trust presents "Being a Difference Award" to NASBA Northeast Regional Director Michael Weinschel and his family for their program to provide gift packages to U.S. military personnel stationed abroad.

NASBA Center for the Public Trust

Celebrating 5 Years of Success

Five years ago, NASBA President & CEO, David Costello, conceptualized an ethics center that emanated from the accounting profession. The NASBA Center for the Public Trust emerged from that vision and over the past five years has done an outstanding job in meeting its mission.

Founded in 2004, the NASBA Center for the Public Trust (CPT) was established to promote ethical thinking and ethical behavior and to provide a real mechanism for linking the theory of ethical behavior to the practical. What sets the CPT apart is its ability to focus, promote and foster the positive. There are a handful of individuals who behave poorly, yet get all of the limelight.

The CPT aims to focus on those, whose activities truly warrant being in the limelight, those that use their own wealth to establish character programs for children, those who spend countless hours developing an ethics consortium to provide a small state with regular ethics continuing education, those who spearhead community outreach programs, those who dedicate themselves to civil rights activities, those who look in the face of adversity and do the right thing, along with those who volunteer both time and resources so that men and women serving in Iraq can receive Christmas gifts, e.g., our *Being a*

Difference Award winners. So many individuals dream of making a difference in the world and these individuals are the ones who wake up each day pursuing a passion to place the good of mankind before self.

Over the course of five years, the NASBA CPT has reached several milestones of achievement. Communication efforts to promote the positive were enhanced by a comprehensive overhaul to the CPT Web site and the launch of the immediately prominent *Ethics Matters* newsletter. Since 2004, the NASBA CPT has held 20 conferences in 13 states with over 2,100 individuals in attendance.

The *Being a Difference* Award has been bestowed to 11 amazing individuals and one organization. Over the past three years, CPT Nights were hosted during the NASBA Annual Meeting. And most recently, the Student Center for the Public Trust – college chapter initiative was developed and introduced on one campus, with plans to expand nationally in just a few years.

Join NASBA in celebrating the fifth anniversary of the Center for the Public Trust.

Mission

*To engender and foster confidence
and trust in American
corporations and institutions
and the professions that serve them.*

Goals

*Affirm and encourage what's right.
Showcase best practices.
Provide forums for ethics education.
Promote a positive perspective.*

Student Center for the Public Trust: Impacting the Future

A natural outgrowth of the NASBA CPT is a student chapter program focused on educating and engaging future business leaders on the issues of ethics, accountability and integrity. The Student Center for the Public Trust (SCPT) will be based on college campuses and will promote ethical thinking in the developing character and conscience of students. The SCPT will provide an opportunity to develop a real awareness of ethical issues to help build moral and an ethical foundation for all future endeavors and create a better, more thoughtful world. Students will also be given opportunities to network with local business communities and develop leadership skills. The first student chapter of the SCPT was implemented fall 2009 at Lipscomb University in Nashville, TN.

CPT *Being a Difference* Awards Program

The NASBA CPT *Being a Difference* Awards honors those practicing high standards of social responsibility and ethical leadership. Recipients do not simply aspire to make a difference. They are being a difference in their circumstances by embodying the very best in principled behavior in the face of difficult challenges. By demonstrating innovative responses to ethical challenges, communities and individuals are inspired and motivated

to emulate similar behavior. The *Being a Difference* Awards program honors its awardees in their home town or corporate office. This allows the awardees the benefit of having family, friends and colleagues participate in this wonderful acknowledgement. This awards program is unique as it truly is intended to honor and bestow gratitude upon its recipients and to truly promote the positive activities that deserve the public's attention.

Oklahoma Business Ethics Consortium

The Oklahoma Business Ethics Consortium received a CPT *Being a Difference* Award on May 20, 2009 in Oklahoma City, OK, for providing a forum of support to the Oklahoma business community so that ethical standards and integrity in the workplace can be discussed, defined and reinforced. Founded by Shannon Warren, and operated almost exclusively by volunteers, the organization is a model of what can be done by individuals who share a passion for ethics and fostering positive characteristics of integrity. CPT Board Member Larry Bridgesmith provided a keynote address on "Ethics and Resolving Interpersonal Conflict."

Michael S. Josephson

Michael S. Josephson, founder of the Josephson Institute and CHARACTER COUNTS! CEO, was bestowed with a *Being A Difference* Award for his extensive outreach and influence in character education and ethics on February 18, 2009 in Los Angeles, CA. Mr. Josephson, retired from his dual careers as a law professor and publishing entrepreneur, works as a full-time volunteer for the Institute. Along with founding the Institute, he created the national youth programs CHARACTER COUNTS! and Pursuing Victory With Honor (PVWH). Character Counts! is the nation's leading character education framework and reaches seven million youth, while virtually every U.S. athletic organization endorses the Pursuing Victory with Honor program.



Michael Weinschel, Carol Weinschel and Susan Spivack

It started as a simple family effort to boost morale for the soldiers in one Aviation Brigade. Four years later, Michael Weinschel, his wife Carol, and his sister-in-law, Susan Spivack, continue to support soldiers by sending regular gift packages. In October of 2005, when the 2,850 soldiers of the 159th Aviation Brigade were deployed to Iraq, the three family members adopted the entire brigade and purchased, packaged and shipped a Christmas gift for each soldier. They continued supporting the brigade with monthly gifts by theme – Valentine's Day, Spring and Patriotism. When the brigade returned home and the family learned of how the gifts brought smiles to the soldiers' faces, they decided to continue their efforts. They were each honored with a *Being A Difference* Award on October 2, 2009 in Easton, CT. Colonel Jeffrey N. Colt, the leader of the 159th Brigade traveled from his home in Las Vegas, NV to be a part of the awards ceremony.

2008-09 CPT Conferences

Let's Talk Ethics: The Student Recruiter's Perspective

On March 26, 2009, the CPT participated in the Baruch College Ethics Week with a program entitled "Let's Talk Ethics: The Student Recruiter's Perspective." Senior recruiters from national accounting firms and a talent director from a national internship program provided the Baruch audience with insight into the ethical traps to avoid during the recruiting process. Topics also included activities to highlight on resumes that would demonstrate good moral and ethical standing, how to deal with multiple offers and what not to do or say during the interview process. Students and faculty were impressed by the panel discussion and the questions and answer session extended well beyond the allotted time.

Developing and Sustaining An Ethical Business Culture

Cynthia Cooper, best-selling author of *The Journey of a Corporate Whistleblower - Extraordinary Circumstances*, was the keynote speaker at the "Developing and Sustaining an Ethical Business Culture" conference co-sponsored by the NASBA CPT, the UT at Austin McCombs School of Business and the Society of Corporate Compliance and Ethics. Ms. Cooper mesmerized the audience with her account of how her team identified the corporate fraud at WorldCom - to date the largest corporate fraud in history. Mike Granof, Ernst & Young Centennial Professor in Accounting, presented "International Financial Reporting Standards (IFRS) - Will Principles Trump Values?" Four interactive breakout sessions focused on Building Trust, Ensuring Accountability, Leading with Integrity and Creating Public Confidence. Participants at this October 2008 event were also coached on how an organization can yield long-term success through an ethical business culture.



Trust Society

The Trust Society of the NASBA Center for the Public Trust is a group of industry-leading companies, organizations and institutions committed to supporting the activities of the CPT. Pillars of Trust are donors that contribute a minimum of \$50,000 and Builders of Trust are donors that contribute a minimum of \$20,000. Corporations and organizations invited to join the Trust Society are known for dedication to ethical business practices and following high standards of social responsibility for performance and leadership.

In 2008-09, Pinnacle Bank became the newest member of the Trust Society as a Pillar of Trust. Pinnacle Bank has over 100 branches in eight states. It is led by the third generation of the

Ensuring Integrity: Third Annual Auditing Conference

The NASBA CPT once again collaborated with the Baruch College Robert Zicklin Institute for Corporate Integrity to co-sponsor this weighty conference. The event was a forum for interaction between business, public accounting, academics and policy setters, with representatives from organizations such as the Securities and Exchange Commission, the Auditing Standards Board, the Advisory Committee on the Auditing Profession and the Public Companies Accounting Oversight Board (PCAOB). Topics included Risk Assessment, Auditing Fair Value and the Impact of IFRS. Held on December 4, 2008, at Baruch's midtown Manhattan Campus, the conference attracted more than 250 attendees.

Ethics & Resolving Interpersonal Conflict

"Ethics & Resolving Interpersonal Conflict," presented by, Larry Bridgesmith, Executive Director of the Institute for Conflict Management and Associate Professor at Lipscomb University, was conducted during the 2009 NASBA CPE Expo in San Antonio, TX. Ethical conduct demands skills for dealing with the interpersonal conflict which is inevitable in human interaction. Most businesses expect ethical conduct without providing the skills training to help employees and managers deal with confrontation and the necessity of difficult conversations. This session explored the fundamental skills needed to effectively manage these "crucial conversations."

Rationing or Reform? The Perils of Health Care Today & Tomorrow

On Tuesday, June 23, 2009, in conjunction with Lipscomb University, industry-leading health care executives, attorneys and CPAs gathered and discussed the ethical dilemmas certain to arise from the redistribution and reallocation of health care resources. During this conference, Dr. Bruce White's Keynote Presentation addressed the ethical impact of health care rationing. While U.S. Representative Jim Cooper's presentation explored the topic of reform and the Health Americans Act. Panel discussions focused on Conquering Perils in Health Care Delivery and Defeating Perils in Policy Formation.

Dinsdale family. Pinnacle Bank offers large resources and high-technology conveniences with focus on personal relationships and community.

The Accountants Coalition, an organization comprised of representatives of the big four accounting firms, focuses on major legislative and regulatory projects and Moss Adams LLP, the 12th largest accounting and consulting firm in the United States and the largest firm headquartered in the West, are also Trust Society members as Builders of Trust.

SunTrust Banks, Inc., headquartered in Atlanta, GA, was the first NASBA CPT Trust Society member.

A dark, vertically-grained wooden door with a silver handle and two brass knockers. The text "Products & Services" is centered on the door in a white, sans-serif font.

Products & Services

NASBA accomplishes its goals by pursuing a variety of high-quality member and consumer products and services. Member services include, but are not limited to, association meetings, CPA examination administration and assistance with licensing. NASBA's consumer products reach across the spectrum from licensing application assistance to continuing professional education (CPE), spanning from compliance management services to a national registry of CPE sponsors.

In the past few years, NASBA launched additional products and services to the accounting profession. Clients include individual CPAs, CPE providers, state accounting societies and accounting firms of all sizes. These and other organizations are assured that NASBA will continue to provide quality products and services to further business continuity and effectiveness. The following pages detail more about the various products and services offered by NASBA.



National Candidate Database

The National Candidate Database is a database of CPA candidate information created to help NASBA, state boards, the AICPA and testing centers protect the personal data provided by candidates during application and examination processes. As a central repository for all CPA Examination candidate information, the 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.

CPA Examination Services

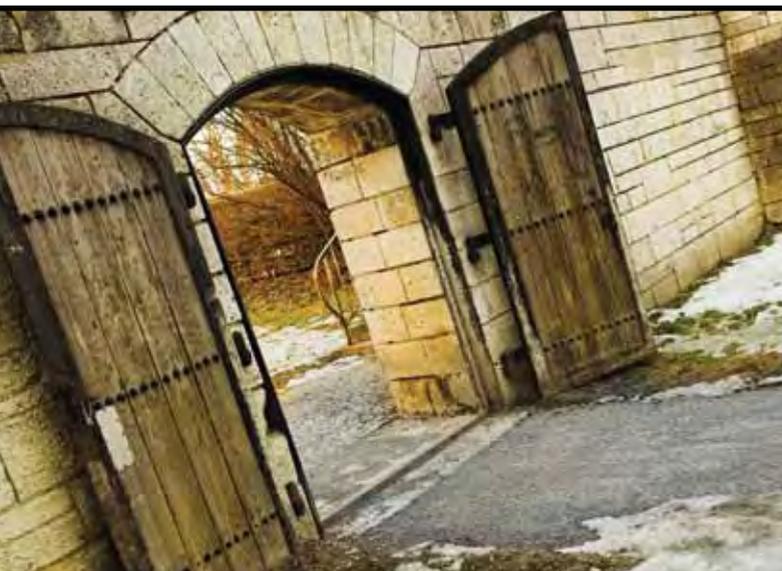
As NASBA's flagship program, CPA Examination Services (CPAES) provides a comprehensive array of services related to the Uniform CPA Examination. A few of these services include application processing, credential evaluations and score reporting. Outsourcing these services to the experienced and reliable 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 compliance assurance.

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. NASBA licensing services include application processing, eligibility determination, score reporting, education and experience evaluation. NASBA also provides excellent and reliable customer service to candidates throughout the licensing process.

CredentialNet

CredentialNet is a concierge service for CPA candidates or licensure applicants. By assembling and submitting a complete package at one time, CredentialNet helps state boards with a seamless application evaluation process for all types of licensure, including reciprocity and/or granting temporary licenses/permits. With the progression of mobility legislation adopted by numerous jurisdictions, state boards can utilize CredentialNet to assist with individual substantial equivalency evaluations for practitioners nationwide.



Guam Computer Testing Center

NASBA's Guam Computer Testing Center administers the CPA Examination and various other exams including admissions exams, certification exams and the GRE to international candidates (primarily from Japan and Korea). The center's prime location attracts many international candidates who travel to Guam to take these exams.

Accountancy Licensing Library

The Accountancy Licensing Library (ALL) is an online resource that provides up-to-date, reliable CPA licensing information for all 55 state boards of accountancy. This library enables state board members and staff to find accurate answers to jurisdictional questions, educate new board members and staff, easily cross-reference multiple state requirements, quickly identify which states require ethics, peer review and 120 vs. 150 to sit and more. ALL also includes board rules, regulations, procedures and policies and provides official forms in fill-in PDF formats.

ALL is complimentary for state board staff members. As such, NASBA routinely hosts training webinars for state boards of accountancy staff members.

Additionally, ALL addresses the needs of individual CPAs who are pursuing initial or reciprocal licensure information and accounting firms needing assistance with firm registration or multi-practitioner licensing. ALL is the perfect resource for simplifying the licensing process.

NASBA's legal staff translates state board legalese into simple narrative, making it easier to understand and comply with state requirements. ALL goes one step further, detailing the licensing procedures and providing step-by-step instructions for applying.

As an additional and complementing component, state boards and licensees can also utilize CredentialNet as a concierge service to assist with seamless application development and submission for all types of licensure. NASBA manages these processes from start to finish allowing state boards, licensees and firms the opportunity to focus on day-to-day business.

NASBA is confident of the accuracy and integrity of ALL content. Various steps are involved to assure this information through a rigorous maintenance process that involves daily updates, regular reviews of state board Web sites and working closely with individual state boards to further ensure accuracy.

CPEmarket

CPEmarket is a convenient online tool that allows CPAs and other professionals to quickly and easily search for continuing education courses that meet the requirements to maintain professional licenses. This database boasts approximately 3,000 CPE courses, along with CPE requirements, which are all searchable by multiple fields such as: keyword, date, location, credits, renewal dates, reporting periods, required hours, credit limits, state policies and more. Participating providers include NASBA-approved Registry and Quality Assurance Service (QAS) sponsors, as well as other CPE course providers and Free Self-Study course providers.

Accountancy Licensee Database

The Accountancy Licensee Database (ALD) is a database of licensee information provided by boards of accountancy. ALD serves as a centralized repository of licensee information on CPAs and firms, and currently simplifies the licensure verification process for over 20 jurisdictions.



National Registry of CPE Sponsors and Quality Assurance Service

The National Registry of CPE Sponsors and Quality Assurance Service (QAS) programs recognize and highlight continuing professional education (CPE) sponsors that provide CPE programs in accordance with nationally recognized standards developed jointly by state boards of accountancy, NASBA and the AICPA.

Because of the respected standards and processes for approval, many boards accept and/or require, that CPE course credits be earned from sponsors recognized in these programs.

CPEtracking/Calibrate

Continuing Professional Education (CPE) provides a level of trust in the accounting profession for the public. It is a necessary element in maintaining the integrity of the CPA credential and encouraging continued professional success. CPEtracking is a robust online system that helps state boards, individuals and firms manage CPE compliance. CPEtracking maintains CPE credit information entered by the individual or firm and compares that information with current requirements of state boards of accountancy and other organizations (such as the AICPA, GAO and ERISA). The user is then able to view his/her compliance status at-a-glance and generate compliance reports to send directly to a reporting agency.

In fiscal year 2010, NASBA will introduce a new and enhanced professional career management tool, Calibrate, to revolutionize how the accounting profession, including state boards, manages professional growth.

Wall Certificate Service

NASBA's Wall Certificate Service is designed to enhance the quality of licensing certificates of professional and licensing agencies by offering creative, professional design options. With superior custom design, production and processing, this service efficiently produces professional wall certificates that any administering board or regulatory agency can be proud to present. Other options include state-of-the-art printing, custom framing and distribution.

Once the CPA designation is received, professionals should be proud to tell colleagues, friends and family that they are "official." When moving to the next level to become a practicing CPA, individuals may want something in addition to the Wall Certificate to display and celebrate achievement. NASBA also offers CPA Merchandise, which includes CPA-branded cufflinks, mugs, mouse pads and pens, and takes *practicing professional* to an entirely different level.

Meeting & Event Planning: NASBA Meetings Division

Throughout its 100-year history, NASBA has built a strong reputation for planning and hosting professional meetings and conferences for its members. With experience in planning and executing meetings and conferences for state boards, national associations and other accounting organizations, NASBA Meetings Division now offers this

service to the public - including nonprofit organizations, associations, and companies. Among the services provided are conference planning and execution, communications, marketing, graphics, print and video. This provides clients with a one-stop-shop for all meeting-related needs.

NASBA Affiliates

NASBA Center for the Public Trust

The NASBA Center for the Public Trust (CPT) exists to provide a platform for corporate America and the accounting profession to explore, promote and advance ethical practices in organizations. The CPT also acts as a mechanism to link the theoretical aspect of ethics to the practical aspect in professional activities. To achieve this goal, the NASBA CPT hosts seminars and conferences on ethics-related topics such as public trust, leadership, integrity and ethical decision-making.

The CPT also promotes positive ethical behavior with its *Being a Difference Awards*. These awards highlight individuals who are, with great integrity, leading and being a difference in their communities and businesses every day.

The NASBA Center for the Public Trust is a non-profit organization that seeks contributions from individuals and corporations interested in impacting business ethics and ethical leadership. For more information, see pages 32-34.



Professional Credential Services, Inc.

Established in 1998, Professional Credential Services, Inc. (PCS) is a wholly-owned subsidiary of the National Association of State Boards of Accountancy, Inc. (NASBA) and provides administrative, licensing and examination services to over 52 professions for regulatory boards and various associations.

Among the various professions serviced by PCS include: engineering, land surveying, geology, landscape architecture, cosmetology, chiropractic, nursing home administration, funeral services, occupational therapy, professional planning, nursing, pharmacy, waste water management, veterinary medicine, psychology, auctioneering, fire protection, radiology, interior design and podiatry.

Because of its relationship with an association of regulatory boards, PCS is attuned to the regulatory point of view and can offer the required services with impartiality and in the protection of the public. PCS is also in the unique

position of being able to bring the distilled experience and knowledge garnered from years of working with boards of accountancy to the fulfillment of its responsibilities to serve all regulatory boards and other national associations.

The following list highlights specific services PCS currently provides its clients:

- Application Processing (paper, web, phone registrations)
- Eligibility Determination
- Development and Distribution of Candidate Materials
- Paper/Pencil Examination Administration
- Practical Examination Administration
- CBT Exam Administration (through partnerships with CBT vendors)
- ADA Management
- Scoring and Reporting
- Licensing
- Wall Certificates



Test Development

Test Development is a comprehensive service provided by PCS that assists clients with the development of examinations by providing task and job analysis, workshops with subject matter experts (SMEs), assistance in writing examination questions, assembling of test forms, scoring and item analysis. It is a complex service requiring extensive knowledge of test development and testing standards.

Management Administrative Services

Management Administrative Services (MAS) is a new division of PCS that will enable it to manage some or all functions of associations, small businesses and other organizations. MAS offers a wide range of services including standard back-office type services, as well as customized solutions such as membership management database services and interim CEO/Executive Director services.

PCS is firmly committed to providing all clients "Solutions That Exceed Expectations."



Financial Statements



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

Consolidated Financial Statements

July 31, 2009 and 2008



National Association of State Boards of Accountancy

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

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

September 29, 2009

We, David A. Costello, CPA, President and 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, 2009 and 2008, 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 that reads "David A. Costello".

David A. Costello, CPA
President and Chief Executive Officer

A handwritten signature in black ink that reads "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

REPORT OF MANAGEMENT

September 29, 2009

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.

David A. Costello, CPA
President and Chief Executive Officer

Joseph T. Cote, CPA
Executive Vice President and
Chief Operating Officer

Michael R. Bryant, CPA
Chief Financial Officer

Troy A. Walker, CPA
Controller

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

Management's Discussion and Analysis

For NASBA and its related organizations, fiscal 2009 was another outstanding year. The services provided and activities conducted increased and expanded as NASBA sought ways to support state boards and the accounting profession. The total volume of sections for NASBA's services related to the CPA Examination has grown each of the five full years since the transition to computer-based testing (CBT). In 2009, total sections processed into the National Candidate Database, the gateway to the computerized examination, approximates 290,000, an increase of 26,000 from 2008.

NASBA has worked to increase services and activities for state boards, candidates, and professionals during the past year. Some of these new services are provided through technological enhancements which assist either candidates for the CPA Examination or licensees and state boards with continuing professional education requirements. In addition, NASBA supported state boards through the continued efforts related to licensee mobility and the Accountancy Licensee Database (ALD). November 2008 heralded NASBA's hosting of the first Forum of International Accountancy Regulators (FIAR), a conference devoted to the exchange of issues and ideas related to the global impact of international accounting and auditing regulation.

Professional Credential Services, Inc. (PCS), NASBA's wholly-owned, for-profit subsidiary, expanded its services to non-accounting related entities in the areas of test development, administration, licensing, and wall certificate activities through the addition of new clients and an increase in the types of services provided. In 2009, PCS established a new division, Management Administrative Services (MAS). MAS's focus is on the provision of management consulting services that support associations, small businesses, and existing and prospective clients within the professional examination and certification arena.

The NASBA Center for the Public Trust (NCPT) further pursued their mission to engender and foster confidence and trust in American corporations and institutions and the professions that serve them. Conferences, such as Developing and Sustaining an Ethical Business Culture and the Third Annual Auditing Conference on Ensuring Integrity, along with other events and award presentations focusing on ethics and integrity, were hosted or sponsored by NCPT during 2009.

Program Revenues

Total consolidated revenue in 2009 was \$31.4 million compared to \$28.2 million in 2008. This is an increase of 11.3% from the prior year. The following table compares operating revenue by program for 2009 and 2008:

In millions	2009	2008	Change
Examination related	\$ 27.5	\$ 24.8	10.9%
Other programs	3.5	3.0	16.7%
Member dues and other revenue	0.4	0.4	0.0%
Total	\$ 31.4	\$ 28.2	11.3%

Examination related

The following table compares the components of examination related program revenues for 2009 and 2008:

In millions	2009	2008	Change
CPA Examination Services	\$ 11.9	\$ 10.5	13.3%
PCS	7.1	6.2	14.5%
CBT Contract Services	6.8	6.2	9.7%
Guam Test Center	1.2	1.0	20.0%
Other	0.5	0.9	-44.4%
Total	\$ 27.5	\$ 24.8	10.9%

CPA Examination related revenue in the areas of CPA Examination Services, CBT Contract Services and the Guam Test Center grew in total by 12.4% from 2008 to 2009. This increase is due substantially to a continued increase in the number of CPA Examination candidates and related sections.

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

PCS revenue also continues to increase at a consistent rate. The primary growth areas in 2009 include contracts for national licensing examinations and examination administration services for multiple professions in Puerto Rico. In the latter part of 2009, PCS entered into a new state contract to provide wall certificate services for all professions under the state's purview.

The decline in other revenue from the prior year was attributable entirely to escrow management fees. These fees are dependent on earnings rates related to funds held in interest-bearing accounts or fully-insured securities and such rates declined significantly due to general 2009 economic conditions.

Other programs

Revenue from other programs, which consists primarily of licensing and certification services, increased mainly as a result of additional sales of the CPetracking compliance product. In the next fiscal year, CPetracking will be rebranded as Calibrate, a functionally-enhanced version of the software.

Program Expenses

Total consolidated operating expenses were \$30.0 million in 2009 compared to \$27.2 million in 2008. This represents an increase of \$2.8 million, or 10.3%. The following table compares operating expenses by program for 2009 and 2008:

In millions	2009	2008	Change
Examination related	\$ 25.1	\$ 22.6	11.1%
Other programs	3.0	2.7	11.1%
Communications	1.9	1.9	0.0%
Total	\$ 30.0	\$ 27.2	10.3%

Examination related program expenses increased by 11.1% in 2009 as compared to the prior year. A majority of the increase results from additional personnel costs incurred in 2009 over the prior year. These increased costs are related to the administration and oversight of the CPA Examination on behalf of state boards and continued technology improvement activities which began in 2008. In addition, administration costs related to both the CPA Examination for NASBA and examination services provided by PCS increased due to increased candidates and the addition of new contracts.

Other program expenses increased in 2009 from 2008 primarily as a result of technology initiatives, marketing, and the occurrence of the biennial CPE Conference in March 2009.

Expense variations for 2009 from 2008 amounts by caption are presented in the following table:

In millions	2009	2008	Change
Examination program costs	\$ 5.7	\$ 5.0	14.0%
Salaries and related costs	16.2	14.7	10.2%
Professional fees	1.6	1.3	23.1%
Travel and meetings	1.8	1.9	-5.3%
Other captions	4.7	4.3	9.3%
Total	\$ 30.0	\$ 27.2	10.3%

As discussed above, the increase in examination program costs and salaries and related costs are attributable to examination related program expenses. The increase in professional fees is due principally to the many technology improvements which have previously been discussed and various one-time consulting arrangements focusing on either the CPA Examination or operational compliance. Total travel and meeting expenses decreased from the prior year based primarily on a special examination conference held in 2008.

Other Income

In 2008, NASBA had income of \$1.6 million resulting from the complete release of the outstanding debt with a CBT contract partner in resolution of an outstanding contract issue.

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

Investment Income (Loss)

Total investment loss in 2009 was \$0.7 million. This loss approximates the amount of investment loss experienced in 2008. The market declines which began in 2008 continued through the first half of 2009. During the last five months of 2009, improving market returns recovered more than half of the loss which was experienced in the first half of the fiscal year. In total, a net loss on long-term investments of \$1.0 million resulted in 2009 as compared to the net loss of \$1.4 million experienced in 2008. In 2009, interest and dividends from both long-term investments and the short-term investments of operating funds approximated \$0.3 million. This decline of \$0.4 million from the prior year was a consequence of lower interest rates, on average, in 2009 than in 2008. In addition, only minimal capital gains distributions were made from the long-term investments during 2009 as compared to 2008. Considering total interest, dividends, and net losses on the long-term investments, NASBA's fiscal year return for 2009 and 2008 was -9.6% and -11.1%, respectively.

Cash Flow and Financial Position

Cash provided by operating activities was \$2.4 million in 2009 as compared to \$4.9 million in 2008. Cash used in investing activities was \$3.8 million in 2009 as compared to \$1.4 million in 2008. As a result of these activities, net cash decreased by \$1.3 million in 2009 compared to an increase of \$3.5 million in 2008. Although various activities resulted in the net decrease in 2009, the primary driver was the transfer of excess operating funds into long-term investments. These funds were held in short-term accounts at the end of 2008 due to the market volatility at the time. NASBA and its related organizations continue to have a solid financial position for funding operations, supporting state boards through program activities, and funding the development of new and existing products and services.

During 2009, NASBA weathered challenging economic times to again add economic value to the organization. Unrestricted net assets increased \$0.6 million in 2009. This represents the seventh consecutive year of growth in NASBA's unrestricted net assets and a seven-year increase of \$10.5 million. Over this seven year period, NASBA has been able to assist state boards with the transition of the CPA Examination to CBT, provide support for regulatory issues, create and improve services for licensees as they work with state boards, particularly in the areas of continuing professional education and mobility, promote ethics, and be a voice of influence to the national and international community on behalf of state boards. NASBA's financial management is attentively working to continue the financial stability which has resulted these many years. As a result, NASBA will be able to support the responsibilities of state boards, offer assistance, when needed, and invest in new services and products for the dynamic, globally-evolving accounting profession.



National Association of State Boards of Accountancy

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REPORT OF AUDIT COMMITTEE

September 29, 2009

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, 2009, was charged by the Board of Directors with the responsibility for oversight of the annual independent audit of the consolidated financial statements. During the fiscal year, the Committee implemented the Audit Committee Charter, as approved by the Board of Directors, which governs the Committee's scope of responsibilities and actions.

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;
- 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;
- The Committee reviewed 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, 2010.

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, 2009.

Respectfully submitted,

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

Walter C. Davenport, CPA, Chair, on behalf of the Members of the Committee as follows:
Kenneth J. Hull, CPA
Theodore W. Long, Jr., CPA
Rebecca L. Phillips, 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, 2009 and 2008, 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, 2009 and 2008, 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 29, 2009

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For Years Ended July 31,

	2009	2008
Program Revenues		
Examination related	\$ 27,498,360	\$ 24,814,429
Other programs	3,512,424	2,949,469
Member dues and other revenue	426,471	410,182
Total program revenues	31,437,255	28,174,080
Program Expenses		
Examination related	25,068,465	22,608,000
Other programs	3,032,239	2,724,766
Communications	1,885,031	1,882,733
Total program expenses	29,985,735	27,215,499
Excess of Program Revenues Over Program Expenses	1,451,520	958,581
Income from Contract Issue	-	1,571,440
Increase in Unrestricted Net Assets Before Investment Loss and Income Taxes	1,451,520	2,530,021
Investment Loss	(684,411)	(658,588)
Increase in Unrestricted Net Assets Before Income Taxes	767,109	1,871,433
Income Tax Expense	103,900	1,300
Increase in Unrestricted Net Assets	663,209	1,870,133
Unrestricted Net Assets, Beginning of Year	14,409,679	12,539,546
Unrestricted Net Assets, End of Year	\$ 15,072,888	\$ 14,409,679

See Accompanying Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENTS OF PROGRAM EXPENSES

	Examination related	Other programs	Communications	Totals
<u>Year Ended July 31, 2009</u>				
Examination program costs	\$ 5,652,656	\$ -	\$ -	\$ 5,652,656
Salaries and related costs	14,263,603	1,685,641	212,381	16,161,625
Occupancy	941,829	252,035	142,928	1,336,792
Professional fees	952,512	339,535	295,509	1,587,556
Printing and postage	378,647	66,011	66,231	510,889
Travel and meetings	667,725	169,576	965,154	1,802,455
Depreciation and amortization	1,030,024	125,320	66,757	1,222,101
Telephone	165,928	24,803	22,237	212,968
Equipment rentals	284,508	93,297	33,505	411,310
Marketing	68,461	179,362	25,725	273,548
Insurance	210,421	18,027	2,245	230,693
Supplies	131,969	14,096	13,434	159,499
Other	320,182	64,536	38,925	423,643
Totals	<u>\$ 25,068,465</u>	<u>\$ 3,032,239</u>	<u>\$ 1,885,031</u>	<u>\$ 29,985,735</u>

<u>Year Ended July 31, 2008</u>				
Examination program costs	\$ 4,974,930	\$ -	\$ -	\$ 4,974,930
Salaries and related costs	12,709,962	1,790,713	175,239	14,675,914
Occupancy	985,787	215,420	115,900	1,317,107
Professional fees	827,279	190,899	327,710	1,345,888
Printing and postage	367,621	55,011	100,442	523,074
Travel and meetings	853,020	97,138	997,914	1,948,072
Depreciation and amortization	886,937	93,284	50,542	1,030,763
Telephone	133,287	17,297	18,260	168,844
Equipment rentals	273,480	88,346	38,130	399,956
Marketing	70,669	102,923	15,707	189,299
Insurance	162,913	10,222	1,978	175,113
Supplies	155,370	15,591	18,688	189,649
Other	206,745	47,922	22,223	276,890
Totals	<u>\$ 22,608,000</u>	<u>\$ 2,724,766</u>	<u>\$ 1,882,733</u>	<u>\$ 27,215,499</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,

	2009	2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,199,512	\$ 8,531,234
Receivables	1,708,977	1,576,111
Prepaid expenses	392,569	284,128
Deferred income taxes, net of allowance	193,300	135,100
Total current assets	9,494,358	10,526,573
Investments and Other Assets		
Investment securities, at fair value	8,172,320	7,435,845
Deferred income taxes, net of allowance	142,100	230,900
Other	60,674	55,080
Total investments and other assets	8,375,094	7,721,825
Property and Equipment	5,658,752	5,300,170
Less accumulated depreciation and amortization	2,494,915	2,491,018
Net property and equipment	3,163,837	2,809,152
Software Development Costs	4,601,716	3,700,445
Less accumulated amortization	2,798,390	2,272,778
Net software development costs	1,803,326	1,427,667
Total assets	\$ 22,836,615	\$ 22,485,217
 Liabilities and Unrestricted Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 5,858,281	\$ 6,567,166
Deferred revenues	1,074,077	692,764
Other current liabilities	55,781	52,298
Total current liabilities	6,988,139	7,312,228
Long-Term Liabilities	775,588	763,310
Total liabilities	7,763,727	8,075,538
Unrestricted Net Assets	15,072,888	14,409,679
Total liabilities and unrestricted net assets	\$ 22,836,615	\$ 22,485,217

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,

	2009	2008
Operating Activities		
Increase in unrestricted net assets	\$ 663,209	\$ 1,870,133
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	696,489	510,247
Amortization of software development costs	525,612	520,516
Income from contract issue, net of cash	-	(1,428,580)
Net losses on investment securities	1,010,266	1,409,504
Reduction of deferred rent credit	(47,942)	(47,942)
Deferred income taxes	30,600	-
Net losses on disposal of property and equipment	107,424	9,468
Changes in assets and liabilities		
(Increase) decrease in:		
Receivables	(132,866)	(153,045)
Prepaid expenses and other non-current assets	(114,035)	41,556
Increase (decrease) in:		
Accounts payable, accrued expenses, and other liabilities	(645,182)	2,129,628
Deferred revenues	381,313	64,434
Net cash provided by operating activities	2,474,888	4,925,919
Investing Activities		
Property and equipment additions	(1,158,598)	(1,449,289)
Capitalized software development costs	(901,271)	(95,919)
Redemptions of certificates of deposit	-	958,655
Purchases of investment securities	(4,634,280)	(3,659,228)
Redemptions of investment securities	2,887,539	2,816,176
Net cash used by investing activities	(3,806,610)	(1,429,605)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,331,722)	3,496,314
Cash and Cash Equivalents, Beginning of Year	8,531,234	5,034,920
Cash and Cash Equivalents, End of Year	\$ 7,199,512	\$ 8,531,234
Supplemental Cash Flow Information		
Income taxes paid	\$ 468	\$ 995
Non-cash Investing and Financing Activities		
Debt reduction from contract issue	\$ -	\$ 1,428,580
Leasehold improvements paid by landlord	\$ -	\$ 446,424

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 voluntary membership association of the boards of accountancy (or their equivalent) in the fifty states of the United States, 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 has a wholly-owned, for profit subsidiary, Professional Credential Services, Inc. ("PCS") that offers testing, examination development, licensing and certification services to various non-accounting related professions and occupations. 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. Examination related activities also include similar programs and services of PCS.

Other programs consist of licensing and certification activities related to assisting boards of accountancy and licensees in the issuance of licenses. Similar licensing services rendered by PCS are also included. Other programs also include 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.

Communication programs provide information, facilitate discussion and determine appropriate actions related to issues that concern 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 FDIC insured financial institutions. At times, such amounts may exceed the FDIC insurance limits.

Receivables and credit policies

Accounts receivable are uncollateralized obligations arising from contractual agreements with customers and the Association anticipates collection within 30 days unless otherwise specified. The carrying amount of accounts receivable 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, historical loss experience and existing economic conditions. No allowance is required at July 31, 2009 or 2008.

Prepaid expenses

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

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 mutual 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 Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 157 Fair Value Measurement ("SFAS 157"). These investments are discussed more fully in Note 4. Derivative financial instruments are not permitted investments under the Association's policy except as minor components of permitted mutual fund investments. 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 materially affect the amounts reported.

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

Note 2. Significant Accounting Policies (Continued)

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. 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 shorter of the useful life of the software or the period of time that services provided under contracts utilize the internally-developed software. Amortization begins when the software is ready for its intended use.

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.

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.

Management, general and administrative costs

Management, general 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 net operating loss carryforwards and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Reclassification

Certain prior year information has been reclassified to conform to the current year presentation.

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 has evaluated events and transactions that occurred from the date of the financial statements through September 29, 2009, 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.

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

Note 2. Significant Accounting Policies (Continued)

Delay in effective date of accounting pronouncement

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-An Interpretation of FASB Statement No. 109 ("FIN 48"), which clarifies the accounting for uncertainty in income taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 was effective for fiscal years beginning after December 15, 2006; however, subsequent pronouncements allow certain nonpublic entities to defer implementation of FIN 48 to fiscal years beginning after December 15, 2008.

Management has elected to defer the implementation of FIN 48 as permitted. The Association accounts for uncertain tax positions in accordance with FASB Statements No. 109, Accounting for Income Taxes and No. 5, Accounting for Contingencies in the accompanying financial statements. Management believes the adoption of FIN 48 will not have any significant impact on the financial statements.

Note 3. Investment Securities, at fair value

Investment securities at July 31 consisted of mutual funds which primarily invested in the following:

	2009	2008
U.S. Treasury and other Federal Agency obligations	\$ 1,947,709	\$ 2,101,598
Corporate and other debt obligations	1,162,614	666,260
Equity securities	5,061,997	4,667,987
Total Investment Securities	\$ 8,172,320	\$ 7,435,845

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

	2009	2008
Interest and dividends, net of investment fees of \$37,686 and \$33,212	\$ 325,855	\$ 750,916
Net losses on investments	(1,010,266)	(1,409,504)
Total Investment Loss	\$ (684,411)	\$ (658,588)

Note 4. Fair Value Measurement

As of August 1, 2008, the Association adopted SFAS 157. SFAS 157 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). The provisions of SFAS 157 are effective prospectively for periods beginning August 1, 2008 for financial assets. The implementation of the provisions of SFAS 157 for financial assets as of August 1, 2008 did not have a material impact on the Association's financial statements.

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, which approximates fair value. There have been no changes in the method used at July 31, 2009 and 2008.

The fair value measurements by level within the fair value hierarchy as of July 31, 2009 are as follows:

	Total	Level 1	Level 2	Level 3
Investment Securities	\$ 8,172,320	\$ 8,172,320	\$ -	\$ -

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157 ("FSP 157-2"). FSP 157-2 delays the effective date of SFAS 157 for certain nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008.

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

Note 5. Property and Equipment

Property and equipment at July 31 consists of the following:

	2009	2008
Office and computer equipment	\$ 2,458,229	\$ 2,468,704
Furniture	1,499,046	1,298,141
Building and leasehold improvements	1,701,477	1,533,325
Total Property and Equipment	5,658,752	5,300,170
Accumulated depreciaton and amortization	(2,494,915)	(2,491,018)
Net Property and Equipment	\$ 3,163,837	\$ 2,809,152

Note 6. Contract to Provide Examination Services

On May 31, 2002, the Association entered into an 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 Agreement extends for seven years from the administration of the first computer-based examination on April 5, 2004. The Agreement has extension options of up to three years, the exercise of which is contingent upon the achievement of certain performance measures by the parties to the Agreement.

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. The Association also collects from candidates the Prometric and AICPA fees 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, 2009 and 2008, escrowed funds amounted to \$24,359,238 and \$21,463,940, 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 7. Retirement Plans and Other Postretirement Benefits

The Association maintains a 401(k) plan which allows employer contributions for all full-time employees meeting specified requirements and employee contributions. Expenses related to the Association's funding of the retirement plan amounted to approximately \$686,000 for 2009 and \$628,000 for 2008. 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, 2009 and 2008, the accumulated postretirement benefit obligation was determined by actuarial valuation to be \$160,399 (\$146,760 noncurrent and \$13,639 current) and \$132,143 (\$123,122 noncurrent and \$9,021 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:

	2009	2008
Components of net periodic cost:		
Service cost	\$ 14,345	\$ 11,919
Interest cost	8,432	5,676
Actuarial loss	12,774	23,134
Net periodic postretirement benefit cost	35,551	40,729
Plan participants' contributions	8,559	3,751
Benefits paid	(15,854)	(6,762)
Net change in benefit obligation	28,256	37,718
Benefit obligation at beginning of year	132,143	94,425
Benefit obligation at end of year	\$ 160,399	\$ 132,143

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

Note 7. Retirement Plans and Other Postretirement Benefits (Continued)

The discount rate used to value the obligation was 5.75% in 2009 and 6.95% in 2008. The assumed medical and dental cost trend rate is 7.5% declining to 4% over a period of 7 years and a constant 4%, respectively. 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	\$ 17,968	\$ (15,421)

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 \$7,295 and \$3,011 for 2009 and 2008, respectively. The following table shows actuarial projections of expected future postretirement benefit payments:

Fiscal 2010	\$ 13,639
Fiscal 2011	14,715
Fiscal 2012	15,617
Fiscal 2013	9,888
Fiscal 2014	9,844
Fiscal 2015 through 2019	33,644

Note 8. Lease Commitments

The Association leases office space, a portion of which is subleased to PCS, 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 2010	\$ 1,287,338
Fiscal 2011	1,233,702
Fiscal 2012	1,207,000
Fiscal 2013	1,133,019
Fiscal 2014	1,156,188
Thereafter	3,760,488
Minimum Lease Payments	\$ 9,777,735

Rent expense charged to operations for office space in 2009 and 2008 totaled approximately \$1,337,000 and \$1,317,000, respectively.

The Association leases office equipment under various operating lease arrangements. Minimum lease payments remaining for equipment leases are approximately \$62,000 in fiscal 2010. Expenses charged to operations under these leases in 2009 and 2008 totaled approximately \$74,000 and \$133,000, respectively.

Note 9. Income Taxes

Income tax expense comprises the following:

	2009	2008
Current		
Puerto Rico	\$ 68,800	\$ -
State	4,500	1,300
Deferred		
U.S. federal	28,800	4,300
State	1,800	(4,300)
Income Tax Expense	\$ 103,900	\$ 1,300

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

Note 9. Income Taxes (Continued)

In 2009 and 2008, income tax expense includes a benefit of \$53,500 (\$41,100 federal, \$8,200 state, and \$4,200 Puerto Rico) and \$47,800 (\$40,400 federal and \$7,400 state), respectively, from the utilization of net operating 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:

	2009	2008
Statutory federal income tax	\$ 59,300	\$ (8,900)
Puerto Rico income tax, net of U.S. federal benefit	41,200	(4,200)
State income taxes, net of U.S. federal benefit	9,100	1,200
Change in valuation allowance	(22,200)	3,900
Other	16,500	9,300
Income Tax Expense	\$ 103,900	\$ 1,300

The deferred income tax asset consists of the following:

	2009	2008
Deferred income tax asset - current	\$ 201,300	\$ 152,300
Deferred income tax asset - long-term	159,100	252,000
Valuation allowance	(8,000)	(30,200)
Total deferred income tax asset	352,400	374,100
Deferred income tax liability - long-term	17,000	8,100
Net Deferred Income Tax Asset	\$ 335,400	\$ 366,000

At July 31, 2009, PCS had federal and state net operating loss carryforwards of approximately \$728,000 and \$460,000, respectively. The carryforwards expire at various dates from July 31, 2021 through 2025 for federal tax purposes and July 31, 2011 through 2025 for state tax purposes. The valuation allowance relates to state net operating loss carryforwards that may expire before being realized. Although realization of the other deferred income taxes is not assured, management believes it is more likely than not that the recorded deferred income taxes will be realized.

Note 10. Income from Contract Issue

During fiscal year 2003, under the terms of the Agreement, the Association received \$3,000,000 under a non-interest bearing line of credit from Prometric to fund the development of the National Candidate Database. Due principally to an outstanding trademark license with the purchaser of certain assets of a former Prometric-related entity, Prometric did not fully divest itself of those assets under the terms of the Agreement. As a result of this incomplete divestiture, Prometric agreed in April of 2005, to reduce the Association's \$3,000,000 liability to them by \$714,280 which represented a specific reduction of the liability for the twenty-month period ended November 2005. The Association recorded the reduction of the liability as income in fiscal 2005. Prometric also agreed to reduce the liability pro rata for each month or part thereof in which the trademark issue remained outstanding beyond the date certain in the third-party license. In April of 2007, the Association determined that the situation relating to trademark license issues had not been resolved, and as a result, did not pay the annual debt payment and recorded income of \$714,280 for the twenty-month period from December 2005 through July 2007.

On October 7, 2007, Prometric agreed to a complete release of the remaining outstanding debt of \$1,428,580 and the return of a debt payment of \$142,860 made by the Association in April 2006. In addition, Prometric paid the Association for certain legal and administrative expenses.

