1982

AICPA annual report 1981-82; Message to members

American Institute of Certified Public Accountants

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA

Annual Report 1981-1982

Message to Members

"...the progress made in recent years in strengthening the Institute will enable us to meet the challenges of the future as a profession united by a continuing commitment to quality."

Much of the Institute's energy this year went into efforts to expand and improve member services. Organizational changes were made to improve its ability to provide a broad range of technical and educational services, particularly for local firms. The philosophy of the Institute has always been one of service, but with the membership roster nearing 200,000, an increase of 44 percent in only five years, changes are necessary to assure that AICPA continues to meet its objectives.

Organizational Changes

A new executive position was created: Vice President-Local Practitioner Activities. Proposed by the Special Committee on Small and Medium-Sized Firms, the post affords greater recognition to needs and concerns of local firms. Robert D. Miller, CPA—local practitioner, educator, active state society and Institute member and former Chairman of the Accounting and Review Services Committee—is serving in this important role. He has overall staff responsibility for a number of functions including Private Companies Practice Section, Industry and Practice Management, Relations with Educators, State Society Relations and Aid to Minorities and Small Business.

The voice of non-practicing members of the Institute also continues to gain strength. In the coming year, the Board of Directors will have more non-practitioners as members than ever before. The Industry Committee and the Members in Government Committee are identifying new ways for the Institute to be responsive to the needs of this large segment of the membership. The strong attendance at the annual industry conference attests to the interest these members have in Institute affairs.

Continuing Professional Education

Another important undertaking was an operational review of the Continuing Professional Education Division. Independent consultants, looking for ways to economize while improving effectiveness, considered the merits of shifting the entire Division to another location. Even though some savings might result, the consultants concluded that such a move would not meet a reasonable cost/benefit test. Another idea evaluated in the study was merging Publications with CPE into one division. That too was rejected because developing educational courses appears to have little in common with publishing books and magazines.

But one overriding conclusion emerged which promises to enhance CPE. That was giving CPE an expanded business/marketing orientation by creating a new executive staff position, Vice President-CPE. A search has been launched for a business-oriented executive to fill this demanding post. Implementation of a comprehensive set of recommendations developed by the consultants to improve operating efficiency and member service will be the first order of business for the individual selected.

Always of great concern regarding CPE is the broad question: what type curriculum best serves practitioners? Some state societies urged the Institute to become involved in a curriculum study, and as a result a task force was established to consider ways to combine curriculum development resources of the Institute and state societies.

Accounting Standards Overload

Whether in public practice or serving industry, nearly every CPA has encountered instances where accounting standards impose unnecessarily burdensome requirements of questionable benefit to users. That problem, known as accounting standards overload, was assigned to a Special Committee last year.

In December 1981, the committee exposed its tentative recommendations for comment. They related to actions that should be taken by the Financial Accounting Standards Board such as the need for a restudy of several standards, particularly accounting for income taxes and leases, which have been identified as especially burdensome for small businesses. They also related to the possibility of wider use of the income tax basis of reporting, a method already recognized in professional literature. The latter proposal received mixed reaction. As of this writing, the committee is sorting out the comments received, and we are confident that solutions will be forthcoming to the problem of accounting standards overload.

Other Technical Standards

Standard-setting bodies within the Institute continued the most important task of developing guidance for the practice of public accounting. While the Auditing Standards Board made progress in dealing with a number of thorny issues, the Auditing Standards Advisory Council, the body that both advises and oversees the Board, raised some searching questions about the Institute's auditing standard setting function. The Advisory Council expressed concern as to the ability to continue to attract highly qualified individuals who are asked to devote up to 50 percent of their time to working on Board activities. This led to the appointment of a special committee to consider whether the best possible structure has been developed for setting standards for audits, for compilation and review services, and for quality control policies and procedures. A report from this committee should be forthcoming next year.

The MAS Executive Committee has drawn considerable attention with its first Statement on MAS Standards and its exposure draft of two other standards. Less noticed, but perhaps of greater importance in the long run, is its program to provide useful reference materials on MAS services. The first of these practice aids, published this year, deals with assisting small business clients in obtaining funds. Another item, a pamphlet entitled "The CPA and Management Consulting," has proven quite useful in explaining MAS services to clients.

Federal Taxation Division

A major issue, raised this year by the Federal Tax Executive Committee, has the potential for fundamental organizational changes within the Institute. The Committee asked to have expanded dues paying membership in the Federal Tax Division in order to include more practitioners interested in tax matters. Benefits would include expanded participation by Institute members in the Division as well as distribution to them of special studies and reports on tax matters, invitations to tax conferences and a new tax newsletter. The AICPA would benefit from the increased input anticipated from practitioners. Underlying this proposal is a growing concern that the CPA's position in tax practice may be eroding under the impact of aggressive competition from others providing tax services. The Tax Division Executive Committee believes that membership in an expanded Division would maintain and enhance the individual CPA's position in tax practice and also provide a greater opportunity for involvement.

The proposal highlights the need to consider whether the Institute's organizational structure, which gives little recognition to separate areas of practice or member interests, continues to be appropriate for our expanding membership. With the possibility that other organizations may fill this void, the work of the special committee appointed to consider the broad question of member needs and services takes on added significance.

State Boards of Accountancy

Some states have turned to outside organizations, including the National Association of State Boards of Accountancy (NASBA), for help in administering the CPA examination. To maintain the integrity of the examination, the Institute and NASBA are exploring establishing an organization to administer the CPA examination in instances where states request aid.

AICPA in Washington

In Washington, we continue our programs of espousing AICPA positions on legislative, regulatory and political issues. We worked closely with the White House, Congress, GAO, SEC, IRS and other departments and agencies on proposed legislation, rules and regulations. Those activities were carried on in a climate of increased reliance on self-regulation.

The Institute's federal legislative efforts concentrated in part on the 1982 tax initiatives and Congressional interest in legislation affecting the banking and savings and loan industries. Considerable effort went toward exposing shortcomings of bills that sought to limit CPAs' services. In addition, there was a particular effort to promote the application of professional standards to financial and compliance audits of Federally assisted programs.

The Congressional breakfast program, entering its fifth year, is continuing its early success. So far, it has provided opportunities for CPAs from 38 states to make their expertise available to their Congressional delegations, assisting in the formulation of public policy and the management of Congressional offices.

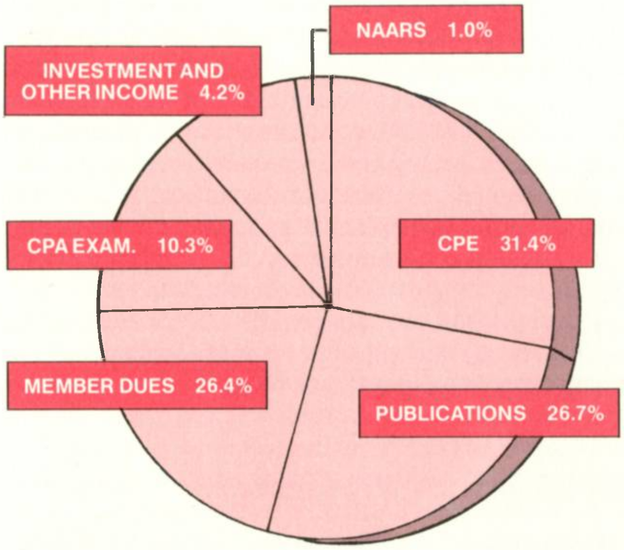
Division for CPA Firms

Membership in the Division for CPA Firms declined somewhat as the deadline for initial peer reviews of charter member firms approached. Its membership stands at almost 1,800 firms, somewhat below a year ago. But the Division has never been more active. Its peer review programs are proceeding on schedule. By year's end, the cumulative total of peer reviews for both sections will exceed 1,500. Cost savings procedures have been introduced by both sections and the requirement for quality control review panels in firm-on-firm and association sponsored reviews in the SECPS has been eliminated without sacrificing quality. Another important development is the publication of a directory of member firms as of September 1, 1982. In the year ahead, both sections are expected to take steps to explain the benefits of membership in the Division for CPA Firms, in the interests of increasing that membership.

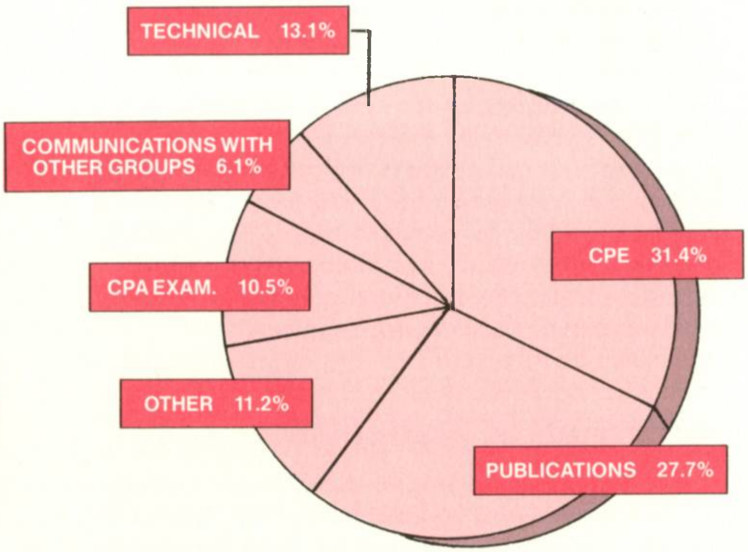
SOURCES AND OCCUPATIONS OF AICPA MEMBERSHIP

	1976	1978	1980	1982
Total AICPA Membership	121,947	140,158	161,319	188,706
Public Accounting	58.5%	57.6%	54.1%	52.5%
Business & Industry	30.9%	31.9%	35.5%	37.6%
Education	2.9%	2.8%	2.9%	2.5%
Government	3.4%	3.4%	3.3%	3.2%
Retired & Miscellaneous	4.3%	4.3%	4.2%	4.2%
Membership in Public Practice	71,314	80,723	87,339	99,141
Firms with one member	22.3%	23.9%	23.8%	23.5%
Firms with 2 to 9 members	30.0%	29.9%	33.1%	34.0%
Firms with 10 or more members, except	11.1%	11.8%	13.0%	14.5%
the 25 largest firms	36.6%	34.4%	30.1%	28.0%

Annual Report 1981-82/Message to Members



REVENUE BY SOURCE



EXPENSE BY ACTIVITY

Professional Ethics

The Professional Ethics Division is continuing the difficult task of assuring that professional standards are being followed. An important initiative over the last seven years has been the Joint Ethics Enforcement Program, a partnership between the Institute and state societies. The program has achieved the objective of integrating the roles of societies and the Institute into a single coordinated effort to eliminate duplication of enforcement procedures. However, much more needs to be done to strengthen the program so that there is consistency across the country for evaluating the findings of case investigations. This matter is being pursued by the Institute and the state societies.

Future Issues

A step which meets a long-standing need was impaneling a Future Issues Committee whose mission is to study what the public expects from CPAs and how the CPA's professional responsibilities may be changing. The Committee will try to anticipate problems and consider how to deal with them before they attain crisis proportions.

Finances

With a deficit projected for 1981-82, it was clear that revenues and expenditures needed to be brought into better balance. The Planning and Finance Committee began early in the year by carefully reviewing Institute expenditures. Cost center by cost center, activities and projects were evaluated. Those that were crucial to member service were retained, while others were deferred or eliminated. Important cost-cutting resulted.

That done, a dues increase package was proposed, calling for an across-the-board 25 percent increase in members' dues. Approved by the Council in May, the first dues increase since 1975 went into effect August 1. These measures will strengthen the Institute financially, and should mitigate the impact of even a prolonged recession.

Other Developments

Other developments which merit attention include:

- ☐ The International Federation of Accountants (IFAC) and the International Accounting Standards Committee (IASC) are continuing to work to bring both bodies into closer harmony in setting international standards. A statement of mutual commitment is being presented to the International Congress in Mexico City.

- ☐ A committee has been established to plan for the Institute's centennial year (1986-87). Past AICPA chairman William Kanaga was named chairman.
- ☐ Discussions continued toward setting up a Government Accounting Standards Board. There is hope that such a unit might be organized by the year's end.
- ☐ The introduction of a toll-free service to the Technical Information Division boosted member calls for assistance by 40 percent. A similar service for the library has resulted in a 66 percent increase in calls from members.

Conclusion

This year saw a continuation of efforts to improve services and benefits to all our members. Major steps were taken which complete implementation of the recommendations of the Special Committee on Small and Medium-Sized Firms. Organizational changes will help members influence the decision-making process in broad areas of concern. We believe the progress made in recent years in strengthening the Institute will enable us to meet the challenges of the future as a profession united by a continuing commitment to quality.

George D Anderson

Philip B Chenok

George D. Anderson, Chairman of the Board, and Philip B. Chenok, President.

American Institute of Certified Public Accountants

OFFICERS 1981-1982

George D. Anderson, Chairman of the Board
Rholan E. Larson, Vice Chairman
Philip B. Chenok, President
Sam I. Diamond, Jr., Vice President
Arthur J. Dixon,* Vice President
Gerald W. Hepp, Vice President
George E. Tornwall, Vice President
William B. Keast, Treasurer
Donald J. Schneeman, General Counsel and Secretary

BOARD OF DIRECTORS 1981-1982

George L. Bernstein
James Don Edwards
John L. Fox
Barbara H. Franklin**
Ray J. Groves
William S. Kanaga†
Raymond C. Lauver
Bernard Z. Lee
Herman J. Lowe
Andrew P. Marincovich
Thomas C. Pryor**
A. A. Sommer, Jr.**
Arthur R. Wyatt

*Deceased
**Public Member
†Immediate Past Chairman

Report of Independent Certified Public Accountants

To the Members of the American Institute of Certified Public Accountants

We have examined the balance sheet of the American Institute of Certified Public Accountants as of July 31, 1982 and 1981, and the related statements of revenue and expenses, changes in fund balances, and changes in financial position for the years then ended. We have also examined the balance sheets of the American Institute of Certified Public Accountants Foundation, the American Institute Benevolent Fund, Inc. and the Accounting Research Association, Inc. as of July 31, 1982 and 1981 and the related statements of changes in fund balances for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the financial position of each of the aforementioned organizations at July 31, 1982 and 1981, and the results of their operations and the changes in their fund balances and, for the American Institute of Certified Public Accountants, the changes in its financial position for the years then ended, all in conformity with generally accepted accounting principles applied on a consistent basis.

Main Hurdman

CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
September 10, 1982

Financial Statements

American Institute of Certified Public Accountants

Balance Sheet

	July 31, 1982	July 31, 1981
Assets		
Cash	$ 188,070	$ 407,589
Marketable securities (quoted market: 1982, $13,535,053; 1981, $10,710,811)	13,452,687	10,641,983
Accounts receivable (less allowance for doubtful collections: 1982, $20,000; 1981, $20,000)	5,590,157	4,477,603
Inventories (Note 1)	2,377,287	2,668,970
Deferred authorship costs and prepaid expenses	2,379,535	1,863,234
Furniture, equipment and leasehold improvements (Note 2)	4,118,637	3,925,734
	28,106,373	23,985,113
Funds held for Division for CPA Firms (Note 8)	1,357,657	1,106,773
Endowment and other restricted funds consisting principally of marketable securities (cost: 1982, $623,088; quoted market: 1981, $708,195)	612,078	597,594
	$30,076,108	$25,689,480
Liabilities and Fund Balances		
Liabilities and deferred revenues		
Accounts payable and other liabilities	$ 5,499,215	$ 4,323,212
Accrued taxes (Note 3)	432,000	325,000
Advance dues	7,085,955	6,128,850
Unearned publication subscriptions and advertising	4,920,165	2,911,457
	17,937,335	13,688,519
Funds held for Division for CPA Firms (Note 8)	1,357,657	1,106,773
Commitments and contingent liabilities		
Fund balances:		
General Fund	10,169,038	10,296,594
Endowment and other restricted funds	623,088	597,594
Less unrealized loss on marketable securities of endowment and other restricted funds	11,010	—
	10,781,116	10,894,188
	$30,076,108	$25,689,480

The accompanying summary of significant accounting policies and notes to statements are an integral part of these statements.

Statement of Revenue and Expenses

	Year ended July 31, 1982	1981
Revenue:		
Membership dues	$12,423,955	$11,514,879
CPA examinations	4,857,363	3,748,395
Publications	12,569,525	10,896,148
Continuing professional education	14,756,850	12,214,809
NAARS program	443,858	358,933
Investment and sundry income	1,951,678	1,906,694
Gain on sale of securities	39,471	96,175
	47,042,700	40,736,033
Expenses (see also summary of expenses by activity):		
Salaries and fees	$16,082,252	$13,960,817
Personnel costs	2,844,110	2,380,838
Occupancy	5,378,783	4,532,829
Printing and paper	9,777,174	8,675,912
Postage and shipping	3,079,311	2,506,609
Meetings and travel	2,452,053	2,360,219
General and administrative	7,556,573	6,498,076
	47,170,256	40,915,300
Excess of expenses over revenue	$ (127,556)	$ (179,267)

	1982	1981
Summary of expenses by activity:		
CPA examinations	$ 4,935,235	$ 4,137,754
Publications:		
Cost of sales	10,106,643	8,771,681
Distributed to members and others	2,978,075	2,776,013
Continuing professional education	14,808,424	12,287,140
Technical:		
Accounting and review services	138,948	136,795
Accounting standards	695,120	576,737
Auditing standards	1,612,563	1,392,849
Federal taxation	583,584	518,140
Management advisory services	290,924	200,478
Computer services	72,737	336,104
International practice	402,172	365,313
Technical assistance to members	621,444	533,341
Library	770,826	550,991
NAARS program	485,789	396,833
Financial Accounting Foundation contribution	347,798	322,648
Accountants' legal liability	150,844	119,486
Regulation:		
Ethics and trial board	1,043,283	1,096,840
State legislation	241,761	232,687
Division for CPA firms	644,760	554,991
Quality control programs	830,936	759,739
Organization and membership:		
Board, council and annual meetings	734,766	643,843
Nominations and committee appointments	142,130	100,076
Communications with members	263,507	185,597
Membership admissions and records	808,213	611,229
Membership benefit plans	84,631	92,210
Special organizational studies	47,353	77,143
Communications with other groups:		
Public relations	698,274	612,367
State societies	215,747	262,646
Universities	467,577	462,468
Federal government	1,507,243	1,359,355
Assistance programs for minority students and businesses	438,949	441,806
Total	$47,170,256	$40,915,300

The accompanying summary of significant accounting policies and notes to statements are an integral part of these statements.

American Institute of Certified Public Accountants

Statement of Changes in Fund Balances

	Year ended July 31, 1982	1981
General Fund:		
Balance at beginning of year	$10,296,594	$10,475,861
Excess of expenses over revenue	(127,556)	(179,267)
Fund balance, end of year	10,169,038	10,296,594
Endowment and other restricted funds:		
Fund balances, beginning of year	$ 597,594	$ 552,978
Excess of revenue over expenses	583	191
Gain on sale of securities	24,911	44,425
Unrealized loss on marketable securities	(11,010)	—
Fund balance, end of year	612,078	597,594
	$10,781,116	$10,894,188

American Institute of Certified Public Accountants

Statement of Changes in Financial Position

	Year ended July 31, 1982	1981
Cash and marketable securities, beginning of year	$11,049,572	$15,428,284
Sources of funds:		
From operations:		
Excess of expenses over revenue	(127,556)	(179,267)
Add back expenses not requiring outlay of funds—depreciation and amortization including amortization of authorship costs	2,463,662	1,393,129
	2,336,106	1,213,862
Increase (decrease) in liabilities and deferred revenue:		
Accounts payable and other liabilities	1,176,003	(803,757)
Accrued taxes	107,000	119,131
Advance dues	957,105	(1,010,966)
Unearned publication subscriptions and advertising	2,008,708	(892,354)
	6,584,922	(1,374,084)
Uses of funds:		
Additions to deferred authorship costs and prepaid expenses	2,308,394	729,430
Additions to furniture, equipment and leasehold improvements	864,472	1,630,666
Increase (decrease) in other assets:		
Receivables	1,112,554	415,214
Inventories	(291,683)	229,318
	3,993,737	3,004,628
Increase (decrease) in funds:		
Cash	(219,519)	(380,552)
Marketable securities	2,810,704	(3,998,160)
	2,591,185	(4,378,712)
Cash and marketable securities, end of year	$13,640,757	$11,049,572

The accompanying summary of significant accounting policies and notes to statements are an integral part of these statements.

Balance Sheet—July 31,

	American Institute of Certified Public Accountants Foundation		American Institute Benevolent Fund, Inc.		Accounting Research Association, Inc.	
	1982	1981	1982	1981	1982	1981
Assets						
Cash	$ 18,233	$ 20,330	$ 20,203	$ 11,945	$ 30,761	$ 12,656
Marketable securities*	734,517	717,070	885,461	767,510	401,000	644,000
Notes and mortgages receivable (net of allowance for doubtful collections: 1982, $28,033; 1981, $57,679)	—	—	70,800	21,200	—	—
Dues receivable	—	—	—	—	357,369	252,766
Other receivables	4,211	5,373	18,730	15,480	2,970	9,578
Prepaid FASB subscription service	—	—	—	—	82,557	77,200
	$756,961	$742,773	$ 995,194	$816,135	$874,657	$996,200
Liabilities and Fund Balances						
Liabilities and Deferred Credits:						
Accounts payable	$ —	$ 270	$ 900	$ 522	$102,610	$ 92,870
Unearned advanced dues	—	—	—	—	689,894	398,280
Scholarships payable	174,975	214,250	—	—	—	—
	174,975	214,520	900	522	792,504	491,150
Fund Balances						
General	21,900	19,478	1,002,349	815,613	82,153	505,050
Library	106,607	105,825	—	—	—	—
John L. Carey Scholarship Fund	95,289	91,698	—	—	—	—
Accounting Education Fund for Disadvantaged Students	365,020	311,252	—	—	—	—
Less unrealized loss on marketable securities	6,830	—	8,055	—	—	—
	581,986	528,253	994,294	815,613	82,153	505,050
	$756,961	$742,773	$ 995,194	$816,135	$874,657	$996,200
***NOTE:**						
Marketable securities at market (m) or cost (c)	$741,347(c)	$757,704(m)	$893,516(c)	$813,743(m)	$401,000 (m)	$644,000 (m)

Statement of Changes in Fund Balances— Year Ended July 31,

	AICPA Foundation 1982	AICPA Foundation 1981	Benevolent Fund 1982	Benevolent Fund 1981	Accounting Research Association 1982	Accounting Research Association 1981
Additions:						
Investment income	$ 64,864	$ 61,758	$ 87,415	$ 71,481	$ 67,869	$ 104,455
Contributions/dues	297,045	284,325	166,450	83,840	1,412,055	933,006
Other	—	—	51,125	6,700	—	—
	361,909	346,083	304,990	162,021	1,479,924	1,037,461
Deductions:						
Contributions/scholarships	305,445	333,980	—	—	1,694,125	1,440,522
Assistance to members and families	—	—	127,539	101,415	—	—
FASB subscription service	—	—	—	—	170,860	155,548
Other	1,792	1,356	4,526	5,394	37,836	23,075
	307,237	335,336	132,065	106,809	1,902,821	1,619,145
Increase (decrease) in fund balance	54,672	10,747	172,925	55,212	(422,897)	(581,684)
Gain on sale of securities	5,891	12,321	13,811	22,402	—	—
Net increase (decrease) in fund balance	60,563	23,068	186,736	77,614	(422,897)	(581,684)
Fund balance, beginning of year	528,253	505,185	815,613	737,999	505,050	1,086,734
	588,816	528,253	1,002,349	815,613	82,153	505,050
Less unrealized loss on marketable securities	6,830	—	8,055	—	—	—
Fund balances, end of year	$581,986	$528,253	$ 994,294	$815,613	$ 82,153	$ 505,050

The accompanying summary of significant accounting policies and notes to statements are an integral part of these statements.

Summary of Significant Accounting Policies

A summary of the accounting policies of the American Institute of Certified Public Accountants (Institute) and, if applicable, the American Institute of Certified Public Accountants Foundation (Foundation), the American Institute Benevolent Fund, Inc. (Benevolent Fund) and the Accounting Research Association (ARA) follows:

- Assets, liabilities, revenue, and expenses are recognized on the accrual basis.

- Marketable securities are stated at the lower of aggregate cost or market. If market value has declined below cost, the resulting valuation allowance is shown as a reduction of the fund balance. Gains and losses on the sale of securities are included in operating results.

- Inventories are stated at the lower of cost (primarily first-in, first-out) or market.

- Authorship costs applicable to publications and continuing professional education courses the Institute expects will be sold in the future are amortized over the lesser of a three-year period or the useful life of the course.

- Furniture, equipment, and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed on the straight-line method. Furniture and equipment are depreciated over their estimated useful lives of five to ten years. Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

- The Institute records dues as revenue in the applicable membership period. Dues of ARA members are assessed on a calendar year basis and recorded as additions to the fund balance in equal monthly amounts during each calendar year.

- Subscription and advertising revenue are recorded as publications are issued.

- Contributions to specific funds are recorded as additions to fund balances in the applicable period.

- Notes and mortgages received by the Benevolent Fund as security for assistance payments to members and their families are recorded, net of amounts deemed uncollectible, as additions to the fund balance in the period received.

- The Institute has a retirement plan covering all eligible employees. Pension expense is accrued in accordance with an actuarial cost method. Although the Institute may terminate the plan at any time, the policy of the Institute is to fund accrued pension cost. Prior service costs under the plan are funded over a 30-year period. The costs related to retired persons are funded over a 10-year period.

Notes to Financial Statements July 31, 1982 and 1981

1. Inventories

Inventories of the Institute at July 31, 1982 and 1981 consisted of:

	1982	1981
Paper and material stock	$ 474,868	$ 601,984
Publications in process	264,590	465,608
Printed publications and course material	1,637,829	1,601,378
	$2,377,287	$2,668,970

2. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements of the Institute at July 31, 1982 and 1981 were:

	1982	1981
Furniture and equipment	$3,653,419	$3,276,765
Leasehold improvements	3,180,492	2,859,256
	6,833,911	6,136,021
Less accumulated depreciation and amortization	2,715,274	2,210,287
	$4,118,637	$3,925,734

Depreciation and amortization of leasehold improvements for the years ended July 31, 1982 and 1981 were $671,570 and $491,444.

3. Taxes

The Institute is a professional organization under Section 501(c)(6) of the Internal Revenue Code. The Institute is subject to tax on unrelated business income arising from the sale of advertising in the *Journal of Accountancy*.

4. Lease Commitments

Rental commitments under noncancellable leases in effect as of July 31, 1982 were $35,763,000. This amount excludes future escalation charges for real estate taxes and building operating expenses. The principal lease (which has a 20 year base period) started in 1974 and can be terminated at the end of 15 years if the Institute pays certain penalties. Minimum rental commitments are:

Year Ended July 31,	
1983	$ 3,153,000
1984	3,157,000
1985	3,170,000
1986	3,182,000
1987	3,077,000
Years subsequent to 1987	20,024,000
	$35,763,000

Rental expenses for the years ended July 31, 1982 and 1981 were $4,122,000 and $3,399,000.

5. Retirement Plan

Pension expenses related to the Institute's retirement plan were approximately $953,000 and $724,000 for the years ended July 31, 1982 and 1981. The estimated amount required to fund prior service costs under the plan was $2,042,000 as of May 1, 1982. The increase in pension expense between 1981 and 1982 amounted to $229,000. This increase was caused by an increase in the number of participants in the plan, salary increases, and increased amounts paid to retirees.

The accumulated plan benefits and plan net assets available as of the most recent valuation dates were:

	May 1, 1982	May 1, 1981
Actuarial present value of accumulated plan benefits:		
Vested	$6,944,993	$5,510,470
Non-vested	1,279,915	1,091,087
	$8,224,908	$6,601,557
Net assets available for benefits	$7,803,648	$7,404,363

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6 percent compounded annually for both 1981 and 1982.

6. Commitment of Foundation Funds

The Foundation plans to distribute from the Accounting Education Fund for Disadvantaged Students $300,000-$350,000 each year for scholarships to minority students and for assistance programs to strengthen the accounting faculty of minority universities.

7. Commitment to Financial Accounting Foundation (FAF)

The Accounting Research Association, Inc. (ARA) has stated its intent to use its best efforts to raise sufficient funds from sources within the accounting profession to ensure that the FAF receives $1,000,000 annually in each year of the five year period beginning January 1, 1978 and ending December 31, 1982. In 1982 the ARA agreed to provide additional financial support of $750,000; making the total commitment for 1982 $1,750,000. No commitment has been made beyond December 31, 1982.

8. Division for CPA Firms

The AICPA acts as custodian of the cash and marketable securities of the Division for CPA Firms. The amounts involved are shown on the accompanying balance sheets as offsetting assets and liabilities. The balances at July 31, 1982 were:

	Cash	Marketable Securities	Total
Private Companies Practice Section	$19,017	$ 345,000	$ 364,017
SEC Practice Section	20,640	973,000	993,640
	$39,657	$1,318,000	$1,357,657

The Division's balance sheet and statement of changes in fund balances, on the accrual basis, were:

Balance Sheet	July 31, 1982 — Private Companies Practice Section	July 31, 1982 — SEC Practice Section
Assets:		
Cash	$ 19,017	$ 20,640
Marketable securities (quoted market $1,318,000)	345,000	973,000
Dues and other receivables	18,387	145,032
Prepaid expenses	—	28,374
	$382,404	$1,167,046
Liabilities and Fund Balances:		
Accounts payable	$ 33,093	$ 35,787
Unearned advance dues	35,873	450,926
Fund balances	313,438	680,333
	$382,404	$1,167,046

Statement of Changes in Fund Balances	Year Ended July 31, 1982	
Additions:		
Dues	$ 87,862	$1,030,878
Other	44,097	79,284
	131,959	1,110,162
Deductions:		
Expenses of Public Oversight Board:		
Salaries and fees		535,219
Legal fees		39,205
Administrative expenses		159,760
		734,184
Legal fees		53,864
Administrative and other expenses	65,667	15,384
	65,667	803,432
Net increase in funds	66,292	306,730
Fund balances, beginning of year	247,146	373,603
Fund balances, end of year	$313,438	$ 680,333

The Institute incurred expenses during the years ended July 31, 1982 and 1981 in support of the Division for CPA Firms and in connection with related quality control programs. These expenses are included in the accompanying Summary of Expenses by Activity.

9. Special Purpose and Related Organization Funds

The purposes of the special and related organization funds are:

Endowment Fund: To maintain a reference library for members of the Institute. Investment income from marketable securities of the Endowment Fund is included as revenue of the General Fund in accordance with provisions of the endowment.

Foundation: To advance the profession of accountancy and to develop and improve accountancy education.

Benevolent Fund: To raise money to provide financial assistance to needy members of the Institute and their families.

Accounting Research Association: To provide a best efforts commitment to the financing of the Financial Accounting Foundation.

Supplementary Information (Unaudited)

FASB Statement No. 33, Financial Reporting and Changing Prices, requires that certain publicly held companies present information about the effects of price changes and encourages other enterprises, including non-business organizations, to experiment with such information. This supplementary information was prepared in response to *FASB Statement No. 33.*

The historical cost financial data adjusted for general inflation is the result of restating all historical revenue and expense measurements in terms of dollars of average 1981-82 general purchasing power as reflected by the Consumer Price Index. Restatement of the prior years' reported results in terms of a constant measuring unit, today's dollars, makes all years comparable. When adjusted for the effect of general inflation, the five-year presentation more clearly portrays the trends in revenue, expenses and general fund balances.

The inflation-adjusted data indicates that the Institute's revenue and expenses have increased at a rather modest rate when compared to the increases on a historical basis. As previously reported over the last five years, revenue has increased by 72.3% and expenses increased by 85.1%. When adjusted for the effects of inflation, these rates of increase are 14.8% and 23.8% respectively. For the year ended July 31, 1982, expenses exceeded revenue on a historical and constant dollar basis by $127,000 and $502,000 respectively.

General inflation also causes a loss of purchasing power from holding net monetary assets (the excess of cash, deposits, commercial paper, notes and receivables over current payables). The Institute's investments in commercial paper and notes are income-earning assets, but from fiscal 1976 to 1982, annual interest did not offset each year's loss in purchasing power on all net monetary assets. Basically, the rate of inflation exceeded the rate of earnings on investments.

During the five years ended July 31, 1982, the Institute reported depreciation expense of $2,075,000 on a historical cost basis. On a constant dollar basis, depreciation was $3,577,000 during this period. The constant dollar cost of furniture, equipment, and leasehold improvements as of July 31, 1982, net of accumulated depreciation and amortization, was $5,087,000 compared to a historical cost value of $4,118,637.

Supplementary Information 1978-1982 *(Thousands of Dollars)*

Historical Cost Financial Data as Reported in the Financial Statements	Year Ended July 31,				
	1982	1981	1980	1979	1978
Revenue:					
Membership dues	$12,424	$11,515	$10,674	$ 9,891	$ 9,241
CPA examination fees	4,857	3,748	3,569	3,284	2,966
Publications	12,570	10,896	10,473	8,445	7,896
Continuing professional education	14,757	12,215	9,897	7,748	6,076
Other, net	2,435	2,362	1,833	1,599	1,114
	$47,043	$40,736	$36,446	$30,967	$27,293
Percent increase over prior year	15.5%	11.8%	17.7%	13.5%	15.5%
Expenses:					
Salaries and fees	$16,082	$13,961	$12,256	$10,549	$ 9,177
Personnel costs	2,844	2,381	2,171	1,628	1,560
Occupancy	5,379	4,533	3,696	3,198	2,748
Printing and paper	9,777	8,676	7,867	6,550	5,893
General	13,088	11,364	9,245	7,470	6,109
	$47,170	$40,915	$35,235	$29,395	$25,487
Percent increase over prior year	15.3%	16.1%	19.9%	15.3%	16.7%
Excess (deficiency) of revenue over expenses	$ (127)	$ (179)	$ 1,211	$ 1,572	$ 1,806
Percent increase (decrease) over prior year	29.0%	(114.8%)	(23.0%)	(13.0%)	0.7%
General Fund balance at end of year	$10,170	$10,297	$10,476	$ 9,639	$ 8,067
Percent increase (decrease) over prior year	(1.2%)	(1.7%)	8.7%	19.5%	29.4%

Historical Cost Financial Data Adjusted for General Inflation *(in Average 1981-1982 Dollars)*	Year Ended July 31,				
	1982	1981	1980	1979	1978
Revenue:					
Membership dues	$12,424	$12,465	$12,866	$13,535	$13,872
CPA examination fees	4,857	4,057	4,302	4,494	4,452
Publications	12,570	11,795	12,624	11,556	11,853
Continuing professional education	14,757	13,223	11,930	10,602	9,121
Other, net	2,435	2,557	2,210	2,188	1,672
	$47,043	$44,097	$43,932	$42,375	$40,970
Percent increase over prior year	6.7%	.3%	3.7%	3.4%	8.2%
Expenses:					
Salaries and fees	$16,082	$15,113	$14,773	$14,435	$13,776
Personnel costs	2,844	2,577	2,617	2,228	2,342
Occupancy	5,754	5,177	4,686	4,517	4,256
Printing and paper	9,777	9,392	9,483	8,963	8,846
General	13,088	12,301	11,144	10,222	9,170
	$47,545	$44,560	$42,703	$40,365	$38,390
Percent increase over prior year	6.7%	4.3%	5.8%	5.1%	9.1%
Excess (deficiency) of revenue over expenses	$ (502)	$ (463)	$ 1,229	$ 2,010	$ 2,580
Percent increase (decrease) over prior year	(8.4%)	(137.7%)	(38.9%)	(22.1%)	4.1%
Loss of purchasing power on net monetary assets	$ 618	$ 1,103	$ 1,576	$ 1,304	$ 739
General Fund balance at end of year	$ 9,864	$10,984	$12,550	$12,897	$12,191
Percent increase (decrease) over prior year	(10.2%)	(12.5%)	(2.7%)	5.8%	22.2%
Average Consumer Price Index for fiscal year	283.4	261.8	235.1	207.1	188.8
Percent increase over prior year	8.3%	11.4%	13.5%	9.7%	6.4%