AICPA annual report 2007-08; CPA

American Institute of Certified Public Accountants

CPA

(noun) Trusted expert who helps individuals and organizations envision and shape their financial future. Characterized by **COMMITMENT** to objectivity, integrity and competence; excellent **PERFORMANCE** on behalf of clients, employers and the public; and **ACCOUNTABILITY** for the highest professional and business ethics.

2007-2008 ANNUAL REPORT

AICPA®

2007-2008 AICPA ANNUAL REPORT

Contents

Message from the Chairman and President & CEO

Randy G. Fletchall, CPA
Chairman

Barry C. Melancon, CPA
President & CEO

As this annual report went to press, Congress was debating legislation to address our nation's financial crisis. Some members wrote to us wanting a free-market solution and others asked us to support rescue measures under consideration. The AICPA believes this diversity of opinion strengthens the debate and contributes to a stronger way of proceeding, one that gets our country back on sound footing. In the end, we concluded decisive action was necessary. The AICPA urged Congress and the administration to come together and keep working until agreement is reached on measures to restore liquidity in the markets, increase economic growth and create jobs in small and large enterprises. We also called upon our members to assert their financial expertise and objectivity to help clients and employers unravel the impact and navigate challenges they face. The AICPA did the same, working to explain the issues to the media and legislators, and helping to increase consumer understanding and confidence through financial literacy programs and advice from the CPA financial planning community.

In 1964 Marshall McLuhan famously wrote "the medium is the message," meaning the medium, or messenger, influences how the message is perceived and valued. In other words, the carrier matters at least as much as the content.

In our profession, the carriers of our content are individual CPAs. CPAs are trusted professionals who demonstrate a commitment to employers, clients and the public by consistently performing quality services and holding themselves and each other accountable to the highest professional standards. Hundreds of thousands of AICPA members around the country proudly deliver on this premise every day.

We underscored the defining characteristics of the CPA this year by strengthening our reputation through our advocacy and communications efforts; stepping up activities to enhance CPAs' continuous learning and skill development; and investing in programs to maintain the profession's hallmarks of objectivity, integrity and competence.

Advocacy is one of the most powerful roles we play on behalf of CPAs. The Institute, often along with state CPA societies, steadily works to bring CPAs' perspectives to issues discussed by the Securities and Exchange Commission (SEC), Treasury Department, Internal Revenue Service and others, as well as Congress and the President's administration. Our efforts to achieve a ban on tax strategy patents, for example, have focused on both regulatory and legislative remedies. On the state level, mobility has been a key initiative. Thirty-one states now have provisions permitting CPAs to practice across state lines – significant progress achieved only by the AICPA and state CPA societies working with the National Association of State Boards of Accountancy, state boards of accountancy and state legislatures. Achieving mobility removes barriers that can unnecessarily limit CPAs in terms of offering their expertise and valuable services to America's businesses.

In every community in this country, CPAs are vital contributors to businesses of all sizes and to the financial welfare of individuals – and the AICPA is a driver of resources to help CPAs fulfill this important mission. From extended hours for our Accounting and Auditing Technical Hotline to new Webcasts on management accounting issues, new continuing professional education (CPE) products that facilitate professional growth and meeting CPE requirements to new publications that provide members with news and information they need when they need it, the AICPA is the knowledge-partner to CPAs across the nation. In particular, members in business, industry and government have gained enhanced support from additional programs and initiatives, and more are being planned. Notably, the AICPA's next chairman will be the first one appointed from the government sector.

The AICPA also is committed to keeping the profession strong for generations to come. Now in its seventh year, our "Start Here. Go Places." student recruitment campaign continues its success, helping to contribute to the highest-ever number of accounting graduates this past year. Diversity programs, retention and advancement

CPAS DON'T JUST DELIVER THE PROFESSION'S MESSAGE,THEY ARE THE PROFESSION'S MESSAGE.

initiatives for minority and women CPAs, a resource-rich human capital center for smaller firms – all affirm the range of AICPA activities dedicated to ensuring the "CPA pipeline" is filled with diverse individuals and new CPAs with rewarding careers that encourage them to remain in the profession for as long as they work.

Additionally, to stave off a dire shortage of top-level accounting professors in the audit and tax disciplines, the AICPA Foundation – along with more than 70 of the largest CPA firms, state CPA societies and others – agreed to fund approximately $15 million for Ph.D. accounting fellowships through the new Accounting Doctoral Scholars program.

The individual CPA as a representative of the profession is especially strong in our 360 Degrees of Financial Literacy volunteer effort. More than 3,000 CPAs have worked in their communities to help improve Americans' understanding of their personal finances at every stage of life – leading approximately 3.3 million people to visit www.360financialliteracy.org since its inception in October 2004. Research on our Feed the Pig campaign this year proved the program is changing the behaviors of many 25 – 34 year olds. Those who saw the public service announcements were much more likely to say saving for their future is more important than buying things now. More than 100,000 individuals signed up to receive the campaign's practical, money-wise Weekly Savings Tip email.

This financial literacy outreach is consistent with our profession's history of commitment to serving the public through auditing and financial reporting services. Major developments in this area have taken center stage this year. A Treasury Department advisory committee explored the sustainability of a strong auditing profession because of our critical role in the capital markets. An SEC advisory committee looked at how to reduce the complexity in our financial reporting system and thus improve the understandability and usability of financial information. One of its first recommendations to be acted on was an SEC proposal to require public companies to file financial reports using XBRL – a technology initiative started by an individual CPA with the support of the AICPA. The Institute also has taken a leadership role in promoting an orderly transition from U.S. generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) for U.S. public companies, starting with the launch of a Web site for IFRS resources. Global acceptance of IFRS is growing, and the AICPA stands ready to help CPAs understand and prepare for this unprecedented change in public company financial reporting.

Underlying all that we do is our notion of accountability. Evidence of CPAs' willingness to fulfill their professional responsibilities is demonstrated by the Audit Quality Centers' increased membership this year. The Employee Benefit Plan Audit Quality Center had an increase of more than 17 percent over last year and the Governmental Audit Quality Center boasted a 29 percent increase.

CPAs don't just deliver the profession's message, they are the profession's message. The AICPA celebrates the strength and quality of the message and its contributions to supporting CPAs in that role. See for yourself — just take a look at all that's happened over the last year.

Randy Fletchall

Randy G. Fletchall, CPA
Chairman

Barry C. Melancon, CPA
President and CEO

COM·MIT·MENT *(noun)* 1. obligation. 2. process or instance of committing oneself. 3. dedication.

> **TO MEMBERS** The AICPA is committed to speaking out on the profession's behalf on public policy issues, business developments and marketplace concerns, and to helping CPAs succeed in their various work environments.

> **TO THE PROFESSION'S FUTURE** Priority AICPA activities include developing a sufficient supply of high-quality future CPAs, boosting the number of accounting educators and Ph.D.s, helping encourage diversity in the workplace and advancing minority and women CPAs.

> **TO THE PUBLIC GOOD** The AICPA and CPAs stand by their commitment to help the public by striving for fairer and simpler tax laws, encouraging high-quality audits to protect businesses and individuals who rely on financial statements, and helping companies and audit committees fulfill their fiduciary responsibilities. This commitment to the public good also extends to improving financial literacy among Americans at all points in their life cycle.

Representing Members' Interests on the National Stage

Capitol Hill and Regulators Hear the Profession's Voice

Through congressional testimony, hearings and direct contact with elected officials and their staffs, as well as work with regulatory agencies, the AICPA advocates on many national issues to help promote sound policymaking and efficient administration of the nation's laws.

Taxpayer and Tax Preparer Reporting Standards Are Now Equal

When the Emergency Economic Stabilization Act of 2008 became law on October 3, 2008, the AICPA won a significant victory for its members and taxpayers. Tax reporting standards for undisclosed transactions became the same for tax practitioners and taxpayers as a result of a provision in the financial rescue plan signed by President George W. Bush. The AICPA had been fighting to equalize the tax return reporting standards, generally at the "substantial authority" level, since May 2007 when Congress passed a law that raised the tax return reporting standard for preparers to a higher level than taxpayers. The differential in Internal Revenue Service (IRS) standards created a potential for conflict of interest between tax preparers and their clients that could have chilled the professional advice CPAs might have given taxpayers. In the interim, the AICPA pursued legislative and regulatory remedies posed by the change in the preparer penalty provisions, working with the IRS and Treasury on transitional relief and regulatory guidance.

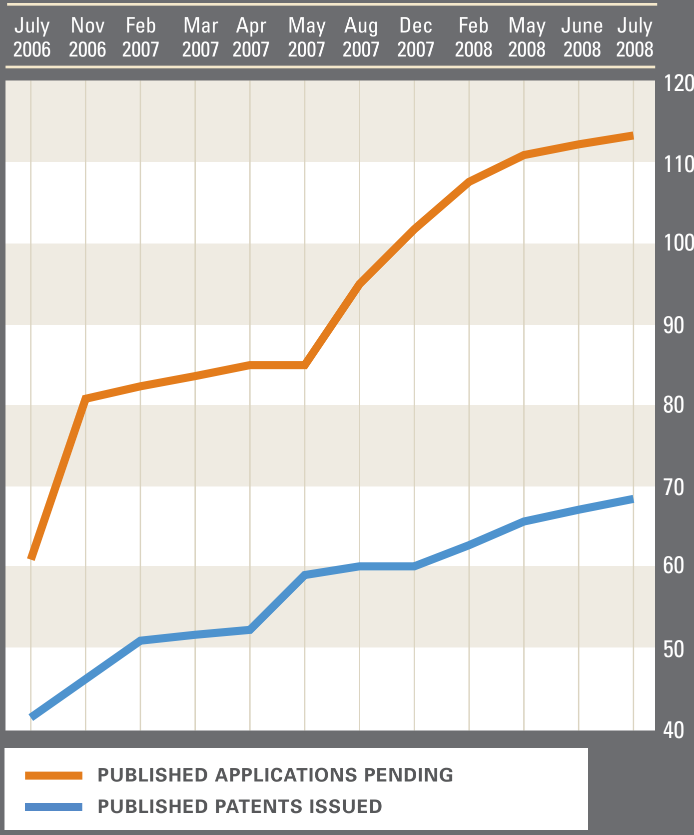
Helping Small Businesses, Including CPA Firms, Offer Health Care Coverage

On April 2, 2008, a Senate bill was introduced to make health insurance more affordable, predictable and accessible for the self-employed and small businesses with up to 100 employees. The AICPA, as a member of the Small Business Health Plans Coalition, supports this bill because it contains many of the principles necessary to help small businesses, including CPA firms, find and afford health care. A similar bill was introduced in the House on June 9, 2008. In January 2008, the AICPA testified before the House Small Business Committee on the difficulties small businesses have in obtaining, maintaining and managing health insurance for their employees.

AT A GLANCE

- AICPA achieves success in equalizing taxpayer and tax preparer reporting standards.
- AICPA supports legislation to help small businesses, including CPA firms, get health insurance.
- Progress is made on banning tax strategy patents.
- IRS drops requirement for auditor rotation for not-for-profits.
- Yearly financial statement audit requirement for FHA lenders is retained.
- CPAs remain competitive on agricultural businesses' financial services.

Tax Strategy Patents Pending & Approved Since July 2006



Ending Tax Strategy Patents

A top priority in AICPA tax advocacy is to ban tax strategy patents because they undermine the integrity, fairness and administration of the tax system and are contrary to sound public policy. The Institute has been working closely with Congress on legislation that would forge a solution to this growing problem. The Patent Reform Act of 2007, as passed by the House of Representatives, and S. 2369, as introduced in the Senate, contain provisions to prohibit granting tax planning method patents. Both bills would exempt tax preparation software so products popular with the public would not be affected. Another bill introduced in the House of Representatives allows the patenting of tax planning methods but provides immunity from patent infringement liability for taxpayers and tax practitioners; it, too, exempts tax preparation software. As of July 2008, 68 patents had been granted and 114 were pending.

Enabling Non-Profit Clients to Keep Their Auditors

The AICPA recommended the IRS's Exempt Organizations Division drop from its good-governance document a provision that required audit firms be rotated on a regular basis, such as every five years. These efforts culminated in success in March 2008, when the IRS removed the document from its Web site, explaining that the new Form 990 sets forth the IRS's current position on good-governance practices that do not include the five-year rotation suggestion.

Retaining Annual Audits for Mortgage Brokers

The massive housing finance package signed into law on July 30, 2008, does not change the annual financial statement audit requirements of mortgage brokers or correspondent lenders in any of the new Federal Housing Authority (FHA) modernization provisions. For the past several years, Congress considered legislation that the AICPA strongly opposed because it would have unwisely lowered broker standards and resulted in higher FHA defaults and greater taxpayer risk by allowing correspondent lenders or mortgage brokers to post surety bonds instead of providing audited financial statements or meeting minimum net worth requirements. As the legislation moved through Congress, the AICPA joined with several other financial services associations in reminding key players in the House and Senate why the requirement for audited financial statements must be retained in the final bill.

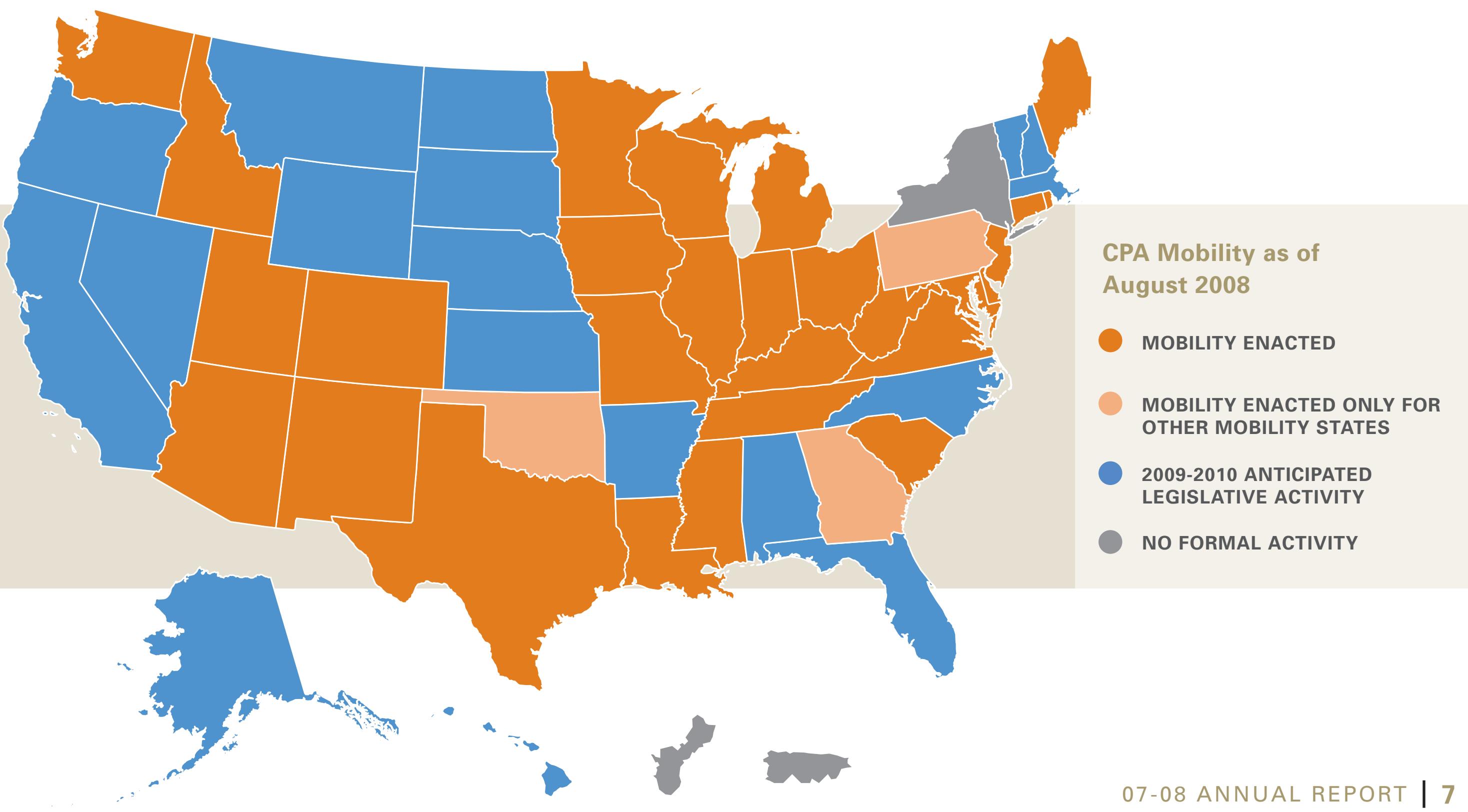
Supporting the AICPA's position that mortgage brokers should retain yearly financial statement audits, some media reports suggested mortgage brokers were just trying to minimize their costs at the expense of U.S. taxpayers. In addition, five consumer groups sent a letter urging retention of the audit requirement.

Preserving CPAs' Access to Agriculture Industry Business

When the Farm Bill became law in June 2008, the AICPA won a significant victory for its members and the nation's agricultural community. In the Farm Bill, the Farm Credit System asked for an expansion of its lending authority to a new class of eligible borrowers that included many Main Street businesses. By becoming eligible borrowers in the Farm Credit System, these additional businesses could become recipients of tax, accounting and other financial services. Given the government tax and funding advantages that the Farm Credit System enjoys, and its ability to bundle loans and services at an attractive cost, private sector accounting firms would have had difficulty competing with Farm Credit System institutions. Now that the Farm Bill is law without giving the Farm Credit System expanded authority, CPA firms remain on a level playing field.

Interstate Practice Privileges Extend to Majority of States

The national effort to adopt a uniform mobility system allowing licensed CPAs and CPA firms the ability to practice across state lines without being subject to unnecessary burdens that do not protect the public interest experienced unprecedented momentum and legislative success in 2008. By breaking down boundaries to practice in the U.S., CPAs will be able to more readily serve individuals and businesses in need of their expertise. At the same time, the ability of state boards of accountancy to discipline CPAs has been enhanced and is based on the CPA and the CPA firms' performance of public accounting services — whether physically, electronically or otherwise — within a state, rather than restricting the boards' authority to only those holding a state's license.



Ensuring Courts Hear CPAs' Perspectives

In a 5-3 decision, the U.S. Supreme Court on January 15, 2008, rejected a broad theory of liability and ruled investors cannot sue third parties that do not make affirmative statements or commit acts that are directly relied upon by investors. The ruling upheld the court's 1994 decision in a prior case that "aiding and abetting" does not give rise to a private cause of action under U.S. securities laws. The AICPA submitted an amicus brief on the profession's behalf in the case, *Stoneridge Investment Partners, LLC v. Scientific-Atlanta, Inc. and Motorola, Inc.*

One day later, the Supreme Court unanimously ruled in *Knight v. Commissioner* that investment advisory fees of non-grantor trusts and estates generally are subject to the 2 percent of adjusted gross income floor as miscellaneous itemized deductions, unless they are not "commonly incurred" by individuals. The case resolves a seven-year-old circuit split on the issue. The AICPA submitted a comment letter to the IRS on regulations it proposed as the case was being considered, and also provided members with a detailed analysis of the issue. While the final regulations on this issue were pending, the AICPA sent the IRS two comment letters with suggestions and examples needing clarification, and released critical guidance for members well ahead of when they would prepare Form 1041s during the 2008 tax filing season.

Working with the States to Serve CPAs Nationwide

With the shared goal of providing maximum support to CPAs around the country, the AICPA and the state CPA societies continue to enhance their collaborative partnership and dialogue. This across-the-board collaboration on initiatives of all sizes and forms has capitalized on the strengths of both the national and state organizations that serve CPAs. For example, several state CPA societies have submitted letters in support of banning tax strategy patents, which is consistent with the AICPA's views; this brought the perspectives of significant numbers of CPAs to the attention of representatives in Congress.

Supporting CPAs' Success

The value of a professional organization can be defined in part by its ongoing priorities and efforts to help its members be successful.

AT A GLANCE

- Technical Hotline gets dedicated phone number and expanded hours.
- New *Management Accounting Guidelines* and related Infocasts released.
- An international conference for business and industry members addresses global issues.
- AICPA partners with UNC's Kenan-Flagler Business School to enhance value of CPA Financial Executive Economic Outlook Survey program.
- New online resource launched for members in government.

Technical Hotline Answers A&A Questions

Free, prompt, high-quality technical assistance is only a call or email away, thanks to the AICPA Accounting and Auditing Technical Hotline. The hotline fields approximately 24,000 inquiries each year concerning accounting principles and financial reporting, auditing, attestation, and compilation and review standards. The technical hotline saw two significant service improvements this past year: extended hours, 9:00am - 8:00pm (EST), to accommodate busy seasons and west coast members; and a dedicated phone number, 877.242.7212.

Addressing the Needs of CPAs in Business and Government

Strategic Infocast Series, *Management Accounting Guidelines*

The Institute has been continuing its Strategic Infocast Series – live, interactive, Web-based presentations covering key management accounting topics addressed by *Management Accounting Guidelines* (MAGs). Four new MAGs and Infocasts based on them were offered this year. Free copies of the MAGs, developed with CMA Canada and CIMA, and archived Infocasts are available from the Financial Management Center (www.aicpa.org/fmcenter).

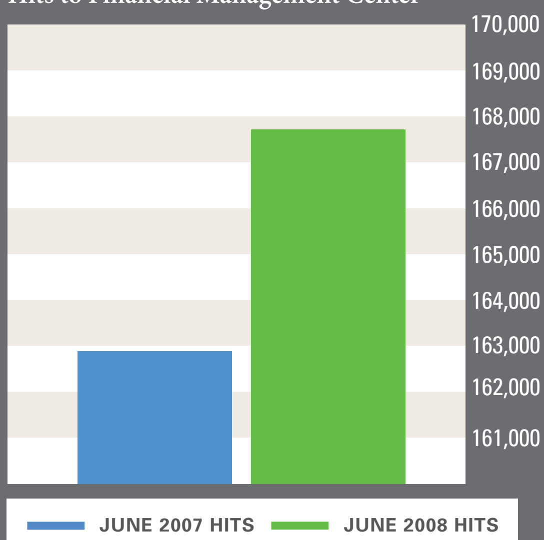
Covering Global Topics at International Conference for Financial Management

More than 200 participants from around the world attended the AICPA's first International Issues Conference held in 2008 in Washington, D.C. Among the topics covered were IFRS and international tax and audit issues. Geared toward senior executives, this conference addressed a broad spectrum of new and emerging issues in the global business environment.

Online Resource Assists Members in Government

A Web space dedicated to members in government launched this past year. Housed in the Financial Management Center (www.aicpa.org/fmcenter), this collection of pertinent resources is designed to give members access to information across the Web that can help them perform their jobs with the highest quality and build careers in government accounting. It includes sections on careers and recruiting, standards and regulation, guidance from federal government entities and easy access to AICPA resources, such as the quarterly *Government E-News*.

Hits to Financial Management Center



Hits to the Financial Management Center Web site climbed as information, resources and tools were added for members in business, industry and government.

2,200

Average number of inquiries fielded by the AICPA Accounting and Auditing Technical Hotline each month

Positioning Executive CPAs as Thought Leaders

The AICPA this year began a partnership with the University of North Carolina's Kenan-Flagler Business School on its Economic Outlook Surveys. Through this partnership, the Institute is able to survey CPA financial executives on specific topics, such as IFRS, and also can obtain an academic review of the questions and responses. Increased media attention on the results is another advantage, further boosting the program's ability to showcase CPA financial executives as important business thinkers on America's economy. *Financial Week, MarketWatch* and Reuters routinely cover the survey results.

Publications and Resources to Keep Informed

AT A GLANCE

- *Journal of Accountancy* introduced new features and columns.
- *The CPA Letter* went electronic to improve its news value.
- More than 100 new book titles were produced this past year.

Journal of Accountancy Expands Coverage to Respond to Today's Members

Significant enhancements to the *Journal of Accountancy*, the AICPA's monthly magazine, culminated in awards for excellence in 2008 from the New York State Society of CPAs, the Society of National Association Publications and the American Society of Business Publication Editors. The magazine introduced new features and columns, including Corner Office Conversations, Diversity Dialogue and International Issues, and published debates on compelling issues, such as fair value accounting and the mortgage crisis.

The CPA Letter Improves News Value by Going Digital

A readership survey conducted from May to June 2008 for *The CPA Letter* revealed that 80 percent of members would support online distribution. Given the advantages of an electronic publication – timeliness, updated articles and links to other relevant material – *The CPA Letter* became an online newsletter effective September 2008. The survey also showed the newsletter earns high marks among all member demographic groups. Its value as a communications vehicle was demonstrated when it won an award of distinction from the Communicator Awards.

2 SPECIALIZED PERIODICALS & **18** NEWSLETTERS

In addition to general business and financial publications, the AICPA publishes two monthly specialized periodicals. *The Tax Adviser* covers tax planning, trends and techniques. *The Practicing CPA* helps smaller firms with practice management issues and offers solutions to challenges facing CPA firms. **In all, the AICPA publishes 18 newsletters covering technical information, professional issues and career growth (www.aicpa.org/Magazines+and+Newsletters/Newsletters/).**

55 Audit and Accounting Publications

50 Specialized Publications

208,881 Total number of members and users that those publications reached

Newsletters, Books and Online Products Build Knowledge, Hone Skills

Book publishing on important topics continues to be extensive. More than 100 titles were published this past year – 55 annual editions of accounting and auditing publications and more than 50 new titles covering practice management, tax, personal financial planning and business and industry. In all, AICPA publications reached approximately 209,000 members and other users.

Special Programs for Small Firms

The Private Companies Practice Section (PCPS; www.aicpa.org/pcps) offers small firms access to a wide variety of valuable information and resources to help them succeed. Through a new alliance with the U.S. Small Business Administration (SBA), CPA firms can leverage the valuable SBA library for clients and themselves. Resources are available to help with starting up a business or managing an existing business. A new booklet for CPAs guides small businesses through the SBA's extensive network of tools and resources.

The PCPS Human Capital Center was designed to address small firms' staffing issues from several angles. This online collection of tools and information focuses on team recruitment; orientation and assimilation; work/life balance and retention; and generation/diversity integration, among other topics.

As a result of the popularity of PCPS' Emerging Partners Training Forums, PCPS launched a networking group designed specifically for young CPA firm leaders. Participants in the Emerging Partner Training Forums now can network to discuss common issues and share insights about developing leadership skills and building careers.

AT A GLANCE

- Private Companies Practice Section enters alliance with Small Business Administration to access a full range of resources for small firms and their clients.
- Resource-rich Human Capital Center begins helping firms with succession planning, recruiting, diversity and other staffing issues.
- New network forum to train future firm leaders launched.

CPA2Biz Offerings for Members, Clients and Employers

AT A GLANCE

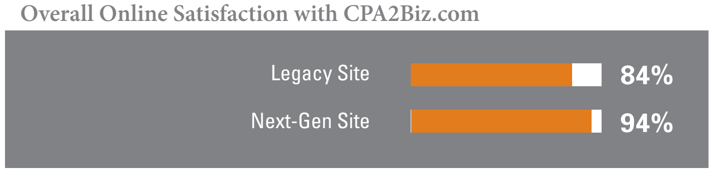
- A new next-generation Web site increased traffic and improved customer satisfaction.
- CPA2Biz partnered with AICPA to launch a Web site for IFRS resources on May 15.
- 20,000 firms have enrolled in Paychex Partner Program, a new Bill.com service was launched and Trusted Advisor Workshop enjoyed continued success.

Members have responded favorably to the new CPA2Biz Web site, which has been redesigned and reengineered with enhanced navigation, expanded content and a streamlined ordering process. The June 2007 upgrade has resulted in an increase in site traffic, now trending at approximately 500,000 unique visitors per quarter, as well as an increase in overall member satisfaction (based on surveys). CPA2Biz recently added more product reviews and information than ever, with full tables of contents and page excerpts available for most major publications and CPE titles. The site now also features customer reviews to help members make more informed purchase decisions. The CPA2Biz Web site was named to *Internet Retailer's Top 500 Guide to Retail Web Sites* in 2008 for the third consecutive year.

In light of the Securities and Exchange Commission's actions in late 2007 regarding a move toward accepting IFRS, CPA2Biz partnered with the AICPA to develop a Web site where CPAs can find myriad tools and resources to help them get acquainted with IFRS, the surrounding issues and support – available in anticipation of possible adoption by the SEC. By July 31, 2008, the site had seen significant traffic, with more than 50,000 unique visitors since its May 15, 2008, launch.

More than 20,000 firms are now enrolled in the Paychex Partner Program from AICPA Business Solutions – a significant milestone. During summer 2008, CPA2Biz also launched the Bill.com Accountant Program, enabling a great number of CPAs to more efficiently deliver basic accounting services to clients. Additionally, CPA2Biz's Trusted Advisor Workshop remains successful nationwide and 25 additional workshops are planned for the upcoming year, in addition to an online resource center.

Overall Online Satisfaction with CPA2Biz.com



Colleague Referral Rate to CPA2Biz.com

1,000,000

CPExpress courses completed

Continuing Professional Education to Fit All Members

Web Events and Online Courses for Ease and Convenience

This year, the AICPA expanded its Web-event offerings with live video and audio programs on topics important to the profession, including year-end tax topics, SEC updates, XBRL and the FASB's Accounting Standards Codification.

In July 2008, the one-millionth *CPExpress* course was completed. *CPExpress*, the AICPA's premium learning library, serves thousands of CPAs with an easy-to-use, cost-effective tool. With more than 900 online courses and 1,200 hours of CPE, *CPExpress* offers the ability to print CPE certificates on demand and complete CPE when it is most convenient.

The AICPA expanded its online presence with a new product line, AICPA Online Learning, which offers CPAs the opportunity to buy single online multimedia courses. These courses include current topics, such as International Financial Reporting Standards and the FASB's GAAP Codification, and on-demand versions of popular Webcasts with streaming video and conference sessions featuring audio of conference speakers.

Also this year, users of the popular CPE Online Grading site were surveyed and the site was reengineered to provide requested features, including feedback on exam questions, and improved usability.

AT A GLANCE

- Web offerings expanded with live video and audio programs.
- One-millionth *CPExpress* course completed.
- AICPA Online Learning product launched.
- CPE Online Grading site reengineered in response to users' feedback.
- Seminars reached highest-ever registration counts.
- Conference attendance up nearly 10 percent over last year.

85
THOUSAND

AICPA seminar attendees this year

24
THOUSAND

AICPA conference attendees this year

Seminars Nationwide Offer Group-Study Environments

Nearly 85,000 professionals looked to AICPA seminars (www.aicpalearning.org/seminars) for their education needs. Attendance was more than 10 percent higher than the previous year, and the registration counts were the highest ever. With more than 3,400 seminars nationwide each year, the AICPA works with the state CPA societies to offer the most relevant and beneficial topics. Over the past year, the Institute has developed timely and relevant CPE on topics such as fair value accounting, FASB Codification, IFRS, auditor communications, the new AICPA Peer Review Standards and many more. Twenty-five new courses are planned for the 2009 CPE season.

Conferences Continue to Gather Steam

More than 24,000 people attended AICPA conferences this past year, up nearly 10 percent over the prior year's attendance. The value of the Institute's conferences was demonstrated by the all-time high attendance of more than 2,050 people at the National Conference on Employee Benefit Plans. In addition, the Business Valuation School increased from two to five sessions. Likewise, the SEC/PCAOB conference, live in Washington, D.C., added a video stream in London. The inaugural International Issues Conference, held in January 2008, drew attendees from 14 countries.

Recruitment Is Critical

Start Here. Go Places. Campaign Continues to Yield Strong Results

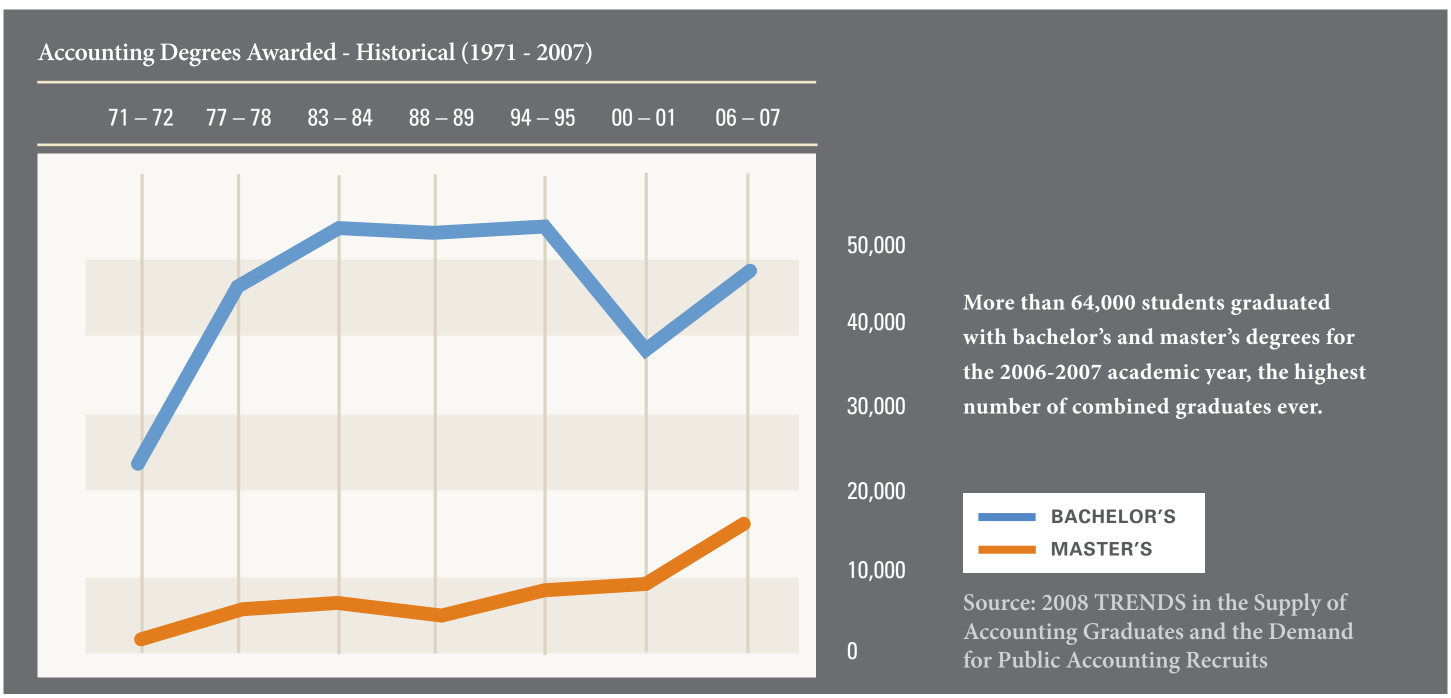
Start Here. Go Places., the profession's comprehensive student recruitment effort, continued into its seventh year. Adding to the usual prospects of college students, this year the successful campaign refocused its acquisition efforts on high school students, or "Generation Z." The renewed emphasis on this audience is in response to campaign results showing that the sooner students enter the Start Here. Go Places. program (www.StartHereGoPlaces.com), the longer they stay with it, and the more likely they are to major in accounting. In May 2008, the AICPA launched a new section of the StartHereGoPlaces.com Web site specifically designed for educators. An additional 74,500 students have registered with the Web site, bringing the total number of Start Here. Go Places. members to nearly 484,000.

Trends in Supply and Demand – Most Accounting Graduates Ever

The AICPA released its 2008 TRENDS report on the supply of accounting graduates and hiring practices by public accounting firms. The report, which includes enrollment, graduation and hiring activity for the 2006 – 2007 academic year, shows more than 64,000 students graduated with bachelor's and master's degrees – the highest number of graduates ever. In addition, more than 203,000 students enrolled in accounting programs at both the undergraduate and graduate levels. The report reveals that hiring by firms increased by 83 percent over the previous three years, and 67 percent of the firms that responded to the survey anticipate continued growth in hiring.

AT A GLANCE

- Start Here. Go Places. student recruitment campaign enters its seventh year, with continued success.
- 64,000-plus students graduate with accounting degrees – the most ever.
- Nearly 150 scholarships awarded to help students pursue accounting.
- Scholarships and partnerships help improve minority representation among CPAs.
- More than 70 of the largest accounting firms and 10 state CPA societies agreed to reach a $15 million target to fund a new Accounting Doctoral Scholars program.
- Computerized CPA Exam continues evolving to improve candidate experience.



More than 64,000 students graduated with bachelor's and master's degrees for the 2006-2007 academic year, the highest number of combined graduates ever.

Source: 2008 TRENDS in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits

37 States

103 Universities

137 Scholarships Awarded

$412,000 Amount of scholarships awarded to minority students in 2008

Scholarships Facilitate Pursuit of Accounting

Two highly recognized AICPA scholarship programs continue to encourage students to declare accounting as a major and pursue it as their career path. In 2008, the John L. Carey Scholarship program provided financial assistance to liberal arts degree holders pursuing graduate studies in accounting. The Foundation awards up to 10 competitive grants to students showing significant potential. Also in 2008, with the goal of improving diversity in the profession by directing new students into accounting, the Minority Scholarship Program awarded 137 scholarships totaling $412,000 to students at 103 different universities located in 37 states.

Opening Doors to Diversity

Again this year, the AICPA has enhanced its efforts to improve minority representation in the profession. In the Accounting Scholars Leadership Workshop, 100 minority accounting students (selected from more than 200 applicants) participated in programs designed to cultivate them as the profession's next generation of leaders. AICPA Minority Doctoral Fellowships led 98 percent of students who completed their Ph.D. programs to teach accounting at universities throughout the United States. Among several diversity partnerships, the AICPA supported the Association of Latino Professionals in Finance and Accounting by sponsoring its annual conference and providing two student scholarships, as well as sponsored the National Association of Black Accountants' annual conference and provided a student scholarship.

Boosting Accounting Faculty to Educate Future CPAs

In 2007, the AICPA Foundation continued its support for the Association to Advance Collegiate Schools of Business (AACSB) Bridge Program. The grant provides individual financial aid for experienced accounting professionals to transition to university teaching positions.

Beginning September 9, 2008, applications were accepted for a new Accounting Doctoral Scholars program to help reverse the shortage of Ph.D. accounting faculty in U.S. colleges and universities. The program, announced in July 2008, will be administered by the AICPA Foundation. To date, more than 70 of the largest public accounting firms and 10 state CPA societies have agreed to reach a $15 million funding target.

CPA Exam Changes to Improve Experience for CPA Candidates

Since the 2004 launch of the computer-based test (CBT) for the CPA Examination, the AICPA has followed a policy of continuous improvement by introducing measures to enhance the testing experience for candidates and improve operational efficiency of the examination program. This past year, the Board of Examiners embarked on a major initiative, CBT-e, to implement a number of examination improvements over the next several years (www.cpa-exam.org). CBT-e will transform the CPA Examination while meeting the goals of shortening the scoring timeline, improving the psychometric and operational examination quality, and enhancing the candidate experience.

AICPA® FOUNDATION

The AICPA Foundation was established in 1922 to advance the science of accountancy and accounting education. The Foundation:

- Champions the public benefit through education and information on financial issues and promotes financial literacy.
- Enlightens the public by providing independent analysis of key financial and business matters.
- Promotes cultural diversity within the profession to better serve a diversified workforce and customer base.
- Encourages ethical behavior in the financial and business world.
- Leverages a national presence to seek alliances and partnerships for greater collaboration so as to be considered the partner of choice for financial literacy education and cultural diversity initiatives.

418 Application packets mailed to prospective candidates within six weeks of Accounting Doctoral Scholars program announcement

Retention and Advancement to Keep CPAs in the Profession

AT A GLANCE

- Women comprise 50 percent of CPAs but 23 percent of partners; efforts aim to nurture women CPAs' career paths.
- California Society of CPAs joins Women to Watch Awards.
- New mentoring guide available.

Women Are Essential to CPA Supply

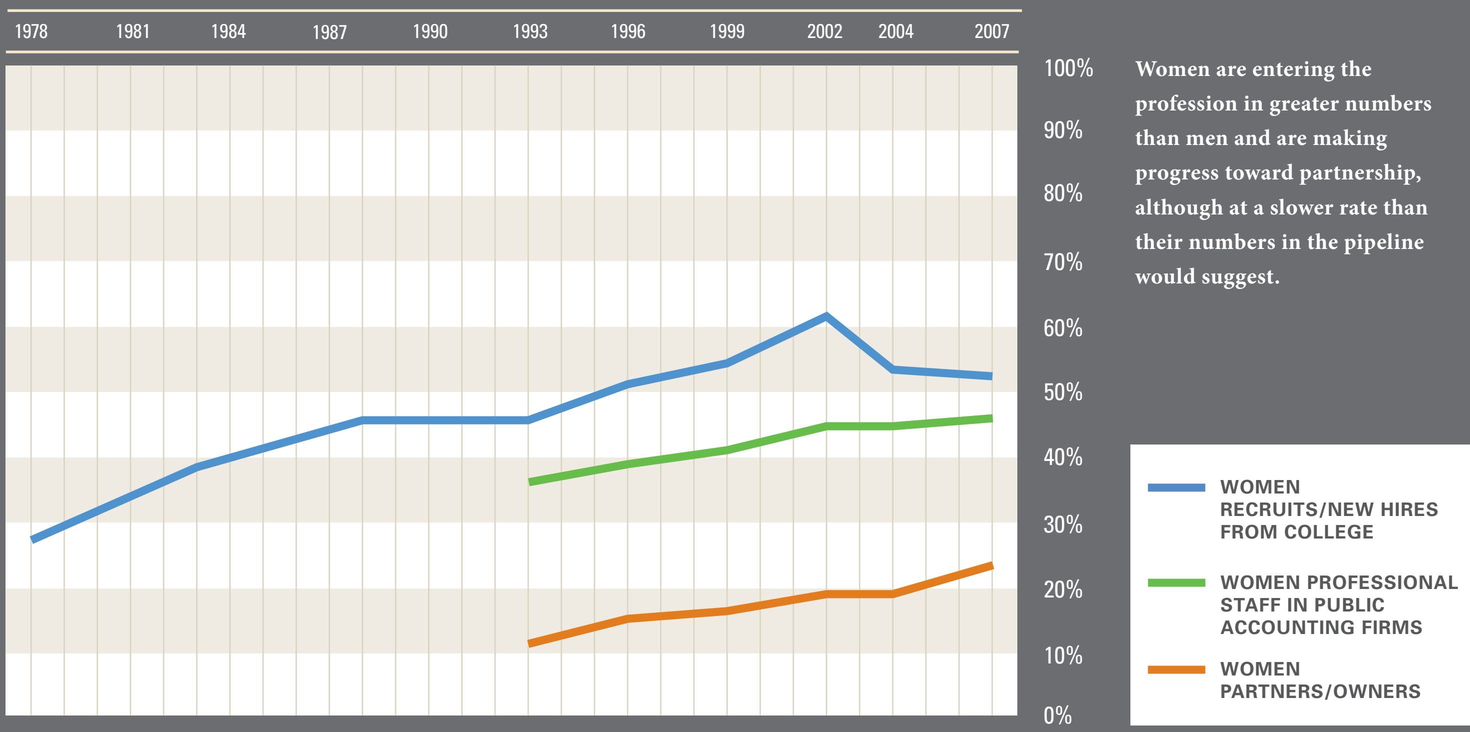
While women have made up nearly 50 percent of the accounting profession for more than 20 years, they represent only 23 percent of partners, although the number is at an all-time high. While they enter the profession in larger numbers than their male counterparts (52 percent of accounting graduates are female), statistics show women also leave the profession in much greater numbers. Too often, those who stay opt for non-partner career tracks, never making it to the upper echelons of leadership. One key to winning the competition for talent is to address the specific needs of female employees. The AICPA helps firms address this issue and implement innovative policies to improve the retention and advancement rates of their female talent.

Women to Watch Awards Recognize Leaders

Through a partnership with Robert Half International, the AICPA continued its efforts to support women CPAs by co-sponsoring the Women to Watch program, which honors women leaders in the profession. A significant development this year was that the California Society of CPAs announced it will begin participating in the program, joining Illinois, Missouri and New Mexico.

Source: Compiled from data in AICPA Supply and Demand reports since 1978

Women and the CPA Profession



Women are entering the profession in greater numbers than men and are making progress toward partnership, although at a slower rate than their numbers in the pipeline would suggest.

40,000

Subscribers to *The Edge,* a monthly e-newsletter for young CPAs

New Mentoring Guide Available

Research shows mentors are a powerful force for developing employees and organizations, from helping new hires feel welcome to building staff loyalty and retention. In fact, a lack of mentoring has been shown to be a barrier to advancement. CPAs looking to build a mentoring program can obtain help from a new how-to guide. The guide contains ready-to-use forms and checklists, and provides step-by-step guidance (www.aicpa.org/worklife).

Nurturing Young CPAs' Careers

The Young CPA Network is an online resource center for CPA professionals aged 35 and younger. Its Web site (www.aicpa.org/YoungCPANetwork) averages 7,000 visits per quarter, and features information and tools for those starting out in the profession. The site hosts an "Ask a CPA" feature that offers career mentoring for new members. The network's monthly e-news publication, *The Edge*, offers 40,000 subscribers advice and insight on professional issues, career development, CPE and work/life balance.

Sharing Expertise with the Public

AT A GLANCE

- CPA Financial Executives Economic Outlook Survey results appear in media with exposure to more than 40 million people.
- Tax season activities reinforce CPAs' reputation as the premier tax professionals.
- Financial literacy efforts reach more and more Americans and change behaviors.

Media Outreach Helps CPAs Spread Their Knowledge

The AICPA's media outreach efforts not only showcase CPAs' outstanding work and the profession's perspectives on important issues, they focus on disseminating information to the public through a multitude of communications channels: national and regional publications, television and radio programs, Web sites and business and accounting trade publications. Tax planning tips, retirement planning issues, smart spending ideas to generate savings, and coping with high gas prices are just some of the many topics for which CPAs dispensed financial-related suggestions. Starting on November 7, 2007, and continuing through the end of the year, members of the AICPA Personal Financial Planning Executive Committee and the Personal Financial Specialist Committee participated in a Web forum with *Investment News* to answer questions from readers. CPA executives provided their opinions on the U.S. economy through the AICPA's Economic Outlook Surveys, done in cooperation with the University of North Carolina's Kenan-Flagler Business School, and the findings of each survey were provided to the press, often resulting in circulation to more than 40 million people.

Reaching the Public with CPAs' Messages

TOP SUBJECTS	MEDIA MENTIONS	PEOPLE REACHED
Tax	437	921,000,000
360 Degrees of Financial Literacy	596	425,000,000
Business & Industry	371	139,000,000
PFP/PFS	242	198,000,000

3,435

2008 AICPA media mentions

Tax Activities to Help People

The AICPA helps CPAs fulfill their role as the nation's premier tax professionals by serving as a resource to policymakers; speaking out on tax issues on behalf of the public; and urging fairness and simplification in the tax rules. For example, in a measure the AICPA advocated, President Bush signed a bill authorizing a one-year alternative minimum tax (AMT) "patch" that prevented 19 million individual taxpayers from being subjected to the AMT and reduced some of the burden on the 4.2 million who still had to pay the tax for 2007. In another victory for the public, the AICPA worked with congressional officials for more than eight years on expatriation taxation to pass new provisions to ensure certain high-net-worth Americans who renounce their citizenship or relinquish a green card will pay taxes. These new rules will raise $411 million in revenue over the next 10 years to help pay benefits to military personnel under the Heroes Earnings Assistance and Relief Tax Act of 2008. The AICPA also regularly comments on the Internal Revenue Service Oversight Board's projects and priorities to ensure taxation and collection are responsive to taxpayers' needs.

19
MILLION

Taxpayers were helped by the AMT patch, which the AICPA strongly supported

Other activities take place during tax season to reinforce CPAs' position as the nation's premier tax professionals. The CPA Marketing Tool Kit's tax season items were updated to focus on current issues, garnering 2,724 downloads for the speech and 4,711 for the brochures. On December 20, 2007, the AICPA for the third year in a row hosted the Small Business Administration's Web chat, "Year-End Tax Savings for Your Small Business," responding to almost 40 questions from Webcast participants. Members of the AICPA's Individual Income Tax Technical Resource Panel teamed up with *Investment News* to offer online answers to tax questions submitted by financial advisers March 3 – April 15, 2008; "Ask the CPA Q&A" generated more than 3,500 page views. Continuing its long-standing tradition of providing *USA Today* readers with tax assistance, the AICPA provided CPA volunteers to answer tax questions for USAToday.com; the tax Q&A column ran every weekday from February 26 through April 15, 2008.

2,586,000,000

People reached

Helping Americans Live Better Lives

360 Degrees of Financial Literacy Campaign's Success Is America's Success

Four years since its launch, the 360 Degrees of Financial Literacy effort is demonstrating stellar results, thanks to the commitment of thousands of CPAs across America. More than 50 awards have been bestowed on the campaign in recognition of its importance and success.

As part of the campaign, new 360 Web banners ran from January through April and appeared on high-profile Web sites, such as the home pages of *The New York Times*, CNN, ABC and Fox Business. The placement of these spots helped to drive traffic to the 360 consumer site and contributed to almost 300,000 visits in April. Also that month, the AICPA co-sponsored the Financial Literacy Day on Capitol Hill, as well as the California Society of CPAs' California Summit on Financial Literacy in Sacramento. These events offered an opportunity to increase awareness among organizations, legislators and the media regarding the CPA profession's financial literacy efforts.

In October 2006, the AICPA and Ad Council launched a public service announcement (PSA) campaign called Feed the Pig to urge Americans between the ages of 25 and 34 to improve their savings and make smart financial decisions. Contributing to Feed the Pig's success as one of the top Ad Council campaigns was the television-network airing of more than 50,000 PSAs during programs such as *Good Morning America, Family Guy, Dateline NBC, Live With Regis and Kelly, The Today Show, Rachael Ray, The Late Show with David Letterman, The Tonight Show with Jay Leno, 20/20* and *Oprah.*

The campaign is changing behaviors of the target audience. According to a study conducted by the Ad Council in late 2007, individuals who have seen or heard a Feed the Pig PSA are more likely to change their financial behavior for the better. In fact, 37 percent of those who had been exposed to the PSAs said saving for the future was more important than spending now, as opposed to 20 percent who had not seen the campaign. They also were more willing to discuss ways to save money, visit a Web site to get more information on saving money, and bring lunch to work and/or eat leftovers.

100

THOUSAND

The Feed the Pig Web site receives about 4,000 visits per day, more than 100,000 individuals receive the Weekly Savings Tip email and the podcasts were downloaded more than 100,000 times

PER·FOR·MANCE *(noun)* 1. act, process or manner of performing or carrying out. 2. execution of a duty.

> **IN A GLOBAL ECONOMY** A global marketplace means CPAs participate in economies around the world. The AICPA has in the last year stepped up its efforts beyond U.S. borders to help CPAs with convergence of auditing and ethics standards and use of International Financial Reporting Standards.

> **IN FINANCIAL REPORTING** As the business environment has evolved and changed over time, the need for market-driven, timely financial reporting has emerged stronger than ever. The profession has been instrumental in improving financial reporting for investors and private businesses.

> **IN SERVICES TO CLIENTS AND EMPLOYERS** The AICPA helps CPAs keep informed of developments in their fields and helps members better use their talents and skills to deliver high-quality services.

America's CPAs on the International Stage

AT A GLANCE

- The AICPA begins a comprehensive awareness and education campaign to inform CPAs, financial professionals and accounting educators about International Financial Reporting Standards.
- Convergence of international auditing standards continues, as does convergence of ethics standards.
- The Global Accounting Alliance, of which the AICPA is one of nine members, establishes a process to address proposed international standards.
- Mexico, Canada and the U.S. renew mutual recognition agreement for CPAs.

CPAs Need to Get Ready for International Financial Reporting Standards

As the start of a major new initiative to educate financial statement preparers and users, auditors and accounting educators about International Financial Reporting Standards (IFRS) in light of possible adoption by the SEC for public companies, the AICPA on May 15, 2008, launched a Web site for IFRS resources. The Web site, developed in partnership with CPA2Biz, contains an AICPA Backgrounder on IFRS, FAQs, training courses, informative videos, support for audit committee members, articles for small firms and other tools.

Continuing professional education courses and other educational opportunities also are available to improve members' understanding of IFRS. Choices range from a full-day seminar course covering the significant differences and similarities between U.S. GAAP and IFRS, to sessions at several conferences, to a partnership with IASeminars offering internationally provided training courses in more than 100 cities in the U.S., to an on-demand CPE course capturing a live presentation made to the AICPA Board of Directors.

CPAs now are allowed to issue reports on IFRS financial statements without any reference to U.S. GAAP. The AICPA governing Council on May 18, 2008, recognized the International Accounting Standards Board as an international accounting standard setter in anticipation of possible mandatory adoption for public companies and optional use by private companies and non-profit organizations. The Auditing Standards Board and the Accounting and Review Services Committee subsequently issued interpretations to effect the change.

The AICPA is committed to helping members through an orderly transition and working with regulators on a structured process. Ongoing efforts will include collaborating with the Financial Accounting Foundation to develop a comprehensive project plan for an effective transition; educating CPAs about IFRS; working with accounting educators, textbook authors and educational institutions to prepare future professionals to use IFRS; making certain the voice of CPAs is heard internationally; and incorporating questions about IFRS into the Uniform CPA Examination.

8,000

Downloads of the AICPA's IFRS Backgrounder in its first three months of release

Auditing Standards Converging as Business Goes Global

CPAs in the United States will need to be familiar with the International Standards on Auditing (ISAs) as businesses, including smaller private companies, go global and as international standards in audit and attest services become accepted worldwide. CPA firms of all sizes may be required to perform engagements in accordance with these international standards (or equivalent national standards) to serve the international business community.

CPA firms of all sizes may be required to perform engagements in accordance with these international standards (or equivalent national standards) to serve the international business community.

The Auditing Standards Board (ASB) has been contributing to the creation of ISAs through the appointment of representatives on the International Auditing and Assurance Standards Board (IAASB). The ASB has worked closely with the IAASB to achieve consistent interpretation and implementation of the more recent statements on auditing standards (SASs) and ISAs, specifically SAS Nos. 104–111, the *Risk Assessment Standards*. As a result of the ASB's leadership role, the ASB has harmonized its agenda with the IAASB and is developing standards concurrently with new ISAs.

Keeping an Eye on Ethics Across Borders

By providing input to the AICPA representative on IFAC's International Ethics Standards Board for Accountants (IESBA), the AICPA's Professional Ethics Executive Committee (PEEC) is able to participate in the IESBA's standard-setting activities and communicate the U.S. perspective for consideration in the IESBA's deliberations of ethics matters. As part of its efforts to converge the AICPA Code of Professional Conduct with IFAC's Code for Professional Accountants, the PEEC has worked on its Framework for Meeting the Objectives of the Fundamental Principles and a proposed standard on "network firms." Based on member feedback, the PEEC continues evaluating these proposed standards to determine whether the guidance is appropriate for the U.S.

Representing America's CPAs Around the World

The AICPA now is represented on all standard-setting boards of the International Federation of Accountants (IFAC) as well as all other committees, supporting the AICPA's role as the largest member-body in IFAC. Former AICPA Chair Robert Bunting, who has served as deputy IFAC president since November 2006, will become president in November 2008 for a two-year term. Former AICPA Chair Olivia Kirtley serves as the first woman to represent the U.S. on the IFAC Board.

> **This past year the AICPA helped the GAA develop a process for addressing proposed international standards.**

The AICPA is one of the nine member institutes of the Global Accounting Alliance (GAA), established to promote quality services, share information and collaborate on important international issues. This past year the AICPA helped the GAA develop a process for addressing proposed international standards. In addition, in July 2008, the GAA launched "GAA Accounting" (www.gaaaccounting.com), a new online journal featuring in-depth articles on accounting, business, finance and related subjects.

U.S., Mexico, Canada Renew Agreement Facilitating Inter-Country Mobility

The AICPA and the National Association of State Boards of Accountancy (NASBA) represented the profession in renewing a five-year trilateral mutual recognition agreement (MRA) to facilitate reciprocity of credentials for qualified professional accountants from the U.S., Canada and Mexico, under provisions in the North Atlantic Free Trade Agreement (NAFTA). This MRA represents one of only two such agreements for all professions under NAFTA. The U.S. International Qualifications Appraisal Board also has mutual recognition agreements with the Institute of Chartered Accountants in Australia, CPA Australia and the Institute of Chartered Accountants in Ireland. Mutual recognition agreements facilitate cross-border mobility by streamlining the process for qualified professionals with accounting credentials to become certified and licensed in each other's countries, as recognized by individual state boards of accountancy.

Shaping Financial Reporting for the Marketplace

Adjusting Accounting Standards for Private Industry

One of the most significant recommendations from the Private Company Financial Reporting Committee (PCFRC; www.pcfr.org), a joint effort of the AICPA and the Financial Accounting Standards Board, was to delay the effective date of FIN 48, *Accounting for Income Taxes*, for private companies. The FASB granted a one-year delay in December 2007. The PCFRC has since asked the FASB to exempt private companies entirely from FIN 48 or, at a minimum, grant private companies indefinite deferral until an income tax convergence project is finished.

To aid the PCFRC's work to address the particular needs of private companies and the users of their financial statements, a Resource Group was formed. It is an informal network of more than 500 interested organizations and individuals who take surveys, provide input on comment letters, identify key issues and serve as a sounding board to the committee.

In addition to its work on existing and prospective accounting standards, the PCFRC is plotting a roadmap for private company financial reporting. It has formulated various possible models, including the private company use of International Financial Reporting Standards for private entities, a U.S.-adapted version of IFRS for private entities, IFRS with differential reporting, separate U.S. private company GAAP revised, and separate U.S. GAAP maintained and updated for private companies.

Making Accounting Standards More User-Friendly

The AICPA supported the *FASB Accounting Standards Codification™* and began several initiatives to help members understand and implement the new system. The codification, released on January 15, 2008, with a one-year verification period, reorganized thousands of accounting standards into about 90 identifiable topics. It not only reduces the complexity of complying with and researching accounting standards, it also will facilitate the eventual convergence with international standards. A free Webcast on May 15, 2008, helped members understand the FASB's Accounting Standards Codification. The Webcast was enormously popular, and was the second most-attended Webcast in AICPA history, with more than 2,000 live feeds, resulting in more than 10,000 viewers.

AT A GLANCE

- FASB delays for one year effective date of FIN 48 for private companies based on recommendation from the Private Company Financial Reporting Committee.
- The AICPA supports the FASB's codification, which flattens the GAAP hierarchy and houses all authoritative literature in one place.
- XBRL may soon be mandated for public company filings with the SEC.
- Trends leading to reporting and assurance opportunities explored.

The AICPA also set up a dedicated Web page to make resources readily available to members (www.aicpa.org/Professional+Resources/Accounting+and+Auditing/GAAP+Codification). It includes a summary of the codification, archived AICPA and FASB Webcasts, a *Journal of Accountancy* article, and information about a "Financial Reporting Alert" developed to provide guidance and instruction on performing accounting research using the codification. The AICPA will provide continued guidance on the codification in upcoming conferences and CPE courses.

XBRL Poised for Use in Public Company Filings

The SEC released a proposal on May 30, 2008, that would mandate public companies begin providing their financial statements in XBRL format under a three-year phase-in process starting December 2008. In response, the AICPA sent a comment letter to the SEC recommending a uniform adoption timeline, expanded grace periods and limited liability provisions during the phase-in to help firms shore up their XBRL knowledge and skills. The AICPA also developed a number of informational tools for members: continuing professional education; Webcasts, articles and presentations for both public practitioners and CPAs in business and industry; and Q&As.

45

State CPA societies participated in the 2008 PCPS/TSCPA National Management of an Accounting Practice Survey

XBRL Can Apply to Information Outside of Financial Statements

The Enhanced Business Reporting Consortium (EBRC), of which the AICPA is a founding member, is continuing efforts to create a global framework and related XBRL taxonomy to enable more effective reporting and XBRL tagging of information that is reported outside the financial statements, including key performance indicators, intangibles, value drivers and intellectual assets. To achieve this objective, the EBRC is collaborating with other global organizations and has joined the World Intellectual Capital Initiative as one of its seven founding members.

White Paper Addresses Trends Leading to Reporting and Assurance Opportunities

The Assurance Services Executive Committee finalized its white paper, "The Shifting Paradigm in Business Reporting and Oversight" (www.aicpa.org/Professional+Resources/Accounting+and+Auditing/BRAAS/downloads/AICPA_ASEC_Whitepaper_Final_20082008April_2008.pdf). The purpose of the paper, which has been downloaded more than 2,550 times, is to build awareness among members and the accounting profession on the significant trends giving rise to emerging reporting and assurance opportunities, and to lay out a plan that supports the continued importance and sustainability of the accounting profession in a changing world.

Specialized Resources

Succession Support Grows Stronger to Ensure Firms' Continuation

This year's follow-up to the landmark 2004 Private Companies Practice Section (PCPS) succession study examined the profession's progress in addressing the critical succession issue, and included a research report describing the results and how to respond to them. The survey results showed only 35 percent of multi-owner firms and 9 percent of sole practitioners have written succession plans. While these results are up 10 percent over the prior study, PCPS launched a new Succession Planning Resource Center to offer small and medium firms the resources they need to make their firms succession-ready. Several articles, products and Webcasts also address the succession issue (www.aicpa.org/pcps).

Enhanced PCPS/TSCPA MAP Survey Makes Benchmarking Easier for Firms

Improvements to the 2008 PCPS/TSCPA National Management of an Accounting Practice Survey made this valuable tool shorter and easier to complete. In addition, the results of the survey, which provide useful benchmarking information for small practitioners, were delivered in September 2008, sooner than in years past. A total of 45 state CPA societies were involved in the survey this year, showing increased interest in the survey each time it is done.

Valuable Tools for Tax Section Members

The Tax Section (www.aicpa.org/tax), with more than 24,000 members, created many popular tools to keep CPAs apprised of tax law changes, new developments and implementation support. Among these resources were checklists and practice guides, e-alerts, Webcasts and teleconferences, and discounts on *The Tax Adviser* and other tax practice tools. As an example of the value of tax material, more than 30,000 copies of the annual Tax Practice Guides and Checklists were downloaded this year.

AT A GLANCE

- Small firms get improved management benchmarking report and access to new Succession Planning Resource Center.
- Tax Section supports more than 24,000 members.
- Newly renamed Forensic and Valuation Services Section launches new credential.
- CPAs report on information technology trends.
- Personal financial planning study shows practices thriving.
- AICPA credentials show success.

24,000 Tax Section members

New Name Revitalizes Forensic Accounting & Valuation Services

The Business Valuation and Forensic & Litigation Services membership Section changed its name to the Forensic and Valuation Services (FVS) Section in recognition of this growing practice area. As a senior committee reporting to the AICPA Board of Directors, the FVS Executive Committee can set standards and make public statements without prior clearance of the board or governing Council. The FVS Section (www.aicpa.org/fvs) continues to support CPAs practicing in forensic accounting and valuation services, with more than 25,000 CPAs working in this area. CPAs can access Web seminars, e-communications, conferences and other helpful tools developed by the section.

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Information Technology Trends for CPAs to Watch

The AICPA's 19th Annual Top Technology Initiatives survey highlighted emerging trends and positioned CPAs as IT experts. To encourage use of the 2008 Top Technology Initiatives list – and offer members easy access to related tools and resources – the AICPA developed an interactive Top Technology Initiatives Toolkit (www.aicpa.org/toptech).

Personal Financial Planning Services Expand to Serve Growing Marketplace

To provide valuable practice management details for members, the AICPA Personal Financial Planning Section and the firm of Moss Adams released a landmark joint study of CPA financial planning and advisory practices. The AICPA/Moss Adams CPA Financial Planning Practice Study examines how successful planners manage their practices and studies the common challenges they face. The growth trend reported by the CPA financial planners/advisers who participated in the study has been about 35 percent year over year and on average greater than their industry peers have reported in similar studies.

35%

The average growth, year over year, reported by CPA financial planners/ advisers in a new study

The AICPA's Personal Financial Planning Section also shares its expertise with related financial professionals. The AICPA and Fiduciary360 (fi360) published the U.S. edition of the *Prudent Practices for Investment Advisors* handbook. The handbook adapts *Prudent Practices for Investment Fiduciaries*, as defined by the Foundation for Fiduciary Studies, to provide a framework for a disciplined investment process specific to investment advisers. The guidance enables investment fiduciaries to make informed and consistent decisions while also protecting consumer interests.

AICPA Credentials Show Success

The AICPA Board of Directors this past year decided to continue the Personal Financial Specialist, Accredited in Business Valuation and Certified Information Technology Professional Credential programs. Adding to the mix is the new Certified in Financial Forensics (CFF) Credential, launched in September 2008. Approved by the governing Council in May 2008, the CFF Credential will expand opportunities for members who perform financial forensic services and set them apart in the marketplace.

1,653

AICPA members have been approved to hold the CFF Credential in the first four months of its availability

AC·COUNT·A·BIL·I·TY *(noun)* **1.** an obligation or willingness to accept responsibility for one's actions. **2.** owning up to one's decisions.

> TO THE PROFESSION AND THE PUBLIC

CPAs are keenly aware they must embody the hallmark characteristics of a respected and valued profession and hold themselves and each other to the highest professional standards. The profession's reputation for objectivity, integrity and independence was earned through its long history of serving the public interest and its contributions to the financial health of businesses and individuals.

CPAs Hold Themselves and Each Other to High Standards

New Peer Review Standards Address Stakeholders' Needs with Clarity, Comparability and Understandability

To enhance program integrity and usefulness, the AICPA's Peer Review Board (PRB) in March 2008 published substantial revisions to the *Standards for Performing and Reporting on Peer Reviews (Standards)* and interpretations to the *Standards* that are designed to meet stakeholder's needs. The most significant revisions include more principles-based *Standards*, changes to engagement and report reviews and a reengineered reporting process that will enhance clarity, comparability and understandability through a shorter and more concise peer review report. The new standards will be effective for peer reviews commencing on or after January 1, 2009.

Qualified, Sufficient Peer Reviewers Are Critical to Peer Review Process

Continuing the campaign launched in 2007 to recruit and train new reviewers, the Peer Review Board co-sponsored training courses with 11 state CPA societies, posted practice management tool kits, and is currently developing a video that will showcase the value of peer review from both the reviewer's and the firm's perspective. Details on the training, toolkits and information on how to become a peer reviewer are available on the AICPA Peer Review Web site (www.aicpa.org/members/div/practmon/practitioners_toolkit.asp).

State Boards Accessing Peer Review Reports Strengthens Firms' Public Interest Charge

Firms will have the opportunity to demonstrate their public interest responsibility, having responded to the regulatory and market needs for increased transparency of peer review results. The AICPA and state CPA societies have worked together to create a nationally uniform system through which CPA firms can satisfy state board of accountancy peer review submission requirements. The program allows AICPA members to permit the state society administering entity to provide access to peer review results to state boards via a state-board-access-only Web site. Six states participated in the system's pilot and more will be involved in the program's early adoption throughout 2008.

AT A GLANCE

- New standards for performing and reporting on peer reviews issued to meet stakeholders' needs.
- Recruitment and training of peer reviewers continued with courses, tool kits and a video showcasing peer review's value for reviewers and firms.
- State CPA societies permitted to provide access to firms' peer review results to state boards of accountancy through a dedicated Web site.
- The three Audit Quality Centers continue to serve member firms by providing news and information, tools, forums and other resources to enable quality services where public reliance is paramount.

Audit Quality Centers

Three Audit Quality Centers provide CPAs with the updates, education and resources they need to perform high-quality services. All three Audit Quality Centers maintained their membership numbers or experienced growth this past year, underscoring their importance and value to CPA firms.

The Governmental Audit Quality Center (GAQC) (www.aicpa.org/GAQC) recently reached the 1,000-member firm milestone, a 29 percent increase in membership over last year. Member firms audit approximately 81 percent of federal expenditures covered in single audits performed annually by CPA firms. The GAQC provides its members with many tools to help them navigate the complexity of governmental audits, including electronic alerts and newsletters, conference calls, an annual Webcast with a new option for continuing professional education, and other helpful tools. Over the last year, the GAQC established seven task forces to address findings and recommendations in a June 2007 federal single audit quality study that highlighted needed improvements in many areas. The center also continues to interact with the various federal regulators that oversee these audits, and works to educate other stakeholder organizations involved in the single audit process about the importance of hiring qualified auditors.

The Employee Benefit Plan Audit Quality Center (EBPAQC) (www.aicpa.org/EBPAQC) has grown to more than 1,570 firms, an increase of 17 percent over last year, and expanded the resources and benefits available to members. The EBPAQC sponsored CPE conference calls on new and emerging issues for benefit plan audits – including the new Risk Assessment Standards, Form 11-K audits and alternative investments – and established online resource centers that provide helpful tools for plan auditors and sponsors. More than 1,725 members share information and insights on more than 875 topics in the Online Discussion Forum. Plan Advisories on "Valuing and Reporting Plan Investments" and "The Importance of Internal Controls in Financial Reporting and Safeguarding Plan Assets" were issued to provide essential guidance. So that schools and charities can comply with new Department of Labor filing and audit requirements for section 403(b) plans, the EBPAQC established a joint task force to develop the necessary communications and implementation tools for CPAs.

800

Member firms benefit from the CAQ's activities, tools and resources

The Center for Audit Quality (CAQ; www.thecaq.org), which is affiliated with the AICPA, embarked on an ambitious effort to improve financial reporting through its 10-city Public Dialogue Tour. The CAQ also reached out to investors and other market stakeholders, forged solid relationships with federal regulators and served as a valuable professional resource for its approximately 800 member firms (in part by issuing dozens of technical alerts and hosting Webcasts on topical issues). In March 2008, a CAQ survey found that more than three-quarters of audit committee members rate overall audit quality very

+29%

Increase in Governmental Audit Quality Center Membership

+17%

Increase in Employee Benefit Plan Audit Quality Center Membership

good or excellent, with 82 percent saying it has improved since passage of the Sarbanes-Oxley Act. The CAQ also has worked closely with two important federal advisory panels: the Treasury Department's Advisory Committee on the Auditing Profession and the SEC's Advisory Committee on Improvements to Financial Reporting. The CAQ also routinely comments on issues before the Securities and Exchange Commission and the Public Company Accounting Oversight Board and works with the agencies' staffs to discuss practice issues affecting public company auditors.

Standards Projects Address Clarity, Convergence and Reliability

Auditing Standards to Be Clearer and Converged with International Auditing Standards

To aid members' understanding of generally accepted auditing standards and improve compliance with their requirements, all auditing standards are being redrafted over the next three years to a format that clearly identifies objectives, relevant definitions, requirements and application material. As part of the Auditing Standards Board's convergence with the standards of the International Auditing and Assurance Standards Board, proposed statements on auditing standards will be redrafted using a corresponding International Standard on Auditing as the basis.

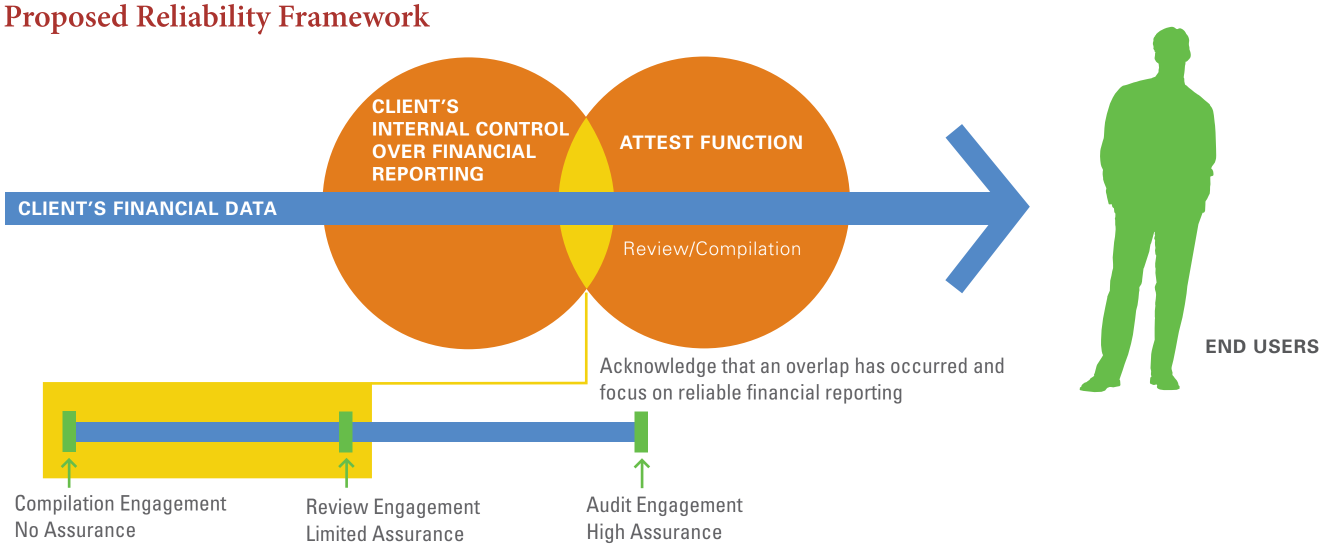
Audit Committees Get Support on Risk Oversight, Fiduciary Responsibility, IFRS

The AICPA created a new workshop, "The Audit Committee's Role in Risk Oversight," to help boards and executive management understand enterprise risk management and effective governance. Other valuable resources in this area include the second edition of the Audit Committee Toolkit for Public Companies (www.aicpa.org/audcommctr) and an International Financial Reporting Standards Primer for Audit Committees.

AT A GLANCE

- Two major projects are underway in the audit and attest areas. One is making auditing standards more understandable and usable and converging them with international audit standards. The other is exploring a framework that emphasizes information quality and reliability rather than certain forms of independence for limited assurance engagements.
- A new workshop was created to help audit committee members understand enterprise risk management; a paper on managing the business risk of fraud was issued jointly with other organizations; and a Treasury Department committee on the auditing profession completed its work.

Proposed Reliability Framework



Reliability Project for Review Engagements Focuses on Information Quality

Many financial statement users want the CPA firm most closely associated with a company to perform the company's review engagement because that CPA firm has an increased level of knowledge about the company's operations. The Accounting and Review Services Committee (ARSC) is working on a standard-setting project that would enable CPAs to perform limited assurance engagements (reviews) for clients when the external CPA performs certain control services. The accountant would still be precluded from providing any assurance service when he or she has a financial or relationship interest in the company. It is expected that current compilation and review standards will be maintained. The ARSC is working toward exposing a new standard in late 2008 or in the spring of 2009.

Securing the Profession's Role in the Capital Markets

AICPA President and CEO Barry Melancon was one of the accounting profession's representatives on the Advisory Committee on the Auditing Profession, formed by the U.S. Treasury Department in October 2007. He also served on one of its three subcommittees. The committee was established to encourage a more sustainable auditing profession as part of the effort to enhance U.S. capital market competitiveness. It was charged with developing recommendations in light of the importance of the auditing profession's role in the business marketplace. A final report with the committee's recommendations was released on October 7, 2008 (www.treasury.gov/offices/domestic-finance/acap/).

New Guidelines Will Help CPAs Prevent and Detect Fraud

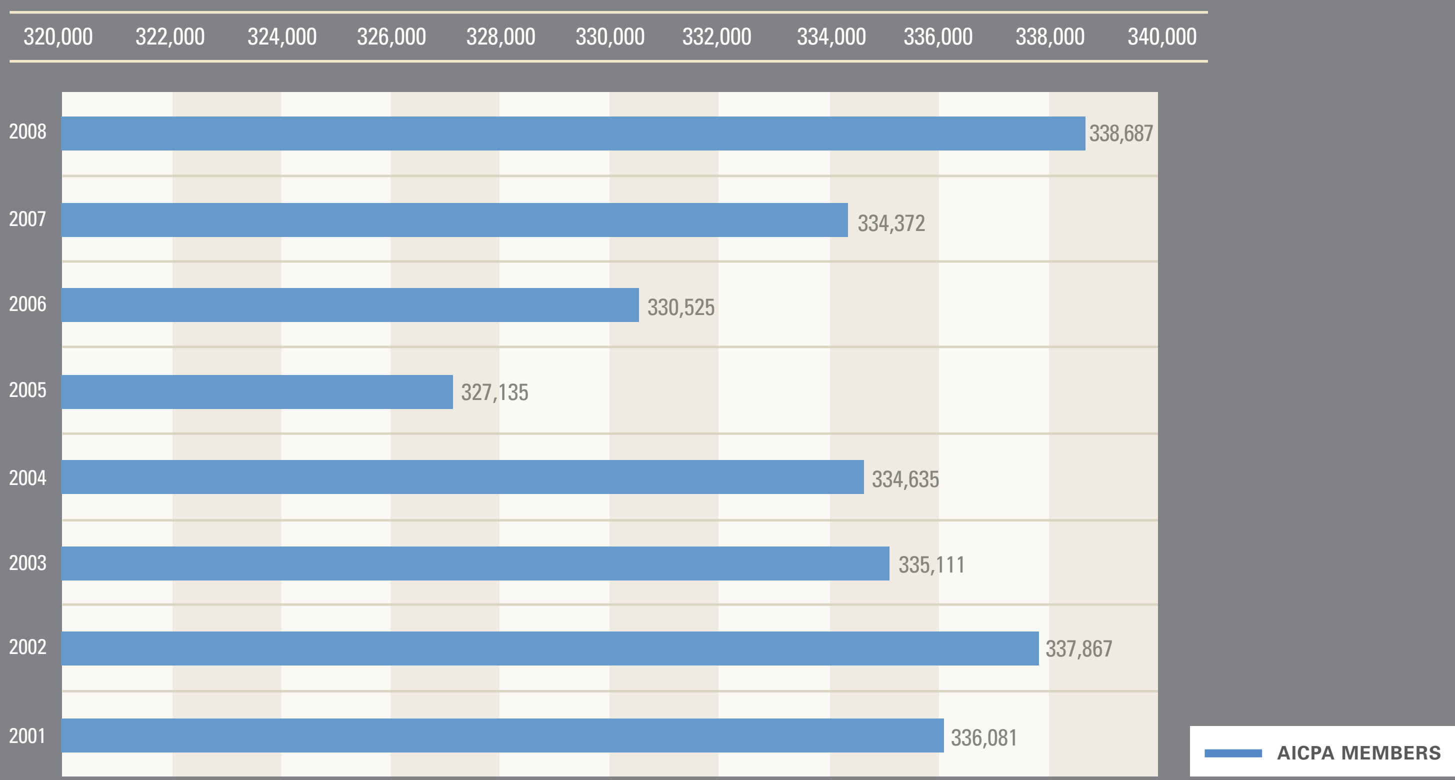
New guidelines for fighting fraud were released jointly by the AICPA, The Institute for Internal Auditors and the Association of Certified Fraud Examiners in July 2008. *Managing the Business Risk of Fraud: A Practical Guide* (www.aicpa.org) provides a practical approach for companies committed to preserving stakeholder value. It can be used to assess or improve an organization's fraud risk management program, or to develop an effective program where none exists.

2008 FINANCIALS

FI·NAN·CIALS *(noun plural)* 1. provide specific information about a company's financial position and activities. They include the Income Statement, the Balance Sheet and the Statement of Cash Flows.

Sources and Occupations of AICPA Membership

Total AICPA Membership Since 2001



2008 Total AICPA Membership — 338,687 Members

Public Accounting	42%
Business and Industry	41.6%
Education	2.3%
Government	3.5%
Retired & Misc.	10.6%

Membership in Public Practice — 142,249 Members

Firms with one member	21.3%
Firms with 2-9 members	27.2%
Firms with 10 or more members	23.4%
25 largest firms	28.1%

Management's Discussion and Analysis

As the premier national professional organization for CPAs, the AICPA's mission is to provide members with the resources, information and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. A fundamental principle of our operations is to maintain fiscal responsibility while pursuing these objectives.

During Fiscal 2008, we made significant strides in several key professional issues. On the legislative front, we were able to equalize tax reporting standards for the taxpayer and tax practitioner and also expanded our CPA mobility initiative. Regarding our recruitment efforts to increase the number of CPAs in the pipeline, our student recruitment campaign entered its seventh year and continues to attract students into the accounting profession, contributing to record numbers of accounting graduates. In addition, the AICPA Foundation (Foundation) launched the Accounting Doctoral Scholars (ADS) program to reverse the shortage of Ph.D. accounting faculty in U.S. colleges and universities. Our financial literacy program continues to demonstrate success and has won more than 50 awards. To begin to prepare CPAs for International Financial Reporting Standards, we launched a comprehensive educational effort focused on providing financial statement preparers and users, auditors and accounting educators with information to help them through the transition. And to enhance the peer review program's integrity and usefulness, we implemented substantial revisions to the peer review standards, which become effective for peer reviews commencing on or after January 1, 2009.

The combined financial results reflect our total operating revenue exceeding $200 million for the first time. In achieving this milestone, our voting membership surpassed 338,000 members. These members help demonstrate a commitment to the public as well as employers and clients by consistently performing quality services and holding themselves and each other accountable to the highest professional standards.

A detailed account of our broad range of activities is provided in this Annual Report, and it is important to place this Management Discussion and Analysis in the context of the achievements and challenges experienced during Fiscal 2008.

REPORT ON OPERATIONS

Computerized CPA Examination

The computerized CPA Examination (Exam) is delivered through a tri-party agreement (Agreement) between the National Association of State Boards of Accountancy, Prometric and the AICPA. The AICPA accounts for the Exam on a break-even basis over the life of the Agreement. The AICPA had approximately $44.0 million in net deferred costs associated with the Exam reflected in its Combined Statement of Financial Position at July 31, 2007.

Fiscal 2008 marked the second straight year where the Exam's revenue exceeded expenses, as the AICPA recognized revenue of $16.5 million and expenses of $13.2 million. Accordingly, costs equal to the revenue recognized in the current year have been expensed, with the excess of revenue over expenses of $3.3 million recognized as a reduction of deferred costs. As such, at July 31, 2008, the balance of approximately $40.7 million of net deferred costs is reflected in the Combined Statement of Financial Position.

Three main factors affect the recoverability of deferred costs associated with the Exam and are tested annually for impairment: (1) future candidate volume; (2) future price increases; and (3) cost management. Given these factors and the financial performance in Fiscal 2008, the projections continue to reflect the AICPA's belief that the deferred costs associated with the Exam will be fully recovered over the life of the Agreement.

The candidate cost to take the examination is set by each licensing jurisdiction and currently ranges between $655 and $1,280, assuming a candidate takes all four parts. The AICPA currently earns $80 per section or $320 for a candidate taking all four parts of the examination regardless of the candidate charge set by the licensing jurisdiction. Pursuant to the rights granted in the Agreement, for candidates taking the Exam after January 1, 2009, a price increase has been announced, which will increase the test section fee from $80 to $95.

To finance this critical professional initiative, the AICPA incurred debt that was suitable and appropriate for this type of investment. As of July 31, 2008, the AICPA had total outstanding debt related to the Exam of $30.7 million, which consisted of a $25 million, 7-year term loan and a $5.7 million interest-free loan from Prometric.

Long-term Debt

At July 31, 2008, the Institute had total long-term debt of $53.2 million, of which $30.7 million pertains to the initial development of the Exam, as previously mentioned. The remaining $22.5 million represents the outstanding balance on the Council-approved financing obtained to relocate the AICPA's operations to North Carolina.

Management will evaluate opportunities to retire this existing debt sooner than the current maturity dates, as cash flow permits.

Defined Benefit Plans

Management reviews the design of its defined benefit pension and other postretirement plans (Plans) on a regular basis to assess opportunities to manage the exposure that market fluctuations may create in our financial statements. During Fiscal 2007, management recommended a plan amendment (Amendment) that was approved by the Board of Directors. The Amendment provided for a plan freeze on April 30, 2017, which means that no further benefit accruals will occur after this date.

2008 Operating Revenue by Activity

Membership Dues	50.1%
Professional Development & Member Service Conferences	19.5%
Publications	13.1%
Investment & Other Income	9.4%
Professional Examinations	7.9%

In Fiscal 2008, the AICPA, like many organizations, endured a volatile financial market, which negatively impacted the market value of the assets in the AICPA's defined benefit pension plan. This volatility was partially offset by a higher discount rate. The net result of these two factors led to the recognition of additional pension expense of $3.3 million. The AICPA continues to monitor the market volatility and interest rate environment and its potential impact to operating results in Fiscal 2009.

Relocation to North Carolina

In October 2005, the AICPA's management team submitted a plan that was approved by the AICPA's Board of Directors and Council to relocate a substantial portion of its Jersey City, New Jersey (Jersey City) operations to Durham, North Carolina, in order to manage its cost structure and budget in the most effective way. In connection with that plan, the AICPA identified approximately 400 positions that would be affected by the relocation, impacting staff predominantly located in Jersey City. The implementation of the relocation plan began in August 2006 and was completed by July 2007.

In July 2008, the AICPA executed a partial termination of its Jersey City lease with its landlord for approximately $9.1 million. This partial termination represented 52% of the approximately 206,000 square feet that were available to be sublet. Contemporaneous to the termination, the landlord executed a long-term lease for this space with a third-party. This party has an option that expires on November 30, 2008, to further expand into 60,000 square feet of the AICPA's remaining space. If such option is executed by this party, then the AICPA would be required to execute another partial lease termination with the landlord.

Due to current market conditions, management was unable to secure a subtenant for the remaining space during 2008. After considering information provided by the AICPA's real estate consultants, management reassessed its initial estimate of probable costs and the sublease timeline associated with the remaining space, which continues to be actively marketed. Management continues to actively market the remaining space.

CPA2Biz

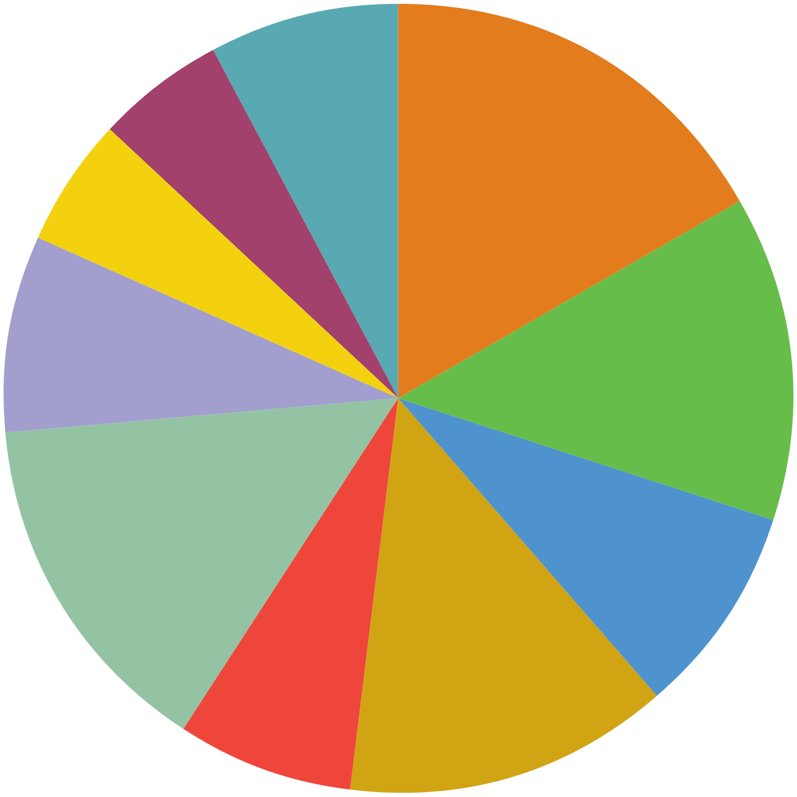
In Fiscal 2008, CPA2Biz's revenue grew 11% to $19.1 million while generating net income of $0.9 million, delivering its fourth consecutive year of operating profit. In addition, its next generation Web site, launched in June 2007, helped drive increased online sales and overall member satisfaction and was ranked in *Internet Retailer's Guide to Top 500 Retail Web Sites* for the third straight year.

CPA2Biz launched the Bill.com Accountant Program, developed around a Web-based bill management platform that enables CPAs to deliver basic accounting services more efficiently to clients. CPA2Biz also saw continued success with its Trusted Advisor Program, delivering workshops in more than 25 states.

FINANCIAL RESULTS

These combined financial statements include the accounts of the AICPA, its subsidiaries CPA2Biz, Inc. and NorthStar Conferences, LLC (NorthStar), and the Related Organizations. The AICPA and NorthStar are not responsible for any liabilities or other obligations of CPA2Biz or the Related Organizations included in the combined financial statements. Below are highlights from our combined financial statements as of and for the year ended July 31, 2008:

- Total assets on a combined basis were $220.2 million in 2008 compared to $227.4 million in 2007. The decrease primarily stems from lower marketable securities and lower deferred costs for the reasons



2008 Operating Expenses by Activity

previously mentioned. These decreases are partially offset by increased cash and cash equivalents due to higher advance dues as a result of our email dues campaign to encourage our membership to use our new online dues system and increased accounts and notes receivable based on higher revenue.

- Total liabilities on a combined basis were $173.2 million in 2008 compared to $178.9 million in 2007. The decrease is largely attributable to the lower accounts payable and other liabilities as a result of lower expense in Fiscal 2008, lower accrued relocation expenses as a result of the partial lease termination previously mentioned, lower long-term debt associated with the principal payments made in Fiscal 2008 and lower deferred employee benefits as a result of meeting the funding targets prescribed by the Pension Protection Act of 2006. Such declines are offset by the increase in advance dues.

- Operating revenue on a combined basis was $210.3 million in 2008 compared to $193.7 million in 2007. The revenue increase is primarily attributable to higher dues with higher rates and increases in retention levels, higher publications revenue attributable to an increase in licensing sales, higher professional development revenue due to growth in the conferences and Webcasts product lines, higher professional examinations revenue due to higher Exam candidate volume and per-section testing fees and higher contributions revenue as a result of the ADS program launched by the Foundation.

- Operating expenses on a combined basis were $205.5 million in 2008 compared to $213.0 million in 2007. Supporting activities declined by $23.1 million as a result of lower relocation expenses, which is offset by an increase in Program services of $15.6 million due primarily to a full year of operating expenses for the Center for Audit Quality and higher professional examinations expenses due to higher Exam volume.

- Cash provided by (used in) operating activities was $19.0 million in 2008 compared to ($21.9) million in 2007. This change is a result of higher advance dues and higher revenue in 2008. Cash provided by (used in) investing activities was ($8.1) million in 2008 compared to $10.5 million in 2007. This change is primarily due to lower net proceeds from the sale and purchase of marketable securities associated with fewer investment manager changes made in Fiscal 2008, combined with fewer purchases of amortizable assets, furniture and technology in Fiscal 2008. Cash provided by (used in) financing activities was ($8.0) million in 2008 compared to $24.1 million in 2007. The net cash outflow in Fiscal 2008 was solely attributable to the repayment of long-term debt while the net cash inflow in Fiscal 2007 was primarily attributable to the proceeds of long-term debt used to finance the relocation.

CONCLUSION

The AICPA will continue its focus on serving the public interest and supporting our members. Expanding on the initiatives outlined above, as well as the multitude of initiatives highlighted throughout this Annual Report, we continue to invest in programs that maintain the CPA's place as the trusted expert who helps individuals and organizations envision and shape their financial future characterized by Commitment, Performance and Accountability.

Management believes that the AICPA has sufficient liquidity and working capital to meet its needs in the upcoming fiscal year. Management is carefully monitoring the current economic conditions and their possible impact on the Fiscal 2009 operating results.

Management's Responsibilities for Financial Statements and Internal Control

Financial Statements

The financial statements of the American Institute of Certified Public Accountants and Related Organizations (the "Institute") were prepared by management, which is responsible for their reliability and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Board of Directors, operating through its Audit Committee, which is composed entirely of directors who are not officers or employees of the Institute, provides oversight of the financial reporting process and safeguarding of assets against unauthorized acquisition, use or disposition. The Audit Committee annually recommends the appointment of independent public accountants and submits its recommendation to the Board of Directors, and then to the governing Council, for approval.

The Audit Committee meets with management, the independent public accountants and the internal auditor; approves the overall scope of audit work and related fee arrangements; and reviews audit reports and findings. In addition, the independent public accountants and the internal auditor meet separately with the Audit Committee, without management representatives present, to discuss the results of their audits, the adequacy of the Institute's internal control, the quality of its financial reporting, and the safeguarding of assets against unauthorized acquisition, use or disposition.

The financial statements have been audited by an independent public accounting firm, J.H. Cohn LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the governing Council, the Board of Directors and committees of the Board. The Institute believes that all representations made to the independent public accountants during their audits were valid and appropriate.

The report of the independent public accountants follows this statement.

Internal Control

The Institute maintains internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition which is designed to provide reasonable assurance to the Institute's management and Board of Directors regarding the preparation of reliable financial statements and the safeguarding of assets. Internal control includes a documented organizational structure, a division of responsibility, and established policies and procedures, including a code of conduct, to foster a strong ethical climate.

Established policies are communicated throughout the Institute and enhanced through the careful selection, training and development of its staff. Internal auditors monitor the operation of internal control and report findings and recommendations to management and the Board of Directors. Corrective actions are taken, as required, to address control deficiencies and implement improvements.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even the most effective internal control can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets. Furthermore, the effectiveness of internal control can change with circumstances.

The Institute has assessed its internal control over financial reporting in relation to criteria described in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Institute believes that, as of July 31, 2008, its internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition met those criteria.

J.H. Cohn LLP was also engaged to report separately on the Institute's assessment of its internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition.

The report of the independent public accountants follows this statement.

Barry C. Melancon, CPA
President and CEO

Anthony J. Pugliese, CPA, CITP
Senior Vice President —
Finance, Membership and Operations

Reports of Independent Public Accountants

To the Members of the American Institute of Certified Public Accountants

We have examined management's assertion, included in the accompanying statement of management's responsibilities for financial statements and internal control, that the American Institute of Certified Public Accountants and Related Organizations maintained effective internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition as of July 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management is responsible for maintaining effective internal control over financial reporting and over safeguarding of assets, and against unauthorized acquisition, use or disposition. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition; testing and evaluating the design and operating effectiveness of the internal control; and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that the American Institute of Certified Public Accountants and Related Organizations maintained effective internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition as of July 31, 2008, is fairly stated, in all material respects, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

J. H. Cohn LLP

J.H. Cohn LLP
Roseland, New Jersey
September 17, 2008

To the Members of the American Institute of Certified Public Accountants

We have audited the accompanying combined statements of financial position of the American Institute of Certified Public Accountants and Related Organizations as of July 31, 2008 and 2007, and the related combined statements of activities, preferred stock and net assets and cash flows for the years then ended. These financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the American Institute of Certified Public Accountants and Related Organizations as of July 31, 2008 and 2007, and the changes in their net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, in 2007, the American Institute of Certified Public Accountants and Related Organizations adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*.

J. H. Cohn LLP

J.H. Cohn LLP
Roseland, New Jersey
September 17, 2008

Financial Statements
July 31, 2008 and 2007

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND RELATED ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
JULY 31,

	2008	2007
	($000)	
ASSETS:		
Cash and cash equivalents	**$ 23,282**	$ 20,379
Marketable securities	**99,701**	103,596
Accounts and notes receivable (less an allowance for doubtful accounts: 2008, $2,550; 2007, $2,180)	**13,154**	12,245
Contributions receivable (net of discount)	**465**	
Deferred costs and prepaid expenses	**51,403**	56,553
Goodwill and other intangible assets	**12,553**	14,336
Furniture, technology and leasehold improvements, net	**19,690**	20,298
Totals	**$ 220,248**	$ 227,407
LIABILITIES:		
Accounts payable and other liabilities	**$ 26,244**	$ 29,166
Accrued relocation expenses	**9,376**	20,100
Advance dues	**47,370**	29,812
Unearned revenue	**11,759**	10,398
Long-term debt	**53,214**	61,223
Deferred rent	**13,886**	14,064
Deferred employee benefits	**11,332**	14,110
Total liabilities	**173,181**	178,873
PREFERRED STOCK AND NET ASSETS:		
Preferred stock of C2B	**83,657**	87,354
Net assets:		
Unrestricted:		
AICPA and related organizations	**38,172**	40,508
C2B	**(77,131)**	(80,867)
Total unrestricted	**(38,959)**	(40,359)
Temporarily restricted	**1,721**	891
Permanently restricted	**648**	648
Total net assets	**(36,590)**	(38,820)
Total preferred stock and net assets	**47,067**	48,534
Totals	**$ 220,248**	$ 227,407

The accompanying notes to financial statements are an integral part of these statements.

	2008	2007
	($000)	
CHANGES IN NET ASSETS:		
Operating revenue:		
Dues	**$ 105,376**	$ 97,602
Publications	**27,629**	25,093
Professional development and member service conferences	**40,969**	37,709
Investment and sundry income	**17,107**	20,546
Professional examinations	**16,606**	11,658
Contributions	**2,638**	1,057
Total operating revenue	**210,325**	193,665
Operating expenses:		
Program services:		
Publications	**26,085**	25,586
Professional development and member service conferences	**34,732**	33,435
Member services:		
Regulation and legislation	**29,270**	22,269
Technical	**14,838**	14,539
Publications	**1,339**	1,825
Other	**10,341**	7,515
Professional examinations	**16,860**	12,485
Communications and public relations	**10,750**	10,627
Support and scholarships	**4,794**	4,796
Assistance programs	**729**	1,065
Supporting activities:		
General management	**20,110**	15,504
Organization and membership development	**10,732**	10,767
Technology	**17,778**	20,554
Relocation	**7,099**	32,000
Total operating expenses	**205,457**	212,967
Excess (deficiency) of operating revenue over expenses	**4,868**	(19,302)
Gains (losses) on marketable securities:		
Realized	**6,580**	8,983
Unrealized	**(12,963)**	2,103
Totals	**(6,383)**	11,086
Change in net assets before minority interest and effect of adoption of recognition and measurement date provisions of SFAS 158	**(1,515)**	(8,216)
Minority interest	**48**	144
Change in net assets before effect of adoption of recognition and measurement date provisions of SFAS 158	**(1,467)**	(8,072)
Effect of adoption of recognition and measurement date provisions of SFAS 158		(638)
Change in net assets	**(1,467)**	(8,710)
Net assets, beginning of year	**(38,820)**	(30,110)
Conversion of preferred stock into common stock	**3,697**	
Net assets, end of year	**$ (36,590)**	$ (38,820)

The accompanying notes to financial statements are an integral part of these statements.

COMBINED STATEMENTS OF PREFERRED STOCK AND NET ASSETS JULY 31,

($000)

	AICPA and Related Organizations	C2B	TOTAL
2008:			
Preferred stock		**$ 83,657**	**$ 83,657**
Net assets:			
Unrestricted	**$ 38,172**	**(77,131)**	**(38,959)**
Temporarily restricted	**1,721**		**1,721**
Permanently restricted	**648**		**648**
Total net assets	**40,541**	**(77,131)**	**(36,590)**
Totals	**$ 40,541**	**$ 6,526**	**$ 47,067**
2007:			
Preferred stock		$ 87,354	$ 87,354
Net assets:			
Unrestricted	$ 40,508	(80,867)	(40,359)
Temporarily restricted	891		891
Permanently restricted	648		648
Total net assets	42,047	(80,867)	(38,820)
Totals	$ 42,047	$ 6,487	$ 48,534

The accompanying notes to financial statements are an integral part of these statements.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND RELATED ORGANIZATIONS

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31,

	2008	2007
	($000)	
Increase (decrease) in cash:		
Operating activities:		
Cash received from members and customers	**$ 223,252**	$ 173,895
Interest and dividends received	**3,912**	4,380
Cash paid to suppliers, employees and others	**(203,834)**	(196,186)
Interest paid	**(3,164)**	(2,646)
Income taxes paid	**(1,150)**	(1,357)
Net cash provided by (used in) operating activities	**19,016**	(21,914)
Investing activities:		
Payments for purchase of amortizable assets	**(2,943)**	(536)
Payments for purchase of furniture and technology	**(2,675)**	(7,776)
Payments for purchase of marketable securities	**(59,377)**	(56,266)
Proceeds from sale of marketable securities	**56,891**	75,083
Net cash provided by (used in) investing activities	**(8,104)**	10,505
Financing activities:		
Proceeds of long-term debt		28,000
Repayment of long-term debt	**(8,009)**	(3,868)
Net cash provided by (used in) financing activities	**(8,009)**	24,132
Net increase in cash and cash equivalents	**2,903**	12,723
Cash and cash equivalents, beginning of year	**20,379**	7,656
Cash and cash equivalents, end of year	**$ 23,282**	$ 20,379

	2008	2007
	($000)	
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	**$ (1,467)**	$ (8,710)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization:		
Furniture, technology and leasehold improvements	**3,870**	5,381
Internal computer systems	**3,106**	5,086
Impairment of other intangible assets	**1,783**	
Loss on disposal of furniture, technology, leasehold improvements and software	**51**	49
Gain on sale of marketable securities	**(6,580)**	(8,983)
Amortization of unearned revenue	**(526)**	(532)
Unrealized (gain) loss on marketable securities	**12,963**	(2,103)
Minority interest	**(48)**	(144)
Provision for:		
Losses on accounts and notes receivable	**370**	(915)
Discount on contributions receivable	**125**	
Accrued relocation expenses	**7,099**	20,800
Deferred rent	**(178)**	(7,465)
Deferred employee benefits	**2,263**	(1,149)
Changes in operating assets and liabilities:		
Accounts and notes receivable	**(1,281)**	(37)
Contributions receivable	**(590)**	
Deferred costs and prepaid expenses	**4,987**	(475)
Accounts payable and other liabilities	**(3,512)**	802
Accrued relocation expenses	**(17,823)**	(6,300)
Advance dues	**17,558**	(12,465)
Unearned revenue	**1,887**	(1,701)
Deferred employee benefits	**(5,041)**	(3,053)
Total adjustments	**20,483**	(13,204)
Net cash provided by (used in) operating activities	**$ 19,016**	$(21,914)
Supplemental disclosures of noncash operating and investing activities:		
Furniture, technology, leasehold improvements and software	**$ 638**	$ 565
Deferred rent tenant allowance		$ 5,448

The accompanying notes to financial statements are an integral part of these statements.

Notes to Combined Financial Statements
July 31, 2008 and 2007

1. ORGANIZATION

The financial statements include the accounts of the American Institute of Certified Public Accountants (AICPA), its for-profit subsidiaries, CPA2Biz, Inc. (C2B) and NorthStar Conferences LLC (NorthStar), (collectively AICPA and Subsidiaries), and the following related organizations: the Accounting Research Association, Inc. (ARA); the AICPA Benevolent Fund, Inc. (Benevolent Fund); and the American Institute of Certified Public Accountants Foundation (Foundation), which have been combined in accordance with Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations* (SOP 94-3). As used herein, the "Institute" includes the AICPA and Subsidiaries and the Related Organizations.

The AICPA is the national professional organization for CPAs. It provides members with the resources, information and leadership that enable them to provide services in the highest professional manner. C2B is the exclusive online and offline marketing agent for certain products and services of the AICPA and for maintaining the official Web site for the sale of AICPA products (see Note 9). NorthStar provides professional development programs and conferences for various industries. The mission of the ARA is to provide funds for studies and research in regard to principles and standards of the accounting profession (see Note 11). The Benevolent Fund provides temporary financial assistance to members of the AICPA and their families. The Foundation advances the science of accountancy and accounting education by funding a number of activities, including the promotion of diversity within the accounting profession.

The AICPA and State Societies Network, Inc., composed of substantially all of the individual state societies of CPAs located throughout the United States, are equal percentage members of Shared Services, LLC (SSLLC), a limited liability company, organized for the purpose of managing shared services between the AICPA and participating state societies. The AICPA accounts for its 50% investment in SSLLC on the equity method although the investment remains at zero as of July 31, 2008. SSLLC maintains a limited amount of activity, principally group buying power on certain products and services for the benefit of the AICPA and participating state societies. SSLLC's Board of Directors continues to explore additional opportunities to fulfill its mission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

All significant intercompany accounts and transactions have been eliminated in combination.

Financial statement presentation follows the recommendations of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations* (SFAS No. 117). Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Institute records related party transactions in accordance with Statement of Financial Accounting Standards No. 57, *Related Party Disclosures*.

Certain accounts in the 2007 financial statements have been reclassified to conform with the current year's presentation.

Valuation of assets and liabilities:

The Institute considers investments with an original maturity of three months or less when purchased to be cash equivalents. As of July 31, 2008 and 2007, the Institute's cash equivalents consisted primarily of short-term U.S. Treasury obligations and money market funds.

Investments in equity securities with readily determinable fair values and all investments in debt securities and investment partnerships are reported at fair value with unrealized gains and losses included in the statement of activities. The investment partnership represents ownership in a private investment partnership that trades foreign equity securities.

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of the items. The fair value of marketable securities is determined by quoted market prices. The fair value of long-term debt is based on current interest rates for similar debt instruments. The fair value of derivative instruments is based on current settlement value.

Notes and mortgages received by the Benevolent Fund in connection with assistance payments to members and their families are recorded as assets, net of amounts deemed uncollectible.

Inventories consist of paper and material stock, publications in process and printed publications and course material and are stated at the lower of cost or market. A moving average method is used for determining inventory cost. Inventories are reflected as a component of deferred costs and prepaid expenses in the accompanying statements of financial position.

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business acquisitions accounted for under the purchase accounting method, attributable to acquisitions made by C2B. Other intangibles include identifiable intangible assets purchased by C2B, primarily in connection with business acquisitions. Intangibles with a definite life are presented net of related accumulated amortization and impairment charges and are being amortized over five years. Goodwill and indefinite-lived intangibles are accounted for under a non-amortization approach and are evaluated annually for impairment pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142) (see Note 5).

The Institute records impairment losses on goodwill and other intangible assets when events and circumstances indicate that such assets might be impaired and the estimated fair value of the asset is less than its recorded amount. Conditions that would necessitate an impairment assessment include material adverse changes in operations; significant adverse differences in actual results in comparison with initial valuation forecasts prepared at the time of acquisition; a decision to abandon acquired products, services or technologies; or other significant adverse changes that would indicate the carrying amount of the recorded asset might not be recoverable.

Furniture, technology and leasehold improvements are stated at cost, less accumulated depreciation or amortization computed on the straight-line method. Furniture and technology are depreciated over their estimated useful lives of three to 10 years. Leasehold improvements are amortized over the shorter of their useful lives or the remainder of the lease period.

Concentrations of credit risk:

Financial instruments, which potentially subject the Institute to concentrations of credit risk, include cash and cash equivalents, marketable debt securities, trade receivables and derivative financial instruments used in hedging activities. The Institute maintains cash balances with high-credit quality financial institutions to limit its credit exposure. At times, the Institute's cash exceeds the current insured amount under the Federal Deposit Insurance Corporation (FDIC). The Institute places its cash equivalents in Sweep Investment Accounts, with creditworthy, high-quality financial institutions that are not insured nor guaranteed by the FDIC. The Institute holds bonds and notes issued by the United States government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration.

Credit risk with respect to trade receivables is also limited because the Institute deals with a large number of customers in a wide geographic area. The Institute closely monitors the extension of credit to its customers while maintaining allowances for potential credit losses. On a periodic basis, the Institute evaluates its trade receivables and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit considerations.

The Institute is exposed to loss in the event of nonperformance by the counterparty on the interest rate swap contract and the interest rate collar agreement used in hedging activities. The counterparty is a large financial institution and the Institute does not anticipate nonperformance by the counterparty. Consequently, as of July 31, 2008, the Institute has no significant concentrations of credit risk.

Derivative financial instruments:

The Institute utilizes derivative financial instruments to reduce interest rate risk. The Institute does not hold or issue derivative financial instruments for trading purposes. Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), establishes accounting and reporting standards for derivative instruments and hedging activities. As required by SFAS No. 133, the Institute recognizes all derivatives as either assets or liabilities in the statements of financial position and measures those instruments at fair value. Changes in the fair value of those instruments are reported in the statement of activities.

Revenue recognition:

Revenue from dues is recorded in the applicable membership period.

Revenue from publications, professional development and member service conferences and professional examinations is recognized when goods are shipped to customers or services are rendered.

Revenue from subscriptions is deferred and recognized on the straight-line method over the term of the subscriptions, which is primarily for one year.

Revenue related to affinity contracts is recognized when earned, in accordance with the respective agreements.

Advertising revenue is recorded as publications are issued.

Revenue is recognized net of any related sales taxes.

The AICPA entered into a third-party agreement that provides for the AICPA to break even with regard to certain external and internal costs incurred in developing, maintaining and providing the computerized Uniform CPA Examination (Examination). Accordingly, such costs have been deferred and are reflected in the accompanying statements of financial position net of revenue recognized (see Note 7).

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted when received depending on the existence and/or nature of any donor restrictions. Donated marketable securities are recorded as contributions at their estimated fair values on the date of donation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

A large number of people have contributed significant amounts of time to the activities of the Institute. The financial statements do not reflect the value of these contributed services because they do not meet the recognition criteria of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*.

Promotions and advertising:

Costs of promotions and advertising are expensed as incurred. Total promotion and advertising expenses were $8,424,000 and $8,696,000 for the years ended July 31, 2008 and 2007.

Accounting for Web site and software development costs:

The Institute accounts for its Web site development costs in accordance with Emerging Issues Task Force Issue No. 00-2, *Accounting for Web Site Development Costs* and Statement of Position 98-1*, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). All costs incurred in the planning stage of developing a Web site are expensed as incurred, as are internal and external training costs and maintenance costs. Fees incurred to Internet service providers in return for hosting a Web site on their servers are expensed over the period of benefit.

Fees paid to consulting firms that develop computer systems and software used for the Institute's internal reporting and management functions are deferred and amortized on the straight-line method over a three- to five-year period that begins when the system becomes operational.

External and internal costs, excluding general and administrative costs and overhead costs, incurred during the application development stage of internal use Web site software are capitalized. Such costs include external direct costs of materials and services consumed in developing or obtaining Web site software, payroll and payroll-related costs for employees who are directly associated with and who devote time to developing Web site software, and interest costs incurred while developing Web site software. Upgrades and enhancements that result in additional functionality to the Web site software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal use Web site development costs are amortized on the straight-line method over its estimated useful life of three years and begins when all substantial testing of the Web site is completed and the Web site is ready for its intended use.

The AICPA accounts for other computer software developed for internal use in accordance with SOP 98-1. All costs in the preliminary project stage are expensed as incurred. Internal and external costs, excluding general and administrative costs, incurred during the application development stage are capitalized. Upgrades and enhancements that result in additional functionality to existing software, which enable it to perform tasks it was previously incapable of performing, are also capitalized.

Exit and disposal activities:

The Institute accounts for its exit and disposal activities in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS No. 146). SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than the date an entity commits to an exit plan and also establishes that fair value is the objective for initial measurement of the liability.

Income taxes:

The AICPA and ARA are organized as 501(c)(6) not-for-profit organizations under the Internal Revenue Code (Code). Certain income of the AICPA, however, is subject to taxation. The Benevolent Fund and Foundation are organized as 501(c)(3) not-for-profit organizations under the Code. C2B and NorthStar are organized as for-profit entities. NorthStar, however, is organized as a single member LLC. As a single member LLC, any taxable income or loss of the LLC is passed on to the member and taxable in accordance with the member's tax status. Accordingly, NorthStar's unrelated business income will be incorporated into the unrelated business income of the AICPA.

C2B accounts for income taxes pursuant to the asset and liability method, which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Stock-based compensation:

Effective August 1, 2002, C2B adopted the preferable fair value recognition provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*.

Using the modified prospective method, C2B applies the fair value method to both (a) awards granted, modified or settled in that year and under the fair value method; and (b) the unvested portion of previously issued awards and unvested variable awards. Effective July 1, 2006, C2B adopted Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123R).

Change in accounting policy:

The Institute adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS No. 158), which became effective for fiscal years ending after June 15, 2007. SFAS No. 158 requires an employer that sponsors a defined benefit pension or postretirement plan to report the funded status of each plan in its statements of financial position and to include enhanced disclosures about each plan in its notes to the financial statements.

In addition, SFAS No. 158 requires the measurement of plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position for fiscal years ending after December 15, 2008. The Institute early adopted the measurement date provision for the year ended July 31, 2007.

3. MARKETABLE SECURITIES

Marketable securities consist of:

	2008		2007
		($000)	
Bonds and notes	$ 32,151		$ 33,084
Equities	60,833		70,512
Investment in partnership	6,717		
Total fair value	99,701		103,596
Unrealized gains (losses)	(5,486)		7,476
Total cost	$105,187		$ 96,120

Investment income (loss) consists of:

	2008		2007
		($000)	
Dividends and interest	$ 3,620		$ 3,853
Realized gains	6,580		8,983
Unrealized gains (losses)	(12,963)		2,103
	$ (2,763)		$ 14,939

4. FURNITURE, TECHNOLOGY AND LEASEHOLD IMPROVEMENTS

Furniture, technology and leasehold improvements consist of:

	2008		2007
		($000)	
Furniture	$ 4,757		$ 6,171
Technology	17,842		16,595
Leasehold improvements	11,799		11,434
	34,398		34,200
Less accumulated depreciation and amortization	14,708		13,902
	$ 19,690		$ 20,298

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets are as follows:

	2008		2007
		($000)	
Goodwill	$ 12,553		$ 12,553
Other intangible assets:			
Trade name			1,783
Contracts and technology	5,645		5,645
Less accumulated amortization	5,645		5,645
Contracts and technology, net	-		-
Subtotal	-		1,783
	$ 12,553		$ 14,336

Amortization expense on intangible assets with definite lives amounted to approximately $659,000 for the year ended July 31, 2007.

The Institute performs an annual impairment test of goodwill and other intangible assets in the fourth quarter of each year. Fair value is estimated using the expected present value of future cash flows. Goodwill was not impaired for the years ended July 31, 2008 and 2007. For the year ended July 31, 2008, the trade name, included in other intangible assets, was deemed to be impaired as it is no longer being used. A corresponding impairment charge of $1,783,000 was recorded and is reflected as a component of general management expenses in the statement of activities.

6. LONG-TERM DEBT

Long-term debt consists of the following:

	2008		2007
		($000)	
AICPA (A)	$ 5,714		$ 7,143
AICPA (B)	25,000		25,000
AICPA (C)	22,500		28,000
C2B (D)	-		1,080
	$ 53,214		$ 61,223

(A) Noninterest bearing note payable to Prometric, Inc. (Prometric – see Note 7).

(B) Term note payable in 11 consecutive quarterly installments of $2,083,333 commencing on October 31, 2009, and a final payment of $2,083,337 due at maturity on July 30, 2012. Interest is payable at LIBOR plus 55 basis points.

(C) Term note payable in quarterly installments commencing on January 23, 2008, in a payment of $2,750,000 and subsequent quarterly payments of $1,375,000 with a final payment of $500,000 due at maturity on October 23, 2012. Proceeds of the note were used to finance the relocation of certain operations to Durham, North Carolina (see Note 13). Interest is payable at LIBOR plus 55 basis points.

(D) The unsecured note bore interest at 5% and was paid in full in April 2008. C2B satisfied the accrued interest in connection with this note of $36,000 and $90,000 during the years ended July 31, 2008 and 2007 through the issuance of 22,322 and 33,803 shares of common stock of C2B.

The term notes of $25,000,000 and $22,500,000, respectively, are collateralized by certain marketable securities, which may not fall below 115% of the sum of the outstanding principal balances of the term notes through August 31, 2008, at which time such amounts may not fall below 125% of the sum of the outstanding principal balances. At July 31, 2008, the collateral has a market value of $84,600,000. The guarantor of the term notes is NorthStar.

Interest expense for the years ended July 31, 2008 and 2007 was $4,429,000 and $2,923,000.

Based on borrowing rates currently available, the fair value of long-term debt at July 31, 2008 and 2007 approximates $52,900,000 and $59,300,000.

Principal amounts due under the above obligations in each of the five years subsequent to July 31, 2008 are as follows:

Year Ending July 31,	Amount ($000)
2009	$ 6,928
2010	15,262
2011	15,262
2012	15,262
2013	500
	$53,214

The Institute entered into an interest rate swap contract, which expires on July 30, 2012, to reduce the impact on interest expense of fluctuations in interest rates on $25,000,000 notional amount of its variable rate debt. The contract, designated as a cash flow hedge, effectively converted the variable rate to a fixed rate of 5.75%. At July 31, 2008 and 2007, the fair value of the interest rate swap was a liability of approximately $704,000 and an asset of approximately $267,000. In 2007, the Institute entered into an interest rate collar agreement, which expires on October 23, 2012, to limit the variability of interest expense on the floating rate borrowings under the term note as described in (C) above. The collar has a floor of 5.40% and a cap of 6.55%. At July 31, 2008 and 2007, the fair value of the interest rate collar was a liability of approximately $697,000 and $172,000.

The net value of the swap and collar has been reflected as a component of accounts payable and other liabilities for the year ended July 31, 2008, and deferred costs and prepaid expenses for the year ended July 31, 2007, in the statements of financial position. The corresponding adjustment to interest expense is reflected as a component of general management expenses in the statements of activities.

7. COMMITMENTS AND CONTINGENCIES

Computerization of the Uniform CPA Examination:

In connection with the Examination, the AICPA is party to an agreement with the National Association of State Boards of Accountancy (NASBA) and Prometric, a subsidiary of one of C2B's preferred stockholders. Pursuant to the agreement, the AICPA delivered the Examination in a computer-based format in April 2004. NASBA developed and maintains the National Candidate Database, which serves as the gateway for candidates applying to take the Examination. Prometric is responsible for providing scheduling, test preparation, test delivery and results processing of the Examination in a computer-based testing environment consistent with AICPA and NASBA requirements.

The AICPA receives fees through NASBA based upon the number of examinations taken. The agreement provides for the AICPA to break even with regard to costs incurred in developing and maintaining the Examination. Through July 31, 2008, approximately $45,135,000 of revenue and $85,849,000 of costs have been incurred. During the years ended July 31, 2008 and 2007, the AICPA recognized revenue of approximately $16,520,000 and $11,561,000. Accordingly, costs equal to the revenue recognized have been expensed. At July 31, 2008 and 2007, the balances of $40,714,000 and $43,974,000 are included in deferred costs and prepaid expenses in the accompanying statements of financial position.

Prometric has provided the AICPA with a $10,000,000 interest-free line of credit to facilitate the conversion of the Examination from a paper-based to a computer-based format. Beginning with the commencement of the computerized Examination, the AICPA is required to repay the borrowings in annual principal payments equal to $4.00 per test section administered by Prometric but not less than one-seventh of the amount borrowed as of the date of the commencement of the computerized Examination. The initial term of the agreement is seven years from the date of commencement; however, such term can be extended through 2014 based upon certain performance criteria. Subsequent to July 31, 2008, approximately $1,429,000 was paid to reduce the line of credit.

The candidate volume is estimated approximately two years in advance. Prometric uses a tier-based volume pricing schedule to determine its fee to provide the Examination. If the estimated volume is greater than the actual volume, the AICPA is required to pay Prometric an additional fee. If the actual volume is greater than the estimated volume, Prometric is required to reimburse the AICPA. Any net amounts paid or received by the AICPA affect future fee determinations under the break even provisions of the agreement. For the years ended July 31, 2008 and 2007, the AICPA received $1,595,000 and $1,842,000 from Prometric, which is included as a reduction in deferred costs and prepaid expenses in the accompanying statements of financial position.

Lease commitments:

The Institute has several long-term leases for the rental of real estate. The leases include provisions for the abatement of rental payments, amounts to be paid to the Institute by the landlords, as well as scheduled base rent increases over the respective lease terms.

The total amount of the base rent payments, net of the amounts to be paid to the Institute by the landlords, is being charged to expense using the straight-line method over the respective lease terms.

Minimum rental commitments on noncancelable real estate and equipment leases in effect as of July 31, 2008, exclusive of future escalations for real estate taxes and building operating expenses, less future minimum sublease rentals, are:

Year Ending July 31,	Amount
	($000)
2009	$ 10,007
2010	10,296
2011	10,314
2012	9,524
2013	6,072
Years subsequent to 2013	38,048
	84,261
Less future minimum sublease rentals (A)	6,054
Net future minimum rental commitments	$ 78,207

(A) During 2000, the AICPA entered into a noncancelable sublease. The total of minimum rentals to be received in the future under this sublease, which expires in 2012, amounts to $6,054,000 as of July 31, 2008. The future sublease income has been considered as part of the SFAS No. 146 accrual (see Note 13). Sublease income amounted to $1,398,000 for the year ended July 31, 2007.

Rental expense for the years ended July 31, 2008 and 2007 was $7,021,000 and $11,645,000.

Other commitments:

The Institute has other commitments for service agreements in place with various vendors. Minimum commitments in effect as of July 31, 2008 are:

Year Ending July 31,	Amount
	($000)
2009	$ 7,981
2010	1,112
2011	620

Letter of credit:

As of July 31, 2008, the Institute has an irrevocable standby letter of credit associated with its North Carolina lease of $167,000, which expires on July 31, 2009.

Line of credit:

The AICPA has available a line of credit with a bank for short-term borrowings of up to $20,000,000 at the bank's prevailing interest rate. Amounts outstanding under the line of credit are collateralized by certain marketable securities (see Note 6). There were no outstanding borrowings at July 31, 2008, beyond the letter of credit. The line of credit expires on April 17, 2009.

Litigation:

From time to time the Institute is a defendant in actions arising in the ordinary course of business. In the opinion of management, such litigation will not have a material adverse effect on the Institute's financial condition or change in net assets.

8. EMPLOYEE BENEFIT PLANS

Defined benefit pension and postretirement plans:

The Institute sponsors a noncontributory defined benefit pension plan for qualifying employees. The amount of the annual benefit to be paid at normal retirement date is based on credited service, which varies based on participant hire dates. In addition, the Institute sponsors employee postretirement health care and life insurance plans for qualifying employees hired before May 1, 2003, and contributes toward the annual cost of retirees remaining in these plans.

As stated in Note 2, the Institute adopted the provisions of SFAS No. 158 for the year ended July 31, 2007. The incremental effects of applying SFAS No. 158 in the statement of financial position as of July 31, 2007, was $566,000 and $72,000 for the defined benefit pension and postretirement plans, respectively.

Economic assumptions used to determine the benefit obligations recognized in the statements of financial position are:

	July 31, 2008	July 31, 2007
Discount rate	7.38%	6.55%
Rate of compensation increase	4.00%	4.00%

Weighted average assumptions used to determine the net periodic benefit cost are:

	July 31, 2008	July 31, 2007
Discount rate	6.55%	6.65%
Expected return on plan assets	8.25%	8.25%
Rate of compensation increase	4.00%	4.00%

The Institute is utilizing a yield curve methodology to determine its discount rate. This methodology uses a weighted average yield to determine the plan's discount rate by forecasting the plan's expected benefit payments by year.

As a result of the AICPA's relocation of certain operations to Durham, North Carolina (see Note 13), and the Plan amendment to provide that no further benefit accruals will occur after April 30, 2017, a curtailment of its defined benefit pension plan was recognized of approximately $977,000 as of July 31, 2007. A curtailment of the postretirement plan was also recognized of approximately $1,370,000 as of July 31, 2007. The curtailment was recorded pursuant to Statement of Financial Accounting Standards No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits* (SFAS No. 88). SFAS No. 88 defines a curtailment as an event that significantly reduces the expected years of future service of present employees or eliminates for a significant number of employees the accrual of defined benefits for some or all of their future services.

For the year ending July 31, 2009, the Institute expects to contribute $900,000 and $675,000 to the defined benefit pension and postretirement plans, respectively.

Defined benefit pension plan:

The following tables provide further information about the Institute's pension plan:

July 31, 2008:	Amount ($000)
Benefit obligation at July 31, 2008	$ 70,731
Fair value of plan assets at July 31, 2008	66,663
Net unfunded status of the plan at July 31, 2008, recognized as a liability in the statement of financial position	$ 4,068
Employer contributions	$ 4,300
Benefit payments	$ (3,844)
Accumulated benefit obligation at July 31, 2008	$ 66,870
Periodic benefit cost for the year ended July 31, 2008	$ 1,090

July 31, 2007:	
Benefit obligation at July 31, 2007	$ 74,266
Fair value of plan assets at July 31, 2007	68,238
Net unfunded status of the plan at July 31, 2007, recognized as a liability in the statement of financial position	$ 6,028
Employer contributions	$ 2,263
Benefit payments	$ (3,856)
Accumulated benefit obligation at July 31, 2007	$ 70,355
Periodic benefit cost for the year ended July 31, 2007	$ 1,852

Amounts in unrestricted net assets that have not yet been recognized as a component of net periodic benefit cost comprise the following:

	Unrecognized Prior Service Cost	Actuarial Gain (Loss)
	($000)	
Balance, July 31, 2007	$ 180	
Increase during 2008	55	$ 1,211
Amortization during 2008	(16)	
Balance, July 31, 2008	$ 219	$ 1,211

The amount in unrestricted net assets and expected to be recognized as a component of net periodic benefit cost for the year ending July 31, 2009, is $22,000, representing net prior service cost.

Estimated future defined benefit pension payments reflecting expected future service for each of the five years subsequent to July 31, 2008 and in the aggregate for the five years thereafter are as follows:

Year Ending July 31,	Amount
	($000)
2009	$ 3,650
2010	3,800
2011	3,900
2012	4,060
2013	4,210
2014 - 2018	24,010

The Institute's percentage of plan assets for the defined benefit pension plan is as follows:

	Target Allocation 2009	Percentage of Plan Assets at July 31, 2008	Percentage of Plan Assets at July 31, 2007
Plan assets:			
Domestic equity securities	40-60%	46%	54%
International investments	10-25%	19	17
Fixed income	20-40%	31	28
Other	0-10%	4	1

The Institute's allocation is intended to provide for growth of capital with a moderate level of volatility. The expected long-term rate of return for the plan's assets is based on the expected return of each of the asset categories, weighted based on the median of the target allocation for the class. All investments are chosen with care, skill, prudence and due diligence. A listing of permitted and prohibited investments is maintained in the Institute's Statement of Investment Policy approved by the Board of Directors and dated December 2007.

Postretirement plan:

The following table provides further information about the Institute's postretirement plan:

	Amount
	($000)
July 31, 2008:	
Benefit obligation at July 31, 2008	$7,264
Net unfunded status of the plan at July 31, 2008, recognized as a liability in the statement of financial position	$7,264
Employer contributions	$ 741
Benefit payments	$ (741)
Accumulated benefit obligation at July 31, 2008	$7,264
Periodic benefit cost for the year ended July 31, 2008	$ 260

	Amount
	($000)
July 31, 2007:	
Benefit obligation at July 31, 2007	$8,082
Net unfunded status of the plan at July 31, 2007, recognized as a liability in the statement of financial position	$8,082
Employer contributions	$ 790
Benefit payments	$ (790)
Accumulated benefit obligation at July 31, 2007	$8,082
Periodic benefit cost for the year ended July 31, 2007	$ 698

Amounts in unrestricted net assets that have not yet been recognized as a component of net periodic benefit cost comprise the following:

	Unrecognized Prior Service Credit	Actuarial Gain (Loss)
	($000)	
Balance, July 31, 2007	$(3,865)	$1,285
Decrease during 2008		(644)
Amortization during 2008	358	(52)
Balance, July 31, 2008	$(3,507)	$ 589

The amount in unrestricted net assets and expected to be recognized as a component of net periodic benefit cost for the year ending July 31, 2009, is ($358,000), representing net prior service credit.

The weighted average health care cost trend rate used in measuring the postretirement benefit expense is 5%.

Defined contribution plans:

The AICPA and C2B also sponsor separate 401(k) defined contribution plans covering substantially all employees meeting minimum age and service requirements. Participation in the plans is optional. Employer contributions are made to the plans in amounts equal to a certain percentage of employee contributions. The cost of these plans was $1,863,000 and $1,177,000 for the years ended July 31, 2008 and 2007.

Deferred compensation:

The AICPA has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $1,209,000 and $1,169,000 as of July 31, 2008 and 2007 and are included in the accompanying statements of financial position as a component of accounts payable and other liabilities.

9. CPA2BIZ, INC.

As discussed in Note 1, C2B is the exclusive online and offline marketing agent for certain AICPA products and services and maintains the e-commerce Web site (www.cpa2biz.com) for the sale of AICPA products. In return for these services, C2B receives commissions on sales of products marketed for the AICPA. However, the AICPA has control of largely all product and service-related assets, and the intellectual property incorporated in them. C2B applies Emerging Issues Task Force Issue No. 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent*, to account for revenue on sales of AICPA products. The net amount is the amount charged to the customer less the amount paid to the supplier, which in most cases is the AICPA.

In addition to providing the AICPA with marketing services, C2B also receives fees for providing certain technology services to the AICPA, such as integration of the C2B Web site with the AICPA back-end systems. Further, C2B manages and supports the marketing of all of the AICPA's affinity programs, except for the insurance and retirement programs, and shares in the affinity revenue. Lastly, C2B has developed a new portfolio of products and services unrelated to the AICPA including, among other things, Business Solutions programs, e-newsletters, a Career Center job board and online third-party product stores.

As of July 31, 2008, the AICPA controls approximately 56% of C2B's voting rights. In accordance with C2B's amended shareholder agreement, the AICPA's voting percentage will exceed 50% in perpetuity, subject to the AICPA's approval to a transaction in which additional shares are issued to an investor. Notwithstanding the AICPA's controlling interest in C2B, the AICPA does not guarantee any of the obligations nor is it responsible for any of C2B's liabilities. As of July 31, 2008, the primary source of funding for C2B has been the preferred stockholders and its own net income; the AICPA has only paid a *de minimis* amount of cash for its stock.

Summarized financial information of C2B as of and for the years ended July 31, 2008 and 2007 is as follows:

	2008	2007
	($000)	
Total assets	$ 22,518	$ 23,293
Total liabilities	$ 10,812	$ 12,518
Preferred stock	83,657	87,354
Common stockholders' deficiency	(71,951)	(76,579)
Total liabilities and equity	$ 22,518	$ 23,293
Total revenue (A)	$ 19,063	$ 17,136
Net income	$ 897	$ 2,286

(A) Includes approximately $10,648,000 and $9,872,000 in commissions for services rendered for marketing and promotion of certain AICPA product lines and approximately $8,415,000 and $7,264,000 for Business Solutions, affinity, technology services and other business lines for the years ended July 31, 2008 and 2007.

As of July 31, 2008 and 2007, the aggregate number of shares of all classes of stock that C2B is authorized to issue is (i) 120,000,000 shares of common stock, par value $.01 per share (Common Stock) and (ii) 40,000,000 shares of preferred stock, par value $.01 per share, of which 24,000,000 shares have been designated 8% Series A Convertible Preferred Stock (Series A) and 8,000,000 shares designated 8% Series B Convertible Preferred Stock (Series B).

As of July 31, 2008 and 2007, the 8,000,000 authorized shares of preferred stock that are not considered to be either Series A or Series B have not been issued.

Common Stock has voting rights, but no liquidation privileges. Dividends may only be paid after the holders of both Series A and Series B have received the dividends to which they are entitled for that year.

Series A and Series B have rights to a liquidation preference whereby the Series A is senior to Series B and both are senior to Common Stock. Series A and Series B also have rights to an 8% non-cumulative dividend, when and if declared by the Board of Directors of C2B as well as a conversion right into Common Stock at the option of the holder, and anti-dilution protection. The holders of Series A and Series B vote with the holders of the Common Stock as if they were a single class. In addition, the holders of Series A and Series B have special voting rights relating to the creation of more senior preferred stock. During the year ended July 31, 2008, a Series B stockholder elected to convert its 723,474 shares into an equal number of shares in Common Stock, thereby reducing the preferred stock of C2B by $3,697,000.

During 2005, the AICPA agreed to amend the note receivable from C2B, which is fully collateralized by C2B's Web site and bears an 8% interest rate. The interest payment date was amended such that monthly interest payments began in July 2005 while also extending the due date of the note and related accrued interest from December 31, 2007, to December 31, 2014. All monthly interest payments have been made in accordance with the amendment. The principal balance of the note of $4,344,000 and related accrued interest for the periods prior to fiscal 2005 of $1,072,000 have been eliminated in consolidation.

Through February 15, 2007, C2B subleased space from the AICPA in New York and New Jersey and was charged by the AICPA the same pro-rata dollar amount the AICPA paid under its lease. The charges to C2B related to this space were approximately $178,000 during 2007 and have been eliminated in consolidation.

At July 31, 2008, C2B has deferred tax assets of approximately $50,000,000, which arise primarily from net operating loss carryforwards for Federal income tax purposes of approximately $123,000,000 expiring through 2020 and certain other temporary differences. Included in these net operating losses are pre-acquisition losses of approximately $61,000,000, which are subject to annual limitations. Due to the uncertainty of the realization of the deferred tax assets, substantially a full valuation allowance has been provided at July 31, 2008. The timing and manner in which the net operating loss carryforwards can be utilized in any year by C2B may be limited by the Code.

C2B has two stock option plans for employees. None of the options are held by employees of the AICPA. There have been no grants in 2008 and 2007 and the only activity has been cancellations after employee terminations. Since there were no grant awards issued in 2008 or 2007, there was no compensation cost recognized in accordance with SFAS No. 123(R) in the financial statements for the years ended July 31, 2008 or 2007. Outstanding options, if all were to be exercised, would dilute the existing holders of C2B voting stock in the aggregate by approximately 3%. If exercised, the options would become C2B Common Stock and be classified as minority interest in the accompanying financial statements.

As of July 31, 2008 and 2007, there were 1,596,316 and 2,408,532 options outstanding, with exercise prices ranging from $.37 per share to $5.12 per share.

10. PREFERRED STOCK AND NET ASSETS

Preferred stock and net assets and changes therein for the years ended July 31, 2008 and 2007 follow:

	Balance, August 1, 2006	Increase (Decrease)	Balance, July 31, 2007 ($000)	Increase (Decrease)	Balance, July 31, 2008
Preferred stock of C2B	$ 87,354	$ -	$ 87,354	$ (3,697)	$ 83,657
Net assets:					
Unrestricted:					
AICPA	41,398	(11,129)	30,269	(1,909)	28,360
C2B	(83,211)	2,344	(80,867)	3,736	(77,131)
ARA	1,286	(440)	846	(407)	439
Benevolent Fund	5,810	479	6,289	(120)	6,169
Foundation	3,047	57	3,104	100	3,204
	(31,670)	(8,689)	(40,359)	1,400	(38,959)
Temporarily restricted:					
Foundation	912	(21)	891	830	1,721
Permanently restricted:					
Foundation	648		648		648
Total net assets	(30,110)	(8,710)	(38,820)	2,230	(36,590)
Total preferred stock and net assets	$ 57,244	$ (8,710)	$ 48,534	$ (1,467)	$ 47,067

Temporarily restricted net assets are subject to donor-imposed stipulations that can be met either by actions of the Foundation and/or the passage of time.

Temporarily restricted net assets consist of accounting education and research initiatives as follows:

	2008	2007
	($000)	
John L. Carey scholarships	$ 600	$ 678
Judicial College program		139
Accounting Doctoral Scholars (ADS)	1,099	68
Library support	22	6
	$1,721	$ 891

During 2008, the Foundation initiated the Accounting Doctoral Scholars Program (ADS) to focus on the shortage of academically qualified university accounting faculty. This program expects to raise approximately $17 million to increase the production of accounting Ph.D.s in existing doctoral programs. The Foundation has received indications of support from 85 public accounting firms and state CPA societies to fund the ADS. The support from these organizations is expected to be received over the next five to seven years. The Foundation finalizes the indications of support by obtaining executed pledge agreements. Contributions receivable are unconditional promises to give pertaining to the ADS program. Amounts due in future periods, based on executed pledge agreements received, as of July 31, 2008, are as follows:

	Amount
	($000)
Less than one year	$ 84
One to five years	421
More than five years	85
	590
Discount (3.46%)	125
	$ 465

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

The Foundation's permanently restricted net assets represent a permanent endowment fund, the income of which is unrestricted.

11. ARA

The ARA's mission is to provide funds for studies and research in regard to principles and standards of the accounting profession. Through 2002, the ARA made annual best efforts commitments to raise funds for the Financial Accounting Foundation to support the work of the Financial and Governmental Accounting Standards Boards from sources within the accounting profession. Effective with the passage of the Sarbanes-Oxley Act on July 30, 2002, the funding of the Financial Accounting Standards Board (FASB) is provided through payments by Securities and Exchange Commission registrants. The ARA did not fund any research during the years ended July 31, 2008 and 2007.

In June 2006, the AICPA and the FASB issued a proposal to explore ways to enhance the value, transparency and cost effectiveness of financial reporting for private companies. The ARA's Board of Trustees has made a four-year annual commitment of $300,000 to support this initiative beginning August 1, 2006. In October 2006, the AICPA was informed that alternative sources of funding were secured for this initiative such that the ARA's annual commitment would not be needed. The ARA's Board of Trustees approved a $1,000,000 financial commitment to XBRL-US, an independent not-for-profit organization founded by the AICPA, dedicated to the development of U.S. financial reporting taxonomies. ARA's Board of Trustees continues to explore additional opportunities to fulfill its mission.

12. OTHER RELATED PARTY TRANSACTIONS

The AICPA provides general and administrative services for the American Institute of Certified Public Accountants Insurance Trust (Trust). The AICPA received net revenue of $3,332,000 and $3,468,000 from the Trust for the years ended July 31, 2008 and 2007.

13. RELOCATION OF CERTAIN OPERATIONS

In October 2005, the AICPA's management team submitted a plan that was approved by the AICPA's Board of Directors and Council to relocate a substantial portion of its Jersey City, New Jersey (Jersey City), operations to Durham, North Carolina, in order to manage its cost structure and budget in the most effective way. In connection with that plan, the AICPA identified approximately 400 positions that would be affected by the relocation, impacting staff predominantly located in Jersey City. The implementation of the relocation plan began in August 2006 and was completed by July 2007.

For the year ended July 31, 2007, management estimated the fair value for the remaining lease payments for Jersey City, net of estimated sublease rentals. In accordance with SFAS No. 146, the AICPA accrued approximately $19,900,000, which was included in accrued relocation expenses in the statement of financial position and relocation expenses in the statement of activities.

For the year ended July 31, 2007, the AICPA accrued $200,000 related to unpaid termination benefits, in accordance with SFAS No. 146. This amount was included in accrued relocation expenses in the statement of financial position and relocation expenses in the statement of activities. Such benefits were paid during the year ended July 31, 2008.

The AICPA also incurred other relocation costs, consisting primarily of salaries and benefits for dual operations, consulting expenses, occupancy-related expenses and interest expense. This amounted to $16,000,000 for the year ended July 31, 2007 and was included in relocation expenses in the statement of activities.

For the year ended July 31, 2007, the AICPA reversed its remaining deferred rent liability associated with the Jersey City space, offset by the write-off of certain assets associated with the Jersey City space. This resulted in a reduction of relocation expenses reflected in the statement of activities of approximately $4,700,000.

The following table describes the changes to the accrued relocation expenses in the statement of financial position for the year ended July 31, 2008:

	Accrued Relocation Expenses July 31, 2007	Adjustments to Accrued Relocation Expenses	Cash Payments	Accrued Relocation Expenses July 31, 2008
		($000)		
Termination benefits	$ 200	$ (55)	$ (145)	
Fair value of remaining lease payments, net	19,900	7,154	(17,678)	$ 9,376
	$ 20,100	$ 7,099	$(17,823)	$ 9,376

In July 2008, the AICPA executed a partial termination of its Jersey City lease with its landlord. Included in cash payments of $17,678,000 is the termination amount of $9,142,000. Contemporaneous to the termination, the landlord executed a long-term lease with a third-party for the space.

This party has a 120-day option to further expand into a portion of the AICPA's remaining space. If such option is executed by this party, the AICPA would be required to execute another partial lease termination with the landlord. The AICPA also executed a 150-day option with this party to rent a portion of the AICPA's remaining space for a period of at least six months.

Due to current market conditions, management was unable to secure a subtenant for the remaining space during 2008. After considering information provided by the AICPA's real estate consultants, management reassessed its initial estimate of probable costs and the sublease timeline associated with the remaining space, which continues to be actively marketed.

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