2011

AICPA Annual Report, 2010-2011; Change. Vision. Opportunity

American Institute of Certified Public Accountants (AICPA)

Change. Vision. Opportunity.

2010 - 2011 Annual Report

October 2010

Members pass proposed bylaw amendment to modernize AICPA membership requirements

January 2011

Blue Ribbon Panel on Private Company Financial Reporting submits historic recommendations to Financial Accounting Foundation

March 2011

CPA Horizons 2025 project launches

April 2011

President Obama signs bill repealing expanded 1099 reporting requirements, which the AICPA supported

May 2011

Governing Council unanimously approves joint venture with CIMA to establish the Chartered Global Management Accountant credential

September 2011

President Obama signs America Invents Act that prohibits new tax strategy patents, achieved through collaborative efforts by the AICPA and state CPA societies

AICPA advocacy generates more than 3,000 letters to FAF; 99% support separate standard setter for private companies

August 2011

International administration of U.S. CPA Exam begins

June 2011

SOC reports provide service organization engagement opportunities

As every new regulation, technology, competitive endeavor, tax levy, responsibility of oversight bodies and enterprise structure emerges, clients and employers will increasingly look to accounting practitioners and consultants to anticipate such things, and adjust projections accordingly. Competence in foresight will become more highly valued as the world continues to transform in untold ways.

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Message from
the Chairman and President & CEO

Paul V. Stahlin, CPA
Chairman

Barry C. Melancon, CPA
President & CEO

Change and opportunity. As CPAs across the country faced another year of economic uncertainty and change, the AICPA focused on its role as steward of the CPA profession. While advocating for our members on issues ranging from accounting standards to tax return preparation and financial planning, the AICPA propelled a historic conversation on private company financial reporting that aims to make private company financial statements more relevant. At the same time, the AICPA protected the profession in the global arena, strengthening the CPA brand by forming a joint venture that will establish a new global credential for management accounting and enhance the CPA brand worldwide. We also gathered feedback and thoughts on the future of the profession through the CPA Horizons 2025 initiative, confirming the trends that are shaping the CPA profession. In this annual report, you'll learn about these accomplishments and more, and the challenges the profession faced and overcame throughout the past year.

High on our agenda this year has been a major effort to improve the relevance of accounting standards for private companies and their financial statement users. The AICPA has long advocated for modifications to U.S. GAAP that reflect the unique needs of private companies and their financial statement users. A sponsor of the landmark Blue Ribbon Panel on Private Company Financial Reporting that issued recommendations in January 2011, the AICPA has led the call for enhanced usefulness and reduced complexity in financial reporting for private companies — and an autonomous standard-setting board to implement the much-needed changes on behalf of the nation's 28.5 million private businesses. To make this possibility the new reality, the Institute not only served on the panel, but also strongly and publicly supported the panel's recommendations and called on all stakeholders to do the same.

As the world's largest accountancy body, the AICPA works to advance the accounting profession, addressing its increasing practice diversity and speaking on behalf of all U.S. CPAs and the profession. Consistent with that mission, the AICPA explored and implemented an opportunity for U.S. CPAs to increase their presence and standing internationally. Responding to the changing marketplace, the AICPA governing Council in May 2011 unanimously approved a partnership with the London-based Chartered Institute of Management Accountants to create a new Chartered Global Management Accountant designation for professional management accountants worldwide. The joint venture will enhance the knowledge and training offered to our members as well as promote the discipline of management accounting, while raising the visibility of the U.S. CPA in the 168 countries where CIMA operates. The CGMA credential, which will become available in early 2012, promises an extraordinary opportunity for CPAs in business and industry to demonstrate their value to their organizations. CPAs in public accounting who perform management accounting functions for their firms and clients also will benefit from the dual CPA/CGMA.

In March, we launched the CPA Horizons 2025 project, a visionary effort to ensure our profession's continued vitality. Committed to a proactive approach, the AICPA looked toward the future to see what services and opportunities our members and their clients and employers will need, so that we can continue to provide the most relevant materials and resources. In the late 1990s, the Institute's first CPA Vision Project was remarkably precise in predicting the core purpose, values, competencies and services that would serve the profession through 2011. It was time to take a

Responding with the appropriate advocacy approaches, **the AICPA has achieved several important victories for our members** – and the public. We advocated for repeal of provisions that would have imposed onerous new Form 1099 reporting requirements on small businesses stemming from health care reform and on rental property owners from the Small Business Jobs Act of 2010.

fresh look at the global trends, emerging technologies, demographic shifts and other factors that are shaping the profession today and tomorrow. More than 5,600 members and others provided more than 75,000 comments. We have used that feedback to create a renewed vision of where we stand and what must be done to achieve our near- and long-term goals. CPA Horizons 2025 confirmed and evolved the fundamentals of the profession and designed the new landscape for success.

The AICPA worked with the Internal Revenue Service to revise its proposed rules on registering paid tax return preparers, a truly significant accomplishment that protects the CPA. The CPA is the premier U.S. accounting credential and the AICPA fought tirelessly to protect the value and reputation of the credential as well as the professionals who earned it. The IRS's original proposal would have imposed redundant and burdensome requirements on CPAs. It would have also created confusion for consumers about the qualifications of the various types of registered preparers. After extensive consultations with the IRS, the AICPA obtained exemptions from the continuing education and mandatory testing requirements for non-CPA employees of CPA firms. Just as important, the IRS issued restrictions on advertising by anyone holding themselves out as a "Registered Tax Return Preparer" to help ensure that CPAs' tax expertise would be differentiated. So that consumers would understand what sets CPAs apart, in December 2010 the AICPA launched the 360 Degrees of Taxes website and advertising campaign to showcase CPAs as America's premier provider of tax services year-round.

In collaboration with our partners in the state CPA societies, we worked diligently in Washington, DC, and around the nation, influencing legislation and regulation that would have an impact on our members. The AICPA continues its commitment to explore opportunities for, and combat threats against, the profession. Responding with the appropriate advocacy approaches, the AICPA has achieved several important victories for our members – and the public. We advocated for repeal of provisions that would have imposed onerous new Form 1099 reporting requirements on small businesses stemming from health care reform and on rental property owners from the Small Business Jobs Act of 2010. CPAs in public practice celebrated when we, along with state CPA societies, obtained a permanent exemption from unnecessary requirements related to identity theft under the Federal Trade Commission's "Red Flags" Rule.

The AICPA also protected financial planners from excessive regulatory requirements resulting from the sweeping Dodd-Frank Wall Street Reform and Consumer Protection Act. CPAs already are both highly skilled and regulated, and the AICPA protected our members from arduous and duplicative oversight by proactively defending those CPAs offering financial planning services. A Government Accountability Office study on financial planner regulation could have led to additional oversight on a broad range of CPA services. The study released early in 2011, however, agreed with our contention that CPAs offering these services already were sufficiently regulated.

In another public policy success, the Center for Audit Quality, which is affiliated with the AICPA, helped retain Section 404(b) requirements of the Sarbanes-Oxley Act of 2002 for mid-sized companies. The CAQ joined with the Council of Institutional Investors in filing a comment letter with the Securities and Exchange Commission. It fully supported an auditor's assessment of management's report on internal controls over financial reporting for companies with at least $75 million in market capitalization. The study concluded that financial reporting is more reliable when auditors are involved in such assessments.

On the state level, mobility statutes recognizing CPA licenses granted by other states and jurisdictions have been enacted in 48 of the 55 U.S. jurisdictions to date. Massachusetts and New York are the two most recent states to enact such legislation. The tremendous success of interstate practice privilege is a result of multiyear collaborative efforts between the AICPA, the National Association of State Boards of Accountancy, state CPA societies, state boards of accountancy and others. The focus now is moving increasingly to implementation and education. The AICPA and NASBA launched a new website, CPAmobility.org, to provide CPAs with quick access to timely information on the nation's mobility laws.

Consistent with the growing demand for CPAs in many parts of the world, international administration of the CPA Exam, in partnership with NASBA, began Aug. 1, 2011, in five countries, a move that will reinforce the value and influence of the CPA credential worldwide. This first step in the Middle East and Japan was a tremendous success, with more than 2,000 sections of the exam purchased within the first few weeks of registration. The exam is the same as the U.S. CPA Exam, and candidates who pass must consent to seek licensure through state boards of accountancy. Additional locations are under consideration. In 2010, more than 307,000 CPA Exam sections were scheduled, a record high demonstrating the strong interest in the CPA profession.

The AICPA responded to the market in other ways, too. We developed a new series of SERVICE ORGANIZATION CONTROL REPORTS[SM] to meet contemporary demands for attesting to controls over non-financial subject matter such as the privacy of information. This facilitated a new service opportunity for CPAs and worked to eliminate inappropriate use of an auditing standard on service organizations. On another front, the Auditing Standards Board concluded its multiyear Clarity Project, making auditing standards for nonpublic entities easier to understand, thereby improving implementation and compliance. Further, the AICPA's new IFRS Certificate Program, launched in March, was designed to boost and demonstrate a CPA's knowledge and expertise, opening a world of possibilities and providing enhanced career opportunities.

As thought leaders, the AICPA involved the profession in a number of critical areas. We offered incisive comments on the Financial Accounting Standards Board's ongoing standards convergence project with the International Accounting Standards Board. The AICPA has been at the forefront of sustainability reporting and assurance, making sure CPAs play a critical role in integrated reporting initiatives. The AICPA's new Workplace Leaders in Financial Education Award, given in association with the Society of Human Resource Professionals, promotes exemplary financial literacy efforts in offices around the country. In response to continuing growing interest in our specialized credentials, additional exam windows were introduced for members' convenience and an exam in the information technology area was created to reinforce the rigor required to earn that credential.

The social media revolution and its impact on business development led to the addition of social media guides to the CPA Marketing Toolkit and a new toolkit by the Private Companies Practice Section to **help CPAs build their virtual marketing presence**.

The AICPA continues to provide timely and diverse resources to enable our members to stay ahead of trends and showcase their talents. As the enormous impact of cloud and mobile computing is being felt around the globe, CPA2Biz was out in front for the Institute, educating members and positioning them for success with transformative technologies. In response to the economic downturn and new legislation to boost small business activity, our Small Business Relief web page offered a storehouse of information and links to critical resources to facilitate small firms serving their clients. The social media revolution and its impact on business development led to the addition of social media guides to the CPA Marketing Toolkit and a new toolkit by the Private Companies Practice Section to help CPAs build their virtual marketing presence. The Institute's new blog, *AICPA Insights*, is one component of our expanding social media efforts that builds relationships with members, state CPA societies and the public. The AICPA continued to release valuable guidance relating to enterprise risk management, advising CPAs on how to assist employers and clients with identifying and mitigating business risks.

We also are laying the groundwork for the future of the profession, keeping the pipeline full and helping CPAs develop their careers. The 2011 *Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits* showed an all-time high of more than 225,000 undergraduate and graduate students enrolled in accounting programs. Our new AICPA Legacy Scholars Program assists students in giving back to their communities and becoming advocates for the profession and for the study of accounting. The third class of young CPAs graduated from the AICPA Leadership Academy and now joins Institute volunteer committees to help shape the profession. The Accounting Doctoral Scholars Program selected and funded a record 35 candidates who have enrolled in doctoral programs at participating universities beginning in fall 2011.

All these programs and achievements are to serve you, and to position you for future success. At record-high membership, more than 377,000 at the close of the fiscal year July 31, 2011, the AICPA is proud of its tradition of addressing the needs of its large and diverse membership.

The AICPA anticipates another exciting year ahead, replete with new possibilities springing from changes and our renewed Vision. We are pleased to present you with the AICPA 2010-2011 Annual Report, titled "Change. Vision. Opportunity."

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Designed to make U.S. generally accepted auditing standards easier to read, understand and apply, the Auditing Standards Board's Clarity Project moved closer to completion during the last year.

Enhancing Standard Setting

The AICPA has been a thought leader and an advocate for the public and users on a number of fronts in the standard-setting arena, ranging from private company financial reporting to international accounting, auditing and ethics standards.

Designed to make U.S. generally accepted auditing standards easier to read, understand and apply, the Auditing Standards Board's Clarity Project moved closer to completion during the last year. This monumental seven-year effort will clarify the existing guidance and converge U.S. GAAS with International Standards on Auditing published by the International Auditing and Assurance Standards Board. Among the improvements are a more consistent and readable format to be used in all pronouncements.

The AICPA continues to actively support a single set of high-quality, globally accepted accounting standards for public companies. To facilitate possible incorporation of International Financial Reporting Standards into the financial reporting system for U.S. issuers, and prepare CPAs to apply their expertise in a global business environment, the Institute launched the IFRS Certificate Program, a comprehensive curriculum of 25 online self-study courses enabling CPAs to demonstrate their knowledge and expertise. Active participants in the program receive a free subscription to eIFRS, which provides online access to IFRS and International Accounting Standards, as well as additional educational materials, advanced electronic search capabilities and other guidance not available to non-subscribers. The spring 2011 AICPA IFRS Readiness Survey showed that a large majority of CPAs in the U.S. have some knowledge of IFRS and indicated that many CPAs have begun to develop greater expertise as standard setters work to converge global accounting principles. In August, the AICPA sent the SEC a comment letter in response to its May 2011 Staff Paper on IFRS use and stated it supports allowing public companies to adopt IFRS immediately if they so choose. The Securities and Exchange Commission has said it plans to make a decision on IFRS incorporation in 2011.

The AICPA issued three accounting briefs to help CPAs and other stakeholders better understand some of the key projects that the International Accounting Standards Board and the FASB have undertaken to improve international and U.S. standards and bring about their convergence. These projects, which the boards continue to deliberate, address

In the United States, there are

28.5 MILLION

private companies, and millions of them would benefit from modifications in GAAP set by an independent board.

Private Company Financial Reporting

CPAs who work for or with private companies have struggled for years with the challenge of implementing accounting standards that do not meet the unique needs of these organizations' financial statement users. The profession has worked tirelessly to assess the problems and generate workable solutions. Most recently, the AICPA was one of the sponsors of the Blue Ribbon Panel on Private Company Financial Reporting, in conjunction with the National Association of State Boards of Accountancy and the Financial Accounting Foundation. Unlike previous efforts, the Blue Ribbon Panel's work focused not on specific standards but on a broad-based, conceptual approach to standard-setting policy.

One of the major recommendations the panel ultimately made was that the Financial Accounting Foundation, which oversees the Financial Accounting Standards Board, should appoint a separate, autonomous board reporting directly into FAF and consisting of people with private company constituent experience to set changes in U.S. GAAP for private companies. A second major recommendation was that the board should make changes and modifications to accounting standards where warranted to reflect the private company environment.

Since January 2011 when the panel made its recommendations, the Institute has taken a leadership role in educating stakeholders on the merits of both these recommendations and encouraging them to become involved in this historic initiative. The AICPA strongly believes that the 29 million U.S. private companies and their financial statement users deserve information that is relevant and responsive to their unique decision-making needs. Differential standard setting by a body independent of the FASB would serve the public interest by minimizing the number of GAAP exceptions being taken today by private companies that find existing standards do not meet their reporting needs. By late September 2011, the FAF had received more than 3,000 letters commenting on this initiative, 99 percent of them supporting an independent board. However, on Oct. 4, FAF released for public input its Plan to Establish the Private Company Standards Improvement Council, whose decisions would be subject to ratification by the FASB. The AICPA promptly released a statement expressing its profound disappointment with that aspect of the proposal and pledged to continue advocating for an independent board.

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accounting for financial instruments, leases and revenue recognition. In addition, the AICPA Financial Reporting Executive Committee has commented on exposure drafts that the boards have already issued. FinREC's goal is to ensure the standards are effective and can be implemented efficiently. The Institute's new Financial Reporting Center has been providing CPAs with a host of related resources to prepare them for the major changes in the convergence project standards.

The board of directors of the International Federation of Accountants includes two U.S. members, both of them former AICPA board chairs. Last November, Robert R. Harris, CPA, the immediate past AICPA board chair, joined Olivia Kirtley, CPA, on the IFAC board. Kirtley was the first woman, as well as the first member from Business, Industry and Government to serve as AICPA board chair. The AICPA also is represented on all four of IFAC's standard-setting boards.

Responding to changing marketplace needs and helping CPAs select the appropriate standard for a particular engagement, the AICPA created the SERVICE ORGANIZATION CONTROL REPORTS℠ framework. These new reports — which replace the guidance and standards for service auditors in the former SAS 70 report — expand assurance options for organizations and enhance the services that CPAs can provide. SAS 70 reports were often misused to cover assurance on effectiveness of controls for other non-financial data. As more

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jurisdictions permit or require IFRS for domestic public companies.

companies outsource a variety of tasks and functions, the new SOC reports enable CPAs to report on security, availability, processing integrity, privacy or confidentiality.

Updates to the Statement on Responsibilities in Personal Financial Planning Practice ensured they remain relevant in a dynamically changing environment. The statement is now more reader friendly, featuring greater detail on related guidance, and includes enhanced illustrations and examples to facilitate CPAs' compliance and enhance services to their clients.

Timely updates were also in process for the COSO Internal Control — Integrated Framework. Enhancements to the Framework, which many companies rely on for internal control guidance, do not alter its core principles but reflect changes in the operating environment, evolving expectations of regulators and other stakeholders, and issues beyond financial reporting. The AICPA was a founding sponsor of COSO (the Committee of Sponsoring Organizations of the Treadway Commission).

Representatives of the AICPA Professional Ethics Executive Committee have been working to ease understanding and implementation of ethics standards through the PEEC's Codification Project. The project will create a more user-friendly, intuitively arranged Code of Professional Conduct that restructures existing standards topically and improves consistency, among other changes. PEEC plans to pilot test the project to a broad group of potential users before exposure. As part of the codification project, the PEEC also is converging to the extent practical with international standards.

The PEEC approved new and revised ethics standards that bring needed guidance and clarification to members on a number of issues, including disclosure of confidential information of a client or an employer, application of the independence rules to affiliates of a client, and specific guidance applicable to members in business and industry. The revised rules affect various services provided by members and resources were developed to help members implement the final rules.

To maintain transparency in the public interest, the AICPA/NASBA Uniform Accountancy Act Committee proposed new guidelines that would offer guidance to firms and state boards of accountancy on what are and what are not misleading CPA firm names.

Standing Up for the Profession

The AICPA's influence with decision-makers in Washington and elsewhere translated into successful advocacy on numerous fronts — including financial regulatory reform, tax regulation and many more.

Since the Wall Street Reform and Consumer Protection Act set into motion sweeping reforms of the financial system, the AICPA has provided perspective for members and respected recommendations to regulators on related rulemaking decisions. For example, although non-accelerated filers received permanent exemption from the requirements of Section 404(b) of the Sarbanes-Oxley Act, the Institute successfully argued against extension of this exemption to larger companies (market capitalization of $75 million or more). However, Congress is continuing to debate the level of the exemption.

A Government Accountability Office report agreed with the Institute's assertion that creation of a federal regulator for financial planners would be duplicative and unnecessary. In addition, the AICPA advocated for whistleblower rules that would encourage sharing information about financial reporting improprieties with company audit committees or auditors. The Institute also filed comments opposing the creation of an extraterritorial private right of action for

The Dodd-Frank Wall Street Reform

and Consumer Protection Act is

2,307

pages long and calls for

355 rulemakings and 68 studies.

U.S. shareholders who buy or sell securities on foreign exchanges. Members received a high-level review of the law and its implications from "Dodd-Frank Wall Street Reform and Consumer Protection Act: A Primer for CPAs," an AICPA white paper that offers a comprehensive review of the provisions most relevant to CPAs.

A Government Accountability Office report agreed with the Institute's assertion that creation of a federal regulator for financial planners would be duplicative and unnecessary.

In the wake of diligent AICPA efforts, the Internal Revenue Service narrowed much of the focus of its tax return preparer program to the unenrolled preparer community. Not only are CPAs now exempt from the testing and continuing education requirements, but so are non-signing, non-CPA preparers who work for CPA firms. The initial proposal would have required testing or continuing education for them. The IRS has also taken steps to constrain advertising by Registered Tax Return Preparers and to mitigate public confusion regarding the qualifications of the different classes of tax preparers. The AICPA now supports the IRS registration program but is monitoring the many steps that are left to implement.

The IRS's new tax return preparer registration program offered CPAs an opportunity and a challenge to differentiate themselves in the marketplace. The AICPA responded by reinforcing the CPA as the premier provider of tax services through the development of an integrated promotional campaign and a public service tax information website, 360 Degrees of Taxes. In addition, the Institute armed members with a host of resources, including a booklet on CPA services, print advertisements, social media communications and tax-related client brochures, PowerPoint presentations and speeches.

In August 2011, New York became the 48th state to enact a mobility statute. There are only seven remaining states and jurisdictions without a mobility statute. This tremendous success is a result of multiyear collaborative efforts between the AICPA, NASBA, state CPA societies, state boards of accountancy and others. Also available is a new online mobile-compatible tool. CPAmobility.org is designed to help CPAs more easily determine eligible states for interstate practice. A joint effort of the AICPA and NASBA, it provides convenient access to mobility laws in all 50 states and 5 U.S. jurisdictions.

The AICPA was triumphant in its effort to repeal provisions in two laws that would have imposed expanded Form 1099 reporting requirements on taxpayers. During consideration to repeal these burdensome reporting requirements, the Institute was the only organization to raise the rental property provision in the Small Business Jobs Act of 2010. AICPA President and CEO Barry Melancon, CPA, called the repeal of both provisions "a victory for taxpayers."

The AICPA was successful in its concerted efforts to urge passage of the Red Flag Program Clarification Act of 2010. The legislation establishes that CPA firms are not considered creditors under the Federal Trade Commission's "Red Flags" rule and thus are not subject to onerous regulation. If allowed to go into effect, the rule would have imposed an unnecessary burden of developing and implementing identity theft prevention and detection programs even though CPAs already are subject to confidentiality requirements.

Client confidentiality was one critical concern when the IRS announced planned compliance visits to tax preparers' offices. The Institute alerted the IRS to the need for greater clarification regarding how client privacy would be protected under its Preparer Letters and Visitation Program and what subsequent steps might be expected after a visit occurs. In a letter to the IRS, the AICPA asserted that reviewing client files would be inappropriate and that preparers should be informed in advance which files might be reviewed. The AICPA also told the IRS there was no reason to visit CPAs during filing season.

To protect taxpayers and tax advisers from patent infringement and to prevent further complications in the tax code, the AICPA has long advocated against tax strategy patents.

Many IRS revisions to guidance on reporting an organization's uncertain tax positions were in line with Institute recommendations. The elimination of the maximum tax adjustment requirement and administrative practice UTP category, as well as raising the reporting threshold, were among the key changes that the Institute believed would improve the initiative.

The Institute applauded congressional efforts to pass legislation that prohibits new patents on tax strategies. To protect taxpayers and tax advisers from patent infringement and to prevent further complications in the tax code, the AICPA has long advocated against tax strategy patents. Throughout the last year, the Institute, along with state CPA societies, wrote numerous letters to and worked continuously with congressional leaders to urge support for patent reform legislation. On Sept. 16, President Obama signed into law the America Invents Act, which includes a provision to stop the issuance of new tax strategy patents.

To reduce the burden on taxpayers and the CPAs who serve them, the AICPA made several recommendations that would increase flexibility in implementing the IRS's mandatory e-filing program affecting returns for individuals, trusts and estates. The Institute called for flexibility in administering the program and supported a three-year phase-in.

As a result of AICPA efforts, bills in the House and Senate would change due dates for some tax returns to ensure Schedule K-1 information arrives before tax return filing deadlines of the individuals and businesses reporting that information. The last-minute arrival of this information, which is included in the tax returns of millions of individuals, S and C corporations, trusts, estates, partnerships and other entities, hinders the preparation of timely, accurate returns.

To expand opportunities for smaller CPA firms, the Institute called on the U.S. Small Business Administration to increase its small business size standards to $25.5 million for small business accounting firms that serve the federal contract market to better compete for U.S. government contracts. The SBA had proposed increasing the size standard, which determines whether a business qualifies for certain government programs and preferences, to $14 million from the current $8.5 million.

The AICPA continued to update its members on the latest developments regarding eXtensible Business Reporting Language through a series of webcasts. Additionally, the XBRL 2011 U.S. GAAP Financial Reporting Taxonomy includes updates for accounting standards and other improvements for issuers filing with the SEC, which now requires all public company financial statements to be filed using XBRL.

The work of the Center for Audit Quality, which is affiliated with the AICPA, is aimed at increasing confidence in capital markets through improvements to audit quality and communicating on behalf of the profession on important policy issues. The CAQ is leading efforts to bring stakeholders together to consider responsible changes to the auditor's reporting model and the role of the auditor in the U.S. and abroad. To that end, the CAQ released a report in September 2011 summarizing observations from a series of stakeholder discussions exploring how the auditor's role might evolve. *Deterring and Detecting Financial Reporting Fraud – A Platform for Action,* a 2010 report published by the CAQ, led to collaborative activities with partner organizations representing financial executives, board members and internal auditors in an effort to enhance the deterrence and detection of fraud across the financial reporting supply chain. The CAQ continues to educate investors and other stakeholders about the role of the auditor and the audit process through publication of the *In-Depth Guide to Public Company Auditing,* creation of a "For Investors" section of its website that includes a weekly "Did You Know?" fact about public company auditing, and planning for a series of videos about the people, laws and requirements that make sure the financial reporting system protects investors' interests. The CAQ also is monitoring and responding to the plethora of Public Company Accounting Oversight Board and other regulatory proposals related to the public company auditing profession.

The number of CPAs in Congress grew by more than half in this year's elections. All five CPAs serving in Congress won their re-election bids and three additional CPAs were added to the House, enhancing the profession's presence in Washington. The "Congressional Caucus on CPAs and Accountants" was created in 2011 and includes the eight CPAs in the House and two accountants in the Senate.

To inform CPAs about developments affecting them and update them on the profession's activities, in May 2011 the AICPA launched *The CPA Advocate,* an e-newsletter that summarizes news and trends of importance to members.

The America Invents Act of 2011 prevents new tax strategy patents from being issued. However, more than

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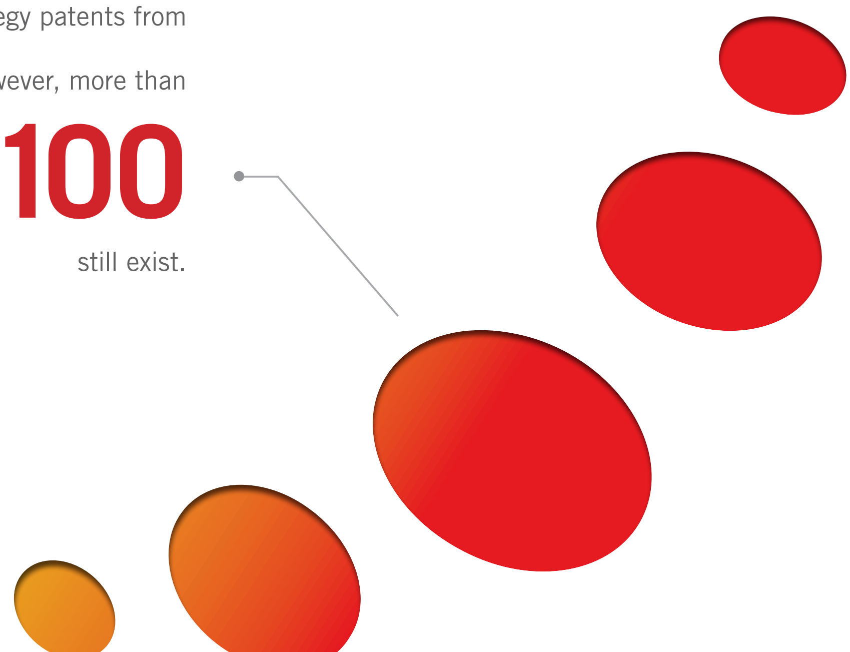
still exist.



The Commission on Accounting Higher Education: Pathways to a Profession, a joint project of the AICPA and the American Accounting Association, gathered input this year on the structure and content of higher education for the accounting profession.

Strengthening Our Greatest Asset

A broad range of initiatives were designed to maintain robust interest in an accounting career and strengthen the value of the CPA credential.

Sweeping and significant changes to the Uniform CPA Examination helped protect the public interest, uphold the high quality of new CPAs and reinforce the credential's prominence around the world. CBT-e, a version of the exam launched this year, now includes material on IFRS and uses case-based questions to place greater emphasis on skills assessment. International administration of the Uniform CPA Examination began Aug. 1, 2011, offered in Japan, Bahrain, Kuwait, Lebanon and the United Arab Emirates. The licensure process for international examinees is the same as it is for U.S. candidates. Underscoring the interest in the CPA, candidates registered for more than 2,000 exam sections within the first few weeks.

The Commission on Accounting Higher Education: Pathways to a Profession, a joint project of the AICPA and the American Accounting Association, gathered input this year on the structure and content of higher education for the accounting profession. The commission, an effort spawned by the U.S. Department of the Treasury Advisory Committee on the Auditing Profession, is identifying and ultimately establishing a higher education strategy that will serve the changing needs of the profession.

Providing a valuable snapshot of recruiting developments, the AICPA's *2011 Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits* forecasts strong demand for accounting graduates. While the study reported a record number of accounting students in bachelor and masters programs (more than 225,000), it also revealed a potential future staffing shortage.

As interest in accounting careers grew, the Institute last year launched This Way to CPA, a website aimed at college students who want to become CPAs and graduates preparing for the CPA Examination.

In addition, the site's 2010 AICPA Accounting Competition brought together teams of students in accounting and other disciplines to solve a real-world accounting for sustainability project and earn up to $10,000. The winning team was selected by the AICPA Board of Directors.

A special site on the revamped AICPA.org highlights the many types of career paths open to CPAs and features links to helpful resources. It includes the AICPA Career Assessment Tool, which helps CPAs chart the right path to professional success.

The Clearly Pretty Awesome Competition introduced high school students to the CPA profession. Students were encouraged to visit the profession's award-winning StartHereGoPlaces.com website to register and enter an innovative competition that introduced them to the value of a CPA career in a fun and challenging way.

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Founded in 2008, the Accounting Doctoral Scholars Program is a unique initiative, administered by the AICPA Foundation, which seeks to address the accounting faculty shortage in audit and tax. The goal of the program is to incrementally increase the current number of Ph.D.s by 120 during the course of the program's eight-year life. Currently, 85 ADS Program Scholars are enrolled in doctoral programs at participating universities. More than 65 public accounting firms, 48 state CPA societies and the AICPA have committed $17 million to the ADS Program.

CPA firms hired more than

33,000

accounting graduates in 2010 — an increase of 8,000 from 2009.

AICPA members voted to modernize membership requirements to better reflect the profession as a whole. Voting membership in the Institute is now open not only to those who hold a valid CPA certificate but also to those who at any time possessed a valid CPA certificate, provided that the certificate was not revoked as a result of a disciplinary action, or if they have fulfilled the education, examination and experience requirements of the UAA. The rules for becoming or holding out as a CPA were not changed, and all members admitted under the new terms must meet AICPA continuing professional education requirements and abide by the Code of Professional Conduct.

The AICPA Legacy Scholars Program provides an opportunity for accounting students to pay for their education, enhance their leadership skills and make a difference in their schools and communities. AICPA scholarship recipients perform eight hours of community service each semester to advocate on behalf of accounting as a major and the CPA profession.

CPA Horizons 2025

The CPA Vision Project of the late 1990s resulted in an unprecedented, grassroots vision of the road ahead for CPAs. To develop a fresh understanding of the business environment today, a landmark initiative, CPA Horizons 2025, this year gathered the insights and ideas of CPAs around the country in a unique effort to anticipate and plan for the profession's future.

It is clear that CPAs will continue to provide a high level of valuable services to their firms, companies and communities. CPA Horizons 2025 enlisted CPAs, regulators, state societies, futurists and young CPAs to help make sense of how the forces changing our world will otherwise change the profession. Institute members provided an outpouring of feedback through surveys and online and in-person forums. More than 5,600 CPAs participated in the initiative and contributed 75,000 comments during a four-month period.

The results were delivered by AICPA Chairman of the Board Paul Stahlin, CPA, at the fall meeting of the AICPA's governing Council. The input will be used to support the continuing success of the profession and our members, and reinforce that they are thought leaders.

CPA firms are using social media to showcase their own activities and expertise and better connect with clients. **The PCPS Social Media Toolkit** is packed with helpful resources, including guides to setting up and using various social media accounts, an action plan to establish a social media presence and sample firm policy and guidelines. The AICPA also developed social media user guides as part of its **CPA Marketing Toolkit**.

Guiding CPAs' Services

AICPA resources and information enable practitioners to understand and address the trends affecting firms with similar opportunities and challenges.

CPA firms are using social media to showcase their own activities and expertise and better connect with clients. The PCPS Social Media Toolkit is packed with helpful resources, including guides to setting up and using various social media accounts, an action plan to establish a social media presence and sample firm policy and guidelines. The AICPA also developed social media user guides as part of its CPA Marketing Toolkit.

It is in CPA firms' best interests to understand the aspirations and expectations of their most promising people so they can focus their resources on the benefits and policies that are most likely to attract and retain them. The 2011 PCPS Top Talent Survey examines what is on the minds of highly qualified young professionals and provides insights on how to hire and keep them.

The 2011 PCPS CPA Firm Top Issues Survey offers unique insights into the challenges practitioners face. Survey results are categorized by firm size so that members can spot the trends affecting CPAs in firms much like their own. This year's survey results reveal a diversification in the top issues among firms of different sizes. Smaller firms struggle to keep up with changes and the complexity of tax laws and financial reporting standards. Larger firms were more concerned with finding and keeping qualified staff and holding partners accountable. A top issue common to all firm sizes is growth; bringing in new clients, and retaining current clients, ranked high across firms of all sizes. To help members easily identify potential solutions to these issues, the resources available to them are now categorized by firm size on AICPA.org.

The 2010 PCPS/TSCPA National Management of an Accounting Practice Survey showed that practitioners have used their business skills to limit potential damage from the economic downturn. The survey, the foremost benchmarking tool for CPA firms, provided comprehensive results (sorted by firm size and geographic location) on a wide range of practice management issues and trends.

Chartered Global Management Accountant

In May, the AICPA governing Council unanimously approved the Chartered Global Management Accountant designation, to be established through a joint venture of the AICPA and the London-based Chartered Institute of Management Accountants. The Joint Venture will leverage the collective power of more than 550,000 members and students to further advance, promote and support the profession of management accounting as well as promote CGMA and the U.S. CPA. Together, the two organizations are creating a highly influential alliance that will increase advocacy on behalf of the management accounting profession and in the public interest, and ensure a more powerful voice in the global marketplace for the combined AICPA and CIMA memberships.

The first strategic imperative for the Joint Venture is developing and issuing a new designation: CGMA. The CGMA, to be launched in January 2012, is a global designation that elevates the profession of management accounting. Designees will work to continuously sharpen their business acumen and to achieve sustainable business success. The CGMA aims to deliver opportunity, locally and globally, to professionals and students and to encourage employers around the world to turn to CGMAs to guide critical business decisions and drive strong business performance. CGMAs will be supported by a robust set of resources, including a global online community, a new website, thought leadership publications and a new online magazine.

Thinking BIG

In a rapidly changing economic environment, AICPA resources helped members in business, industry and government keep pace with new developments.

"Balancing Efficient Capital Markets and Investor Protection," an AICPA Business Brief, provided members with insights into how the Treasury Department and the SEC planned to implement the sweeping financial reforms in the Dodd-Frank Act. It included a comprehensive list of related information sources.

The SEC's Revised Custody Rule set forth new requirements for investment advisers who have custody of client assets. To equip members to implement them, the AICPA issued an FAQ and guidance for accountants.

The new monthly *BusIndNews* delivers information on developments across the economy that will have an impact on CPAs in industry. Topics in a recent issue included an accounting and reporting update, a look at emerging trends and news from inside the profession.

A thought leadership research paper developed by the AICPA and the CIMA shed light on critical issues. Enterprise risk oversight: A global analysis is the first in a series of papers being developed jointly by the AICPA and the CIMA.

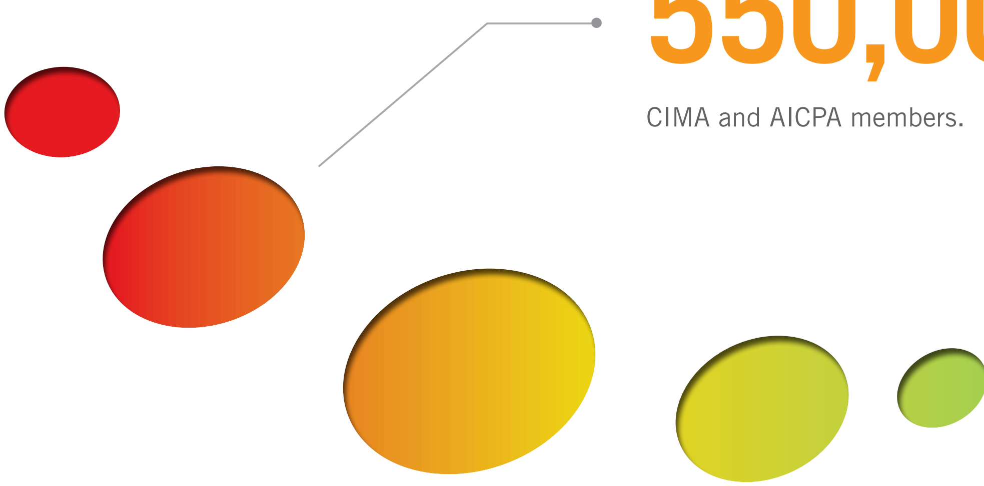
The Business and Industry Economic Outlook Survey, a respected assessment of attitudes on the economy, introduced a new index in March. The CPA Outlook Index is a broad-based composite index that captures member attitudes and their expectations for a breadth of indicators of economic activity. The survey is designed to showcase to the public CPAs' expertise on financial and economic issues.

Maintaining the profession's active involvement in sustainability-related issues, the Institute convened a roundtable discussion for the International Integrated Reporting Committee, which gathered perspectives on integrating governance, environmental and social performance information into organizational financial reporting. The June roundtable was one of a series held around the world aimed at fostering the exchange of ideas between CPAs and other business leaders, investors, regulators and key stakeholder groups on the

Collectively, there are more than

550,000

CIMA and AICPA members.



concepts and principles of integrated reporting. Another roundtable will take place in San Francisco in November. The AICPA continues to develop ways for CPAs to play a critical role in the development of a global integrated reporting framework.

Supporting the Profession

One of the Institute's chief objectives is to equip members with the tools they need to advance their own professional goals and enhance their service to clients and employers.

To continue to help members make sense of far-reaching recent legislation, the Institute launched a web page packed with resources on health care reform. In addition to related news and background information, the site includes a marketing toolkit featuring a comprehensive, downloadable client brochure and a PowerPoint that explains key provisions.

After passage of the Small Business Jobs Act of 2010, the Institute provided CPAs with practical related tools and information on its Small Business Relief website. Small businesses and the CPAs who serve them also benefitted from a new interactive site, choosingaretirementsolution.org, which helps these companies select the best retirement plan. The site is a joint venture between the AICPA and the U.S. Department of Labor.

Whether they seek to access their CPE records on demand or determine the competency pathways that will help them meet their professional goals, AICPA members can find the tools they need in the AICPA Learning Management Solution, which was launched last year. Developed by CPA2Biz in partnership with the Institute, the site provides members with instant online access to AICPA CPE self-study courses, live web events and virtual conferences.

The Workplace Leaders in Financial Education Awards recognize organizations with outstanding workplace financial literacy initiatives that prepare employees to make sound decisions and better manage their financial lives. This joint initiative of the AICPA and the Society for Human Resource Management includes a toolkit and other resources to help in program development.

The Workplace Leaders in Financial Education Awards recognize organizations with outstanding workplace financial literacy initiatives that prepare employees to make sound decisions and better manage their financial lives.

The AICPA's Member Specialization and Credentialing team, which includes the Forensic and Valuation Services, Personal Financial Planning and Information Technology membership sections, launched a collaborative effort with state CPA societies to form communities of CPAs with similar professional interests. The goal is to make practicing CPAs successful through education and advocacy and allow this opportunity to form at the local level by partnering with state societies.

AICPA Insights, the Institute's new blog, provides members with timely observations and opinions from AICPA experts and leadership on the topics that matter most to CPAs. The blog was launched July 11 and features unique perspectives. Members may also share their comments and questions with the authors. The blog quickly amassed visitors from more than 130 countries.

Cloud computing emerged on the global stage as a leading technology phenomenon, and CPA2Biz, the technology subsidiary of the AICPA, was at the forefront, raising awareness and educating AICPA members about a transformation that is helping to remake the profession. Cloud technology has an enormous impact on how firms deliver services to clients, manage practice areas and drive growth and profitability – and its influence will continue to grow. This past year, CPA2Biz served as one of the profession's leading voices on the cloud and, through its Trusted Business Advisor Solutions platform, continues to expand the tools, resources and solutions that position CPAs for success in a changing world.

Mobile applications, a natural extension of cloud-based solutions, were an important area of emphasis for CPA2Biz and its partners throughout the year.

Smartphones, iPads and other mobile devices provide CPAs with capabilities that did not exist just a few short years ago. To capitalize on the competitive advantages brought about by these devices, CPA2Biz, the AICPA and key alliance partners launched mobile applications this past year, enabling AICPA members to collaborate more closely at AICPA conferences, manage and pay bills for clients on the go, and get instant updates on the status of audit confirmations.

The *AICPA Insights* blog's readership

reaches into more than

130 COUNTRIES.

American Institute of CPAs

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New York, NY 10036

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Durham, NC 27707

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Ewing, NJ 08628

1720 Lake Pointe Drive, Suite 117
Lewisville, TX 75057

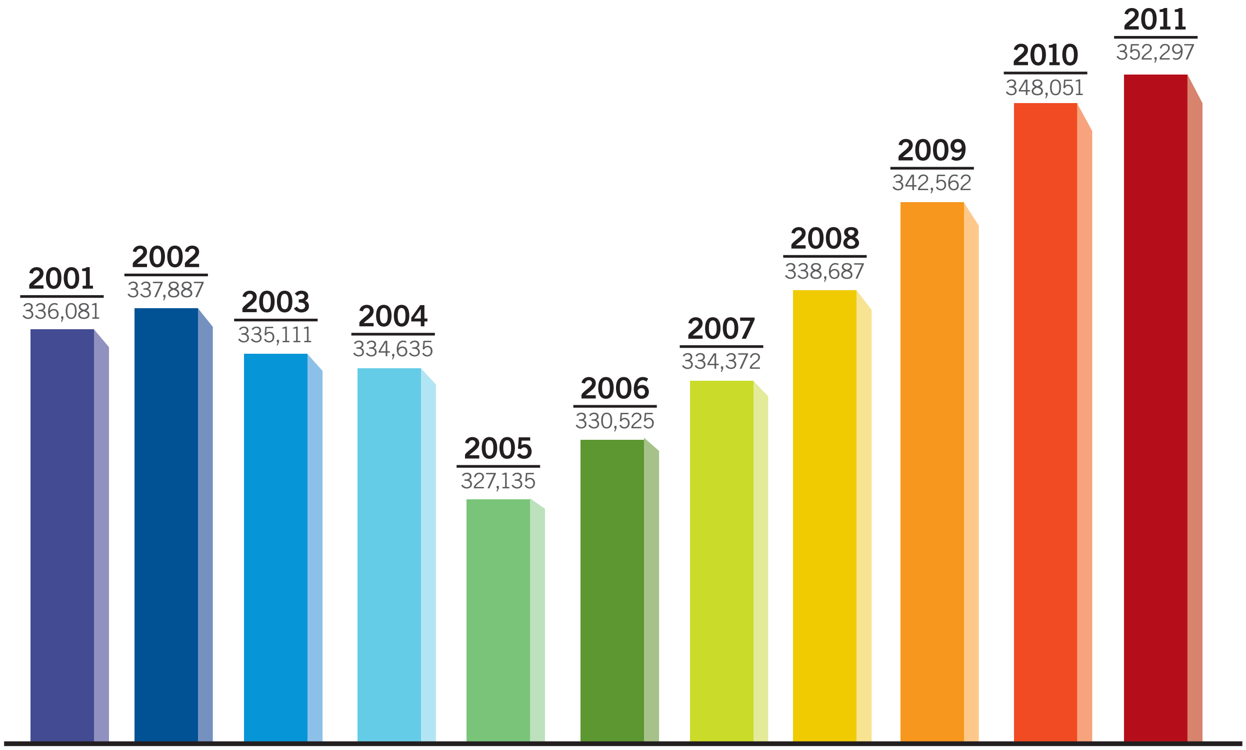
Financials

2010 - 2011 Annual Report

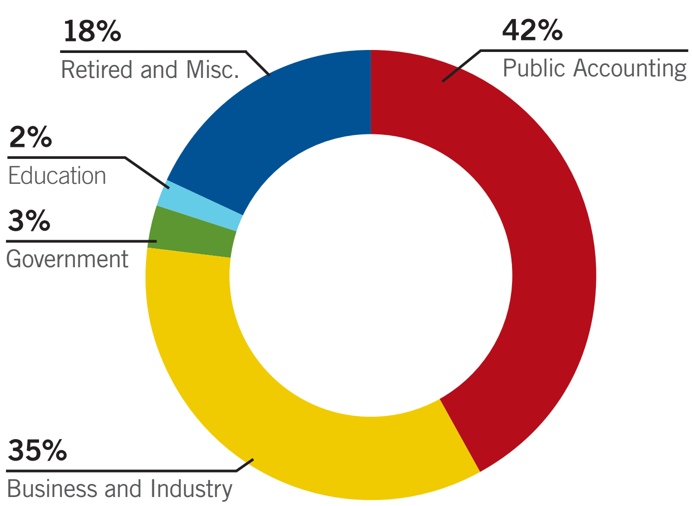
AICPA®

We again reached record-breaking membership levels, with more than 352,000 voting and 377,000 total members at July 31, 2011.

Sources and Occupations of AICPA Membership



AICPA Voting Membership Since 2001



2011 Total AICPA Voting Membership
352,297 Members

AICPA Management Discussion and Analysis – Fiscal 2011

As a steward of the CPA profession, the AICPA provided leadership in a year of significant change and partnered with fellow stakeholders to shape the future of the profession. While looking forward, we continued to advocate for, educate, lead, promote, and support our members as they served the public, their clients and employers. The AICPA strives to meet current needs and to contemplate and plan for future needs of all members, including those in public practice, business and industry, government, education and consulting, as well as students and CPA candidates. The following is a discussion of management's view of our financial condition, which reflects the results of our efforts this year and our ability to move forward with a solid foundation. This discussion should be read in conjunction with the audited combined financial statements and notes to the combined financial statements.

The services we provide to our members include regulatory and legislative advocacy, technical support, and other member resources such as publications and programs supporting the profession. In Fiscal 2011, we were advocates in Washington, DC, endorsing the prevailing argument that an additional federal regulator is not needed to oversee CPAs offering financial planning services. In January 2011, the Government Accountability Office concluded a study required by the Dodd-Frank Act and released a report stating that no additional layer of regulation of financial planners is currently warranted. For CPAs who extend payment terms or credit to clients for services rendered, we obtained a permanent exemption from unnecessary requirements related to identity theft under the Federal Trade Commission's "Red Flags" rule with the passage of the Red Flag Program Clarification Act of 2010. We also negotiated a positive outcome with the IRS regarding tax return preparer registration and regulation. As a result of our efforts with state CPA societies and others surrounding CPA mobility efforts, the number of jurisdictions and states granting practice privileges to out-of-state CPAs increased to 48, with new laws enacted in Massachusetts and New York in Fiscal 2011. The AICPA and the National Association of State Boards of Accountancy (NASBA) continue to work diligently to obtain or implement mobility status for all 50 states and the 5 U.S. jurisdictions. To assist CPAs in navigating the new requirements, NASBA and the AICPA launched CPAmobility.org in Fiscal 2011.

We won a long-term effort as comprehensive patent reform was signed into law Sept. 16, 2011. A provision actively supported by the AICPA, which would prohibit the U.S. Patent and Trademark Office from issuing new patents for tax strategy methods, was included in the Leahy-Smith America Invents Act. In other tax-related efforts, we worked to successfully protect businesses and rental property owners from onerous new Form 1099 reporting requirements as a result of The Patient Protection and Affordable Care Act and The Small Business Jobs Act.

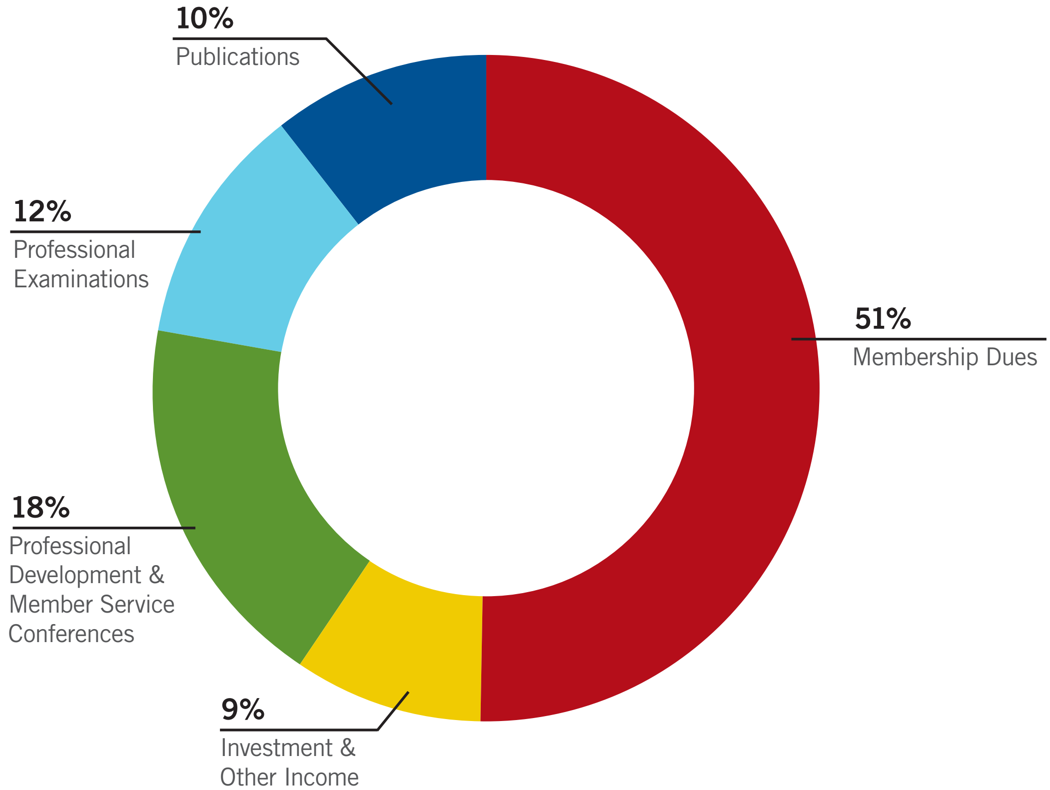
In regard to technical support activities this year, the Blue Ribbon Panel on Standard Setting for Private Companies (Panel), sponsored jointly by the AICPA, the Financial Accounting Foundation (FAF) and NASBA, finalized its recommendations and submitted a report to the FAF calling for the creation of an independent, autonomous board that would set changes and modifications in existing and future U.S. GAAP recognizing the private company environment. However, on Oct. 4, 2011, the FAF released a proposal that recommends a new council whose decisions are subject to ratification by the Financial Accounting Standards Board. The AICPA responded that it is profoundly disappointed that the proposal does not include the independent board. The AICPA therefore continues to encourage CPAs, small businesses, lenders and other users of financial statements to become engaged in the discussion and send comment letters to the FAF in support of the Panel's recommendation. Also this year, the AICPA's Auditing Standards Board completed the majority of its project to clarify and redraft the U.S. auditing standards (for nonpublic entities) to make them easier to understand and to converge the standards with the International Standards on Auditing. For public companies, the AICPA made recommendations to the Securities and Exchange Commission regarding incorporation of International Financial Reporting Standards (IFRS) into the financial reporting system, including the assertion that U.S. public companies should have the option to switch to IFRS.

We again reached record-breaking membership levels, with more than 352,000 voting and 377,000 total members at July 31, 2011. These results reflect the AICPA's continuing effort to attract new members and retain our current membership base. As part of our strategy to attract new members, we launched a new website, ThisWayToCPA.com, which is focused on college accounting students and CPA Examination (Exam) candidates. This website reached more than one million page views by the end of the fiscal year.

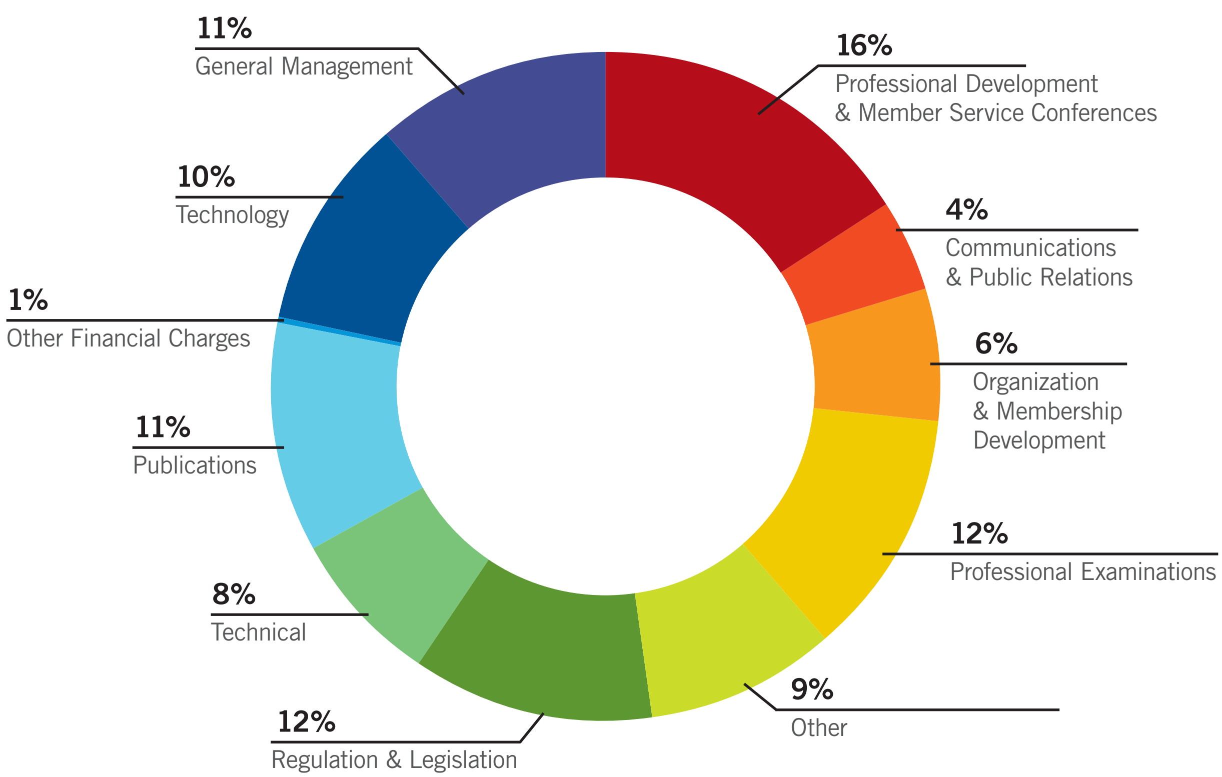
The AICPA continued its focus on member specialization and credentialing by providing opportunities for members to expand their knowledge and practice areas, remain informed regarding latest trends, and find a sense of community with others who share the same passion. We expanded our offerings in Fiscal 2011 by providing new or updated credentialing exams, educational materials that allow participants to prepare for the exams, and continuing education on emerging trends and techniques.

At Dec. 31, 2010, we reached a significant milestone with the Exam – more than 306,000 sections of the Exam were delivered for the previous 12-month period. This record number of sections delivered triggered an $8.8 million volume reimbursement by Prometric to the AICPA. In January 2011, new content for the Exam, including IFRS questions, and new functionality, including simulations, was launched. In addition, we began offering the Exam internationally Aug. 1, 2011, in the following countries: Bahrain, Japan, Kuwait, Lebanon and the United Arab Emirates.

From a professional development perspective, a new course of study leading to a certificate of educational achievement in IFRS (IFRS Certificate Program) was launched in 2011. The AICPA's new IFRS Certificate Program is a comprehensive, integrated curriculum of online courses for CPAs and other accounting professionals that provides a measurable standard for demonstrating competence in understanding and applying international



Operating Revenue By Activity



Total Expense By Activity

AICPA Management Discussion and Analysis – Fiscal 2011

accounting standards. In the coming year, the AICPA will relocate its Continuing Professional Education (CPE) operations in its Texas and New York locations to the Durham, NC, office.

In the publications realm, eXacct: Financial Reporting Tools & Techniques was released in Fiscal 2011. This interactive web-based tool is built on the framework of Accounting Trends & Techniques, one of our flagship publications, and it includes search, filter and download functionality. We further enhanced our online presence by expanding our virtual conference offerings in Fiscal 2011, providing customers with cost effective and convenient access to timely and relevant content.

Throughout Fiscal 2011, we worked with the London-based Chartered Institute of Management Accountants (CIMA) to develop a new focus and vision for our members. In May 2011, the AICPA governing Council unanimously approved the creation of the new Chartered Global Management Accountant (CGMA) credential through a joint venture with CIMA. The CGMA credential will offer a unique value proposition to our members by recognizing their management accounting expertise, helping them to elevate their competencies in this area, providing them with access to a credential envisioned to be the premier designation worldwide for management accountants and others performing management accounting services, and advancing the U.S. CPA on an international scale.

These services, programs, initiatives and future endeavors are supported by our membership dues and other programs for the benefit of our members and this profession. A detailed account of our operations follows and illustrates management's analysis of our resources, which are carefully managed to fund and support these activities.

REPORT ON OPERATIONS

Investments

In Fiscal 2011, the Institute's investments portfolio grew by approximately $10.9 million from the prior year as a result of improved market conditions and reinvestment of interest and dividends. The Institute's investments committee actively monitors the performance and allocation of its investment portfolios and responds to changes in market conditions while maintaining a long-term view of the markets. The investments portfolio is well diversified across equity and fixed income securities.

CPA Examination

While the AICPA breaks even on the Exam, year-over-year revenue increased as a result of the record candidate volume previously noted. In Fiscal 2011, we recognized approximately $25.4 million in revenue and expensed costs equal to the revenue. Consequently, the net deferred costs remaining to be recovered related to the Exam are only $180,000. This recovery of the net deferred costs is almost three years earlier than originally anticipated. The price of the Exam did not increase in Fiscal 2011 and no increases are planned for Fiscal 2012.

Long-term Debt

At July 31, 2011, the AICPA had total long-term debt of $27.5 million. During Fiscal 2011, the AICPA repaid the balance on the interest-free line of credit from Prometric, which was used to fund the initial development of the Exam. In addition, we made $10.7 million in principal payments on the term loan. Management continues to evaluate the opportunity to retire the existing debt earlier than the current maturity dates, as cash flow permits, as well as the opportunity to refinance its long-term debt given the low interest rate environment.

Defined Benefit Plans

In Fiscal 2011, the AICPA experienced an increase in the value of the assets of the pension plan (Plan) but was negatively impacted by a decrease in the discount rate. These changes resulted in pension and postretirement charges in excess of net periodic cost of $1.9 million, which has been included in Other Charges in the Statement of Activities.

The AICPA uses a dynamic asset allocation strategy for the Plan, which is intended to reduce volatility of the Plan's funded status as the funded status improves over time. As the Plan's funded strategy improves, the AICPA will increase the target allocation of the Plan's assets in fixed income investments and decrease the overall target allocation of the Plan's assets in equity investments.

As noted in prior years, the AICPA implemented a Plan freeze effective April 30, 2017, and no further benefit accruals will occur after this date. Furthermore, all AICPA employees hired after November 2005 receive a lower pension benefit but a higher employer match under our defined contribution plan. More than 70% of the pension liability is related to former employees that have already vested in the Plan. Management reviews the design of its defined benefit plan and other postretirement plans on a regular basis to assess opportunities to manage the exposure that market fluctuations may create.

CPA2Biz

In Fiscal 2011, CPA2Biz's revenue totaled $20.6 million with net income of $1.7 million. CPA2Biz continued its role as a leading advocate for cloud computing and the technology's ability to transform client accounting services. CPA2Biz broadened its commitment to provide leading technology tools to the profession by building and launching a learning management system (LMS) during the fiscal year. The LMS blends advances in technology with the evolving training needs of AICPA members, and positions the AICPA for state of the art administration, development and deployment of CPE.

AICPA Management Discussion and Analysis – Fiscal 2011

CPA2Biz's e-commerce site again received high marks for member satisfaction and was ranked by Internet Retailer as a Top 500 retail website for the sixth consecutive year. For Fiscal 2012, CPA2Biz will continue to add offerings that complement existing services in the Trusted Business Advisors Solutions platform, underscoring our commitment to deliver the best unified technology suite in the accounting field.

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 (AICPA Foundation, AICPA Benevolent Fund, Inc. and Accounting Research Association, Inc.). 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. Highlights from our combined financial statements as of and for the year ended July 31, 2011 include the following:

- Total assets on a combined basis were $241.5 million in Fiscal 2011 compared to $224.7 million in Fiscal 2010. The increase is primarily due to a higher cash balance from the continued success of the Exam, as previously noted, and higher investment values related to the recovery of the market and reinvestment of interest and dividends.
- Total liabilities on a combined basis were $176.1 million in Fiscal 2011 compared to $176.4 million in Fiscal 2010. This decrease was primarily the result of principal payments made to reduce the long-term debt balance offset by an increase in dues payments received in advance.
- Operating revenue on a combined basis was $218.8 million in Fiscal 2011 compared to $214.8 million in Fiscal 2010. The revenue increase is primarily related to higher AICPA membership dues revenue associated with achieving a record number of members, an increase in Exams revenue and an increase in investment income. The increases in revenue were offset by a decrease in publications revenue as a result of lower sales for certain publications and lower advertising sales in magazines and newsletters.
- Operating expenses on a combined basis were $216.5 million in Fiscal 2011 compared to $198.1 million in Fiscal 2010. In Fiscal 2010, the Institute reacted to the economic downturn by temporarily reducing expenses in non-member facing activities without impacting member services. In Fiscal 2011, we invested in our advocacy efforts, as noted earlier, and continued our support of membership retention and recruitment strategies that resulted in our record membership numbers.
- Cash provided by operating activities was $34.8 million in Fiscal 2011 compared to $9.5 million in Fiscal 2010. This change is primarily related to an increase in advance dues payments in Fiscal 2011 as well as continued success of the Exam offset by an increase in pension plan contributions made in Fiscal 2011. Cash used in investing activities was $7.4 million in Fiscal 2011 compared to $9.4 million in Fiscal 2010. Cash used in financing activities was $10.7 million in Fiscal 2011 compared to $6.7 million in Fiscal 2010. The net cash outflow for financing activities is related to principal payments on the long-term debt.

Conclusion

Fiscal 2011 was an important year for the AICPA. We invested in and supported various advocacy efforts and funded member retention and recruitment initiatives and other programs while cautiously managing resources and generating a positive return on investments. These efforts resulted in an increase in net assets and continued financial strength. As we continue to focus on our core responsibilities, we also embrace change. The accounting profession is dynamic and the rate of change has quickened. We identified and integrated certain changes and are working to develop the new landscape for CPAs' success through our CPA Horizons 2025 project. Based on significant member input, we will realize effective and strategic approaches to help shape our future.

Management believes that the AICPA has sufficient liquidity and working capital to meet our goals in the upcoming fiscal year. We will continue to monitor the changing economic conditions and evaluate the potential impact on the organization and profession.

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, 2011, 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, Operations and Member Value

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, 2011, 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, 2011, 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
Roseland, New Jersey
September 26, 2011

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, 2011 and 2010, 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, 2011 and 2010, 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.

J.H. Cohn LLP
Roseland, New Jersey
September 26, 2011

Financial Statements
July 31, 2011 and 2010

AMERICAN INSTITUTE OF CERTIFIED PUBLIC
ACCOUNTANTS AND RELATED ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
JULY 31,

	2011	2010
	($000)	
ASSETS:		
Cash and cash equivalents	$ **52,273**	$ 35,548
Certificates of deposit	**5,690**	1,689
Investments	**112,914**	102,025
Accounts and notes receivable, net of allowance for doubtful accounts	**13,533**	13,746
Contributions receivable, net of discount and provision for doubtful accounts	**5,179**	7,208
Deferred costs and prepaid expenses	**17,850**	35,186
Goodwill and other intangible assets	**12,553**	12,553
Furniture, technology and leasehold improvements, net	**21,475**	16,782
Totals	$ **241,467**	$ 224,737
LIABILITIES:		
Accounts payable and other liabilities	$ **31,413**	$ 28,504
Accrued relocation expenses	**3,817**	5,257
Advance dues	**50,975**	39,601
Unearned revenue	**9,834**	9,054
Long-term debt	**27,500**	38,179
Deferred rent	**16,623**	14,340
Deferred employee benefits	**35,941**	41,451
Total liabilities	**176,103**	176,386
PREFERRED STOCK AND NET ASSETS:		
Preferred stock of C2B	**36,594**	48,201
Net assets:		
Unrestricted:		
AICPA and related organizations	**47,244**	31,024
C2B	**(28,045)**	(41,264)
Total unrestricted	**19,199**	(10,240)
Temporarily restricted	**8,923**	9,742
Permanently restricted	**648**	648
Total net assets	**28,770**	150
Total preferred stock and net assets	**65,364**	48,351
Totals	$ **241,467**	$ 224,737

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

	2011	2010
	($000)	
CHANGES IN NET ASSETS:		
Operating revenue:		
Dues	**$ 110,435**	$ 107,821
Publications	**22,881**	24,003
Professional development and member service conferences	**40,318**	39,570
Professional examinations	**25,419**	24,544
Investment and sundry income	**17,306**	15,440
Contributions	**2,435**	3,452
Total operating revenue	**218,794**	214,830
Operating expenses:		
Program services:		
Publications	**23,548**	23,804
Professional development and member service conferences	**34,863**	31,972
Member services:		
Regulation and legislation	**25,190**	22,492
Technical	**16,405**	15,407
Publications	**427**	482
Other	**12,359**	9,721
Professional examinations	**26,252**	25,843
Communications and public relations	**9,280**	8,410
Support and scholarships	**6,771**	5,727
Assistance programs	**844**	565
Supporting activities:		
General management	**22,426**	21,586
Organization and membership development	**13,976**	11,014
Technology	**21,992**	19,879
Relocation	**2,117**	1,148
Total operating expenses	**216,450**	198,050
Excess of operating revenue over expenses before other charges	**2,344**	16,780
Other charges:		
Pension and postretirement charges in excess of net periodic cost	**(1,910)**	(7,378)
Interest income (expense) incurred on derivative financial instruments	**750**	(546)
Totals	**(1,160)**	(7,924)
Excess of operating revenue over expenses	**1,184**	8,856
Gains (losses) on investments:		
Realized	**2,904**	(385)
Unrealized	**13,027**	9,975
Totals	**15,931**	9,590
Change in net assets before noncontrolling interest	**17,115**	18,446
Noncontrolling interest	**102**	223
Change in net assets	**17,013**	18,223
Net assets, beginning of year	**150**	(28,529)
Conversion of preferred stock into common stock	**11,607**	10,456
Net assets, end of year	**$ 28,770**	$ 150

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

	($000)		
	AICPA and Related Organizations	C2B	TOTAL
2011:			
Preferred stock		**$ 36,594**	**$ 36,594**
Net assets:			
Unrestricted	**$ 47,244**	**(28,045)**	**19,199**
Temporarily restricted	**8,923**		**8,923**
Permanently restricted	**648**		**648**
Total net assets	**56,815**	**(28,045)**	**28,770**
Totals	**$ 56,815**	**$ 8,549**	**$ 65,364**
2010:			
Preferred stock		$ 48,201	$ 48,201
Net assets:			
Unrestricted	$ 31,024	(41,264)	(10,240)
Temporarily restricted	9,742		9,742
Permanently restricted	648		648
Total net assets	41,414	(41,264)	150
Totals	$ 41,414	$ 6,937	$ 48,351

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

	2011	2010
	($000)	
Increase (decrease) in cash:		
Operating activities:		
Cash received from members and customers	**$ 230,781**	$ 185,281
Interest and dividends received	**2,409**	2,415
Cash paid to suppliers, employees and others	**(195,517)**	(174,235)
Interest paid	**(1,949)**	(2,367)
Income taxes paid	**(875)**	(1,593)
Net cash provided by operating activities	**34,849**	9,501
Investing activities:		
Payments for purchase of amortizable assets	**(2,113)**	(2,028)
Payments for purchase of furniture and technology	**(6,373)**	(3,598)
Payments for purchase of certificates of deposit	**(33,555)**	(3,804)
Payments for purchase of investments	**(37,498)**	(15,493)
Proceeds from sale of certificates of deposit	**29,554**	2,616
Proceeds from sale of investments	**42,540**	12,926
Net cash used in investing activities	**(7,445)**	(9,381)
Financing activities – repayment of long-term debt	**(10,679)**	(6,678)
Net increase (decrease) in cash and cash equivalents	**16,725**	(6,558)
Cash and cash equivalents, beginning of year	**35,548**	42,106
Cash and cash equivalents, end of year	**$ 52,273**	$ 35,548

	2011	2010
	($000)	
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	**$ 17,013**	$ 18,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization:		
Furniture, technology and leasehold improvements	**3,840**	4,004
Internal software	**4,712**	3,214
Loss on disposal of furniture, technology, leasehold improvements and software	**20**	379
(Gain) loss on sale of investments	**(2,904)**	385
Amortization of unearned revenue	**(428)**	(461)
Unrealized gain on investments	**(13,027)**	(9,975)
Noncontrolling interest	**102**	223
Provision for:		
Losses on accounts and notes receivable	**185**	(656)
Losses on contributions receivable	**(50)**	50
Discount on contributions receivable	**(214)**	(86)
Accrued relocation expenses	**2,117**	1,148
Deferred rent	**103**	697
Deferred employee benefits	**5,492**	9,913
Changes in operating assets and liabilities:		
Accounts and notes receivable	**650**	(646)
Contributions receivable	**2,293**	(807)
Deferred costs and prepaid expenses	**15,566**	13,535
Accounts payable and other liabilities	**1,978**	3,737
Accrued relocation expenses	**(3,557)**	(3,453)
Advance dues	**11,374**	(23,767)
Unearned revenue	**586**	(761)
Deferred employee benefits	**(11,002)**	(5,395)
Total adjustments	**17,836**	(8,722)
Net cash provided by operating activities	**$ 34,849**	$ 9,501
Supplemental disclosures of noncash operating and investing activities:		
Furniture, technology, leasehold improvements and internal software	**$ 829**	$ 1,217
Deferred rent tenant allowance	**$ 2,180**	$ –

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

Notes to Combined Financial Statements

NOTE 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 accounting standards for not-for-profit organizations. The AICPA, the ARA and the Foundation are incorporated in the District of Columbia, C2B and NorthStar are incorporated in Delaware and the Benevolent Fund is incorporated in New York. As used herein, the “Institute” includes the AICPA and Subsidiaries and the related organizations.

The AICPA is the national professional organization for Certified Public Accountants. 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 website for the sale of AICPA products (see Note 10). 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 12). 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. During 2008, the Foundation initiated the Accounting Doctoral Scholars Program (ADS) to focus on the shortage of academically qualified university accounting faculty (see Note 11).

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 Delaware 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, 2011. 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.

In May 2011, the AICPA’s governing Council voted unanimously to approve an agreement with London-based Chartered Institute of Management Accountants (CIMA) to create a new Chartered Global Management Accountant designation for professional management accountants worldwide. The AICPA has been authorized to create a joint venture with CIMA, which is expected to be formed in fiscal 2012.

NOTE 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 accounting standards for not-for-profit organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to three classes of net assets depending on the existence and/or nature of any donor restrictions as follows: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Foundation is a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Disclosures about an organization’s endowment funds (both donor restricted endowment funds and board designated endowment funds) are required whether or not the organization is subject to UPMIFA. As stated in Note 1, the Foundation is incorporated in the District of Columbia. The District of Columbia adopted UPMIFA effective in 2008. The Foundation’s Board of Trustees has determined that the majority of the Foundation’s net assets do not meet the definition of endowment under UPMIFA. The Foundation is governed subject to its Constitution and Bylaws. Certain contributions are received subject to other gift instruments or are subject to specific agreements with the Foundation. Under the terms of the Constitution and Bylaws, the Board of Trustees has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest or fund as the Board of Trustees in its sole discretion shall determine. As a result of the ability to distribute corpus, all contributions not classified as temporarily restricted or permanently restricted are classified as unrestricted net assets for financial statement purposes and are not subject to donor-imposed stipulations.

Temporarily restricted net assets consist of restricted contributions receivable and the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Such permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

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.

Certain accounts in the 2010 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 ninety days or less when purchased to be cash equivalents. As of July 31, 2011 and 2010, the Institute's cash equivalents consisted primarily of short-term U.S. Treasury obligations and money market funds.

Certificates of deposit have maturity dates greater than ninety days and less than one year.

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 under the direction of asset managers.

The carrying amounts of cash and cash equivalents, certificates of deposit, receivables, accounts payable and accrued expenses approximate fair value because of the short-term nature of the items. The fair value of equity securities and fixed income securities is determined by quoted market prices. The fair value of the investment partnership is determined by the asset manager based on the market values of the underlying equity securities. 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.

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, if incurred, and are being amortized over five years. Goodwill and indefinite-lived intangibles are accounted for under a nonamortization approach and are evaluated annually for impairment (see Note 6).

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 ten 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, certificates of deposit, investments, trade receivables, notes and mortgages receivable, contributions receivable and derivative financial instruments used in hedging activities. At times, the Institute's cash exceeds the current insured amount under the Federal Deposit Insurance Corporation (FDIC). As of July 31, 2011 and 2010, the Institute's cash balance exceeded the current insured amount under FDIC by approximately $10,000 and $5,450,000. For the year ended July 31, 2011, the Institute placed its cash equivalents in the Certificate of Deposit Account Registry Service, which is fully insured by the FDIC. For the year ended July 31, 2010, the Institute placed its cash equivalents in Sweep Investment Accounts (Sweep Accounts) collateralized by U.S. Treasury obligations and were not insured nor guaranteed by the FDIC. As of July 31, 2010, the balance in the Sweep Accounts was $25,859,000. The Institute holds bonds and notes issued by the U.S. Government and financially strong corporations. By policy, these investments are kept within limits designed to prevent risks caused by concentration.

As of July 31, 2011 and 2010, cash and cash equivalents temporarily restricted as to use for the ADS program (see Note 11) was $2,232,000 and $1,064,000. As of July 31, 2011 and 2010, certificates of deposit temporarily restricted as to use for the ADS program were $1,000,000 and $1,002,000.

Restricted cash is limited in use for legislative consulting services. At July 31, 2011 and 2010, restricted cash, which is included in cash and cash equivalents on the statements of financial position, totaled $279,000 and $219,000.

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. As of July 31, 2011 and 2010, the allowance for doubtful accounts was $1,946,000 and $1,762,000.

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. Notes and mortgages are noninterest bearing and are due upon the death of the member and spouse and/or sale of the mortgaged property. Credit risk with respect to receivables is limited because the Benevolent Fund secures mortgages from a limited number of payment recipients in a wide geographic area. The Benevolent Fund closely monitors the extension of notes and mortgages to its members while maintaining allowances for potential losses. On a periodic basis, the Benevolent Fund evaluates its 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 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, 2011, 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. The Institute recognizes all derivatives as either assets or liabilities in the statement 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 print or electronic 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 in jurisdictions (Jurisdictions) recognized as member bodies of the National Association of State Boards of Accountancy (NASBA), referred to as the Domestic Examination. The AICPA also entered into a third-party agreement (International Examination Agreement) for the AICPA to break even with regard to the pilot phase of providing the computerized Uniform CPA Examination, on behalf of the Jurisdictions, to select international locations (International Examination). Accordingly, such costs have been deferred and are reflected in the accompanying statements of financial position net of revenue recognized (see Note 8).

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted when received depending on the existence and/or nature of any donor restrictions. Donated investments 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 criteria for recognition.

Promotions and advertising:

Costs of promotions and advertising are expensed as incurred. Total promotion and advertising expenses were $6,670,000 and $6,096,000 for the years ended July 31, 2011 and 2010.

Accounting for website and software development costs:

All costs incurred in the planning stage of developing a website 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 website on their servers are expensed over the period of benefit.

Fees paid to consultants 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 website software are capitalized. Such costs include external direct costs of materials and services consumed in developing or obtaining website software, payroll and payroll-related costs for employees who are directly associated with and who devote time to developing website software, and interest costs incurred while developing website software. Upgrades and enhancements that result in additional functionality to the website software, which enable it to perform tasks that it was previously incapable of performing, are also capitalized.

Capitalized internal use website 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 website is completed and the website is ready for its intended use.

All costs in the preliminary project stage for other computer software developed for internal use 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 that it was previously incapable of performing, are also capitalized.

Exit and disposal activities:

The Institute recognizes costs associated with exit or disposal activities when the liability is incurred rather than the date an entity commits to an exit plan and measures that liability at fair value.

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.

The Institute has analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. The Institute does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. The Institute's U.S. Federal income tax returns prior to fiscal year 2008 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

As of July 31, 2011 and 2010, the Institute did not recognize any interest and penalties associated with tax matters.

Stock-based compensation:

C2B adopted the preferable fair value recognition provisions for accounting for stock-based compensation.

All stock-based awards to employees, including grants of stock options, are recognized as compensation costs based on their fair values measured at the date of grant. C2B has not issued any grants since 2003. For the years ended July 31, 2011 and 2010, there has been no stock-based compensation expense recorded.

Employee benefit plans:

The Institute sponsors a defined benefit pension plan and reports the funded status of the plan in its statement of financial position and measures the plan assets and benefit obligations as of July 31.

Subsequent events:

The Institute has evaluated events and transactions for potential recognition or disclosure through September 26, 2011, which is the date the financial statements were available to be issued.

NOTE 3. INVESTMENTS:

Investments consist of:

	2011	2010
	($000)	
Equity securities	**$ 48,998**	$ 64,267
Fixed income securities	**55,460**	30,457
Limited partnership	**8,456**	7,301
Total fair value	**112,914**	102,025
Unrealized gains (losses)	**7,593**	(5,434)
Total cost	**$ 105,321**	$ 107,459

Investment income (loss) consists of:

	2011	2010
	($000)	
Dividends and interest	**$ 2,394**	$ 2,405
Realized gains (losses)	**2,904**	(385)
Unrealized gains	**13,027**	9,975
	$ 18,325	$ 11,995

NOTE 4. FAIR VALUE MEASUREMENTS:

The Institute values its financial assets and liabilities in accordance with the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Institute has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial assets and liabilities carried at fair value at July 31, 2011 and 2010 are classified in the tables below in one of the three categories described above:

	2011		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 287		$ 287
U.S. Large-Cap value	13,592		13,592
U.S. Mid-Cap growth	4,981		4,981
U.S. Mid-Cap value	4,417		4,417
U.S. Small-Cap core	9,469		9,469
International value	11,323		11,323
Real estate	4,929		4,929
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income	55,460		55,460
Limited partnership:			
International core		$ 8,456	8,456
Total assets measured at fair value	$ 104,458	$ 8,456	$ 112,914
Financial derivative instruments:			
Interest rate swap	$ –	$ 2,002	$ 2,002
Total liabilities measured at fair value	$ –	$ 2,002	$ 2,002

	2010		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 9,609		$ 9,609
U.S. Large-Cap value	14,168		14,168
U.S. Mid-Cap growth	6,284		6,284
U.S. Mid-Cap value	5,236		5,236
U.S. Small-Cap core	10,135		10,135
International value	13,196		13,196
Real estate	5,639		5,639
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income	30,457		30,457
Limited partnership:			
International core		$ 7,301	7,301
Total assets measured at fair value	$ 94,724	$ 7,301	$ 102,025
Financial derivative instruments:			
Interest rate swap	$ –	$ 2,752	$ 2,752
Total liabilities measured at fair value	$ –	$ 2,752	$ 2,752

Investments in equity securities and fixed income securities are valued using market prices on active markets (Level 1), which represents the net asset value of shares held by the Institute at year end. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The investment in limited partnership is designated as a Level 2 instrument and valuations are obtained from readily available pricing sources for comparable instruments. The investment in limited partnership has certain redemption restrictions. Withdrawals can be made from the capital account at the end of each month by giving prior notice to the general partner on or before the fifteenth day of such month. Once the withdrawal is made, it cannot be cancelled without the general partner's written consent to such cancellation. Withdrawal payments are made as soon as practicable, generally not more than ten business days after the withdrawal date, but the general partner intends to pay withdrawal proceeds as quickly as possible.

To estimate the fair value of the interest rate swap liability as of the measurement date, the Institute obtains inputs other than quoted prices that are observable for the liability. These inputs include current interest rates and consider nonperformance risk of the Institute and that of its counterparties.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Institute believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the fair value methodologies used at July 31, 2011 and 2010.

Assets and liabilities measured at fair value on a recurring basis were presented on the Institute's statements of financial position as of July 31, 2011 and 2010 as follows:

	2011			2010		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
		($000)			($000)	
Investments	**$ 104,458**	**$ 8,456**	**$ 112,914**	$ 94,724	$ 7,301	$ 102,025
Accounts payable and other liabilities	**$ –**	**$ 2,002**	**$ 2,002**	$ –	$ 2,752	$ 2,752

The following table sets forth the investment strategies and redemption terms for those investments that are measured at net asset values per share as of July 31, 2011 and 2010:

Investment Name	**2011**	**2010**	**Redemption Frequency**	**Redemption Notice Period**
	($000)			
Managers Cadence Capital Appreciation Fund		$ 9,370	Daily	NA
Managers AMG Essex Large Cap Growth Fund		171	Daily	NA
PRIMECAP Odyssey Growth Fund	**$ 199**		Daily	NA
T. Rowe Price Science & Technology Fund	**88**	68	Daily	NA
Artisan Mid Cap Fund	**4,981**	6,284	Daily	NA
IronBridge Frontegra Small Cap Fund	**9,469**	10,135	Daily	NA
Dodge & Cox Income Fund	**25,130**	29,936	Daily	NA
PIMCO Moderate Duration Fund	**15,548**		Daily	NA
Dreyfus Global Real Estate Securities Fund	**4,929**	5,639	Daily	NA
Thornburg International Value Fund	**11,323**	13,196	Daily	NA
Mondrian All Countries World Ex-US Equity Fund, L.P.	**8,456**	7,301	Monthly	15 days
Wells Fargo Advantage Government MMF	**14,773**	521	Daily	NA
	$ 94,896	$ 82,621		

Managers Cadence Capital Appreciation Fund (formerly Allianz CCM Capital Appreciation Fund): The Fund seeks to achieve its objective by normally investing at least 65% of its assets in common stocks of companies with market capitalization of $3 billion or more that have improving fundamentals (based on growth criteria) and whose stock the portfolio management team believes to be reasonably valued by the market (based on value criteria).

PRIMECAP Odyssey Growth Fund: The Fund invests mainly in stocks of U.S. companies, emphasizing those companies with above-average earnings and growth potential that is not reflected in their current market prices. The Fund's portfolio consists predominantly of mid- and large-cap stocks and may include stocks of foreign companies.

Managers AMG Essex Large Cap Growth Fund: The Fund invests at least 80% of its net assets in securities of large-capitalization companies. The Fund normally invests primarily in common and preferred stocks of U.S. companies.

T. Rowe Price Science & Technology Fund: The Fund will normally invest at least 80% of its net assets in the common stocks of companies expected to benefit from the development and use of science and/or technology. While most assets will typically be invested in U.S. common stocks, the Fund may invest in foreign stocks in keeping with the Fund's objectives.

Artisan Mid Cap Fund: The Fund employs a bottom-up investment process to construct a diversified portfolio of U.S. mid-cap growth companies. The Fund's investment process focuses on two distinct areas – security selection and capital allocation.

IronBridge Frontegra Small Cap Fund (formerly Frontegra IronBridge Small Cap Fund): The Fund invests, under normal conditions, at least 80% of its assets in equity securities of companies with small market capitalizations.

Dodge & Cox Income Fund: The Fund invests in a diversified portfolio of high-quality bonds and other fixed income securities. At least 65% of the Fund's total assets will be invested in U.S. government obligations, mortgage and asset-backed securities, corporate and municipal bonds, collateralized mortgage obligations (CMOs), and other fixed income securities rated A or better by either S&P, Fitch or Moody's, or equivalently rated by any other nationally recognized statistical rating organization (NRSRO).

PIMCO Moderate Duration Fund: The Fund invests, under normal circumstances, at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. "Fixed Income Instruments" include bonds, debt securities and other similar instruments issued by various U.S. and non-U.S. public- or private-sector entities.

Dreyfus Global Real Estate Securities Fund: The Fund normally invests at least 80% of its assets in publicly traded equity securities of companies principally engaged in the real estate sector. The Fund normally invests in a global portfolio of equity securities of real estate companies, including real estate investment trusts (REITs) and real estate operating companies, with principal places of business located in, but not limited to, the developed markets of Europe, Australia, Asia and North America (including the United States).

Thornburg International Value Fund: The Fund invests primarily in foreign securities and, under normal market conditions, invests at least 75% of its assets in foreign securities or depository receipts of foreign securities. The Fund may invest in developing countries.

Mondrian All Countries World Ex-US Equity Fund, L.P.: The Fund pursues its investment objective primarily by investing in the global equity securities of non-U.S. issuers, including the securities of emerging market companies. Equity securities in which the Fund may invest include, but are not limited to, common stocks, preferred stocks, convertible securities, index related securities, certain non-traditional equity securities and warrants.

Wells Fargo Advantage Government MMF: The Fund invests exclusively in high-quality, short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. The investments may have fixed, floating, or variable rates of interest.

NOTE 5. FURNITURE, TECHNOLOGY AND LEASEHOLD IMPROVEMENTS:

Furniture, technology and leasehold improvements consist of:

	2011	2010
	($000)	
Furniture	$ 5,185	$ 4,634
Technology	21,735	20,907
Leasehold improvements	16,846	13,139
	43,766	38,680
Less accumulated depreciation and amortization	22,291	21,898
	$ 21,475	$ 16,782

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill and other intangible assets are as follows:

	2011	2010
	($000)	
Goodwill	$ 12,553	$ 12,553
Other intangible assets:		
Contracts and technology	5,645	5,645
Less accumulated amortization	5,645	5,645
Contracts and technology, net	–	–
	$ 12,553	$ 12,553

There was no amortization expense on intangible assets with definite lives for the years ended July 31, 2011 and 2010.

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, 2011 and 2010.

NOTE 7. LONG-TERM DEBT:

Long-term debt consists of the following:

	2011	2010
	($000)	
AICPA (A)	$ –	$ 1,429
AICPA (B)	27,500	36,750
	$ 27,500	$ 38,179

(A) Noninterest bearing note payable to Prometric, Inc. (Prometric – see Note 8).

(B) Term note payable in 27 consecutive quarterly installments as follows: $1,000,000 for the first three quarters ending April 30, 2010; $2,250,000 for the following four quarters ending April 30, 2011; $2,500,000 for the following four quarters ending April 30, 2012; and $1,250,000 for the remaining sixteen quarters ending April 29, 2016. Interest is payable at LIBOR plus 155 basis points.

The term note of $27,500,000 is collateralized by certain investments, which may not fall below 125% of the sum of the outstanding principal balance of the term note at any time. At July 31, 2011, the collateral had a market value of $94,114,000. The guarantor of the term note is NorthStar.

Interest expense for the years ended July 31, 2011 and 2010 was $1,199,000 and $2,908,000.

Based on borrowing rates currently available, the fair value of long-term debt at July 31, 2011 and 2010 approximates $26,456,000 and $38,140,000.

Principal amounts due under the above obligations in each of the five years subsequent to July 31, 2011 are as follows:

Year Ending July 31,	Amount ($000)
2012	$ 8,750
2013	5,000
2014	5,000
2015	5,000
2016	3,750
	$ 27,500

The term loan as noted in (B) above has an interest rate swap contract which expires on April 30, 2016, and was executed to reduce the impact on interest expense fluctuations on the $27,500,000 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 5.77%. At July 31, 2011 and 2010, the fair value of the interest rate swap was a liability of approximately $2,002,000 and $2,752,000 and has been reflected as a component of accounts payable and other liabilities in the statements of financial position. The corresponding adjustment to interest expense is reflected separately as a component of other charges in the statements of activities.

NOTE 8. COMMITMENTS AND CONTINGENCIES:

Computerization of the Uniform CPA Examination:

In connection with the Domestic Examination, the AICPA is party to an agreement with NASBA and Prometric. Pursuant to the agreement, the AICPA delivered the Domestic 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 Domestic 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. During the year ended July 31, 2010, the AICPA, NASBA and Prometric extended the terms of the contract to 2024.

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, 2011, approximately $116,528,000 of revenue and $116,708,000 of costs have been incurred. During the years ended July 31, 2011 and 2010, the AICPA recognized revenue of approximately $25,353,000 and $24,478,000. Accordingly, costs equal to the revenue recognized have been expensed. At July 31, 2011 and 2010, the balances of $180,000 and $18,342,000 are included in deferred costs and prepaid expenses in the accompanying statements of financial position.

Prometric provided the AICPA with a $10,000,000 interest-free line of credit to facilitate the conversion of the Domestic Examination from a paper-based to a computer-based format. The final installment was repaid to Prometric in July 2011.

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, 2011 and 2010, the AICPA received $8,802,000 and $5,415,000 from Prometric, which is included as a reduction in deferred costs and prepaid expenses in the accompanying statements of financial position.

In conjunction with the International Examination Agreement, the International Examination will be offered in Bahrain, Japan, Kuwait, Lebanon and the United Arab Emirates beginning in August 2011. During the pilot phase of the International Examination Agreement, the Institute accounts for the International Examination on a break even basis. Through July 31, 2011, the Institute incurred approximately $405,000 in costs which have been deferred and are reflected as a component of deferred costs and prepaid expenses.

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, 2011, exclusive of future escalations for real estate taxes and building operating expenses, less future minimum sublease rentals, are:

Year Ending July 31,	Amount
	($000)
2012	$ 10,858
2013	7,903
2014	7,859
2015	8,027
2016	7,875
Years subsequent to 2016	43,141
	85,663
Less future minimum sublease rentals (A)	1,546
Net future minimum rental commitments	$ 84,117

(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 $1,546,000 as of July 31, 2011. The future sublease income has been considered as part of the accrued relocation expenses (see Note 14).

Rental expense for the years ended July 31, 2011 and 2010 was $6,937,000 and $7,099,000. Rental expense excludes rental payments on the AICPA's Jersey City, New Jersey (Jersey City) location that have been accounted for as part of the accrued relocation expenses (see Note 14).

Other commitments:

The Institute has other commitments for service agreements in place with various vendors. Minimum commitments in effect as of July 31, 2011 are:

Year Ending July 31,	Amount
	($000)
2012	$ 2,624
2013	1,194
2014	191

Letters of credit:

As of July 31, 2011, the Institute has irrevocable standby letters of credit associated with its North Carolina and Washington, DC, leases of $167,000 and $120,000, which expire on July 31, 2012 and January 20, 2012.

Line of credit:

The AICPA has available a line of credit with a bank for short-term borrowings of up to $27,000,000 at the bank's prevailing interest rate. Amounts outstanding under the line of credit are collateralized by certain investments (see Note 7). There were no outstanding borrowings at July 31, 2011 beyond the letters of credit. The line of credit expires on April 30, 2013.

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.

NOTE 9. EMPLOYEE BENEFIT PLANS:

Defined benefit pension plan:

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.

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

	July 31, 2011	July 31, 2010
Discount rate	**5.45%**	5.45%
Rate of compensation increase	**4.00%**	4.00%

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

	July 31, 2011	July 31, 2010
Discount rate	**5.45%**	6.25%
Expected return on plan assets	**7.75%**	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.

The expected return on plan assets was derived by reviewing historical returns, preparing several models about future expected returns using the current diversified asset mix and conducting a historical study of market recoverability.

For the year ending July 31, 2012, the Institute expects to contribute $5,560,000 to the defined benefit pension plan.

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

July 31, 2011:	**Amount**
	($000)
Projected benefit obligation	**$ 111,454**
Fair value of plan assets, net of plan liabilities of $268	**83,629**
Net unfunded status of the plan recognized as a liability in the statement of financial position	**$ 27,825**
Employer contributions	**$ 10,440**
Benefit payments	**$ (4,070)**
Accumulated benefit obligation	**$ 105,564**
Periodic benefit cost for the year ended	**$ 3,364**
July 31, 2010:	
Projected benefit obligation	$ 101,449
Fair value of plan assets, net of plan liabilities of $236	68,206
Net unfunded status of the plan recognized as a liability in the statement of financial position	$ 33,243
Employer contributions	$ 4,800
Benefit payments	$ (3,812)
Accumulated benefit obligation	$ 95,401
Periodic benefit cost for the year ended	$ 2,345

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 Loss
	($000)	
Balance, July 31, 2009	$ 331	$ 27,896
Increase during 2010	1,047	6,182
Amortization during 2010	(39)	(610)
Balance, July 31, 2010	**1,339**	**33,468**
Increase during 2011	**88**	**3,049**
Amortization during 2011	**(159)**	**(1,320)**
Balance, July 31, 2011	**$ 1,268**	**$ 35,197**

The amounts in unrestricted net assets and expected to be recognized as a component of net periodic benefit cost for the year ending July 31, 2012 are $179,000 and $2,051,000, representing amortization of net prior service cost and amortization of actuarial loss.

Estimated future defined benefit pension payments reflecting expected future service for each of the five years subsequent to July 31, 2011 and in the aggregate for the five years thereafter are as follows:

Year Ending July 31,	**Amount**
	($000)
2012	$ 4,550
2013	4,670
2014	4,910
2015	5,240
2016	5,520
2017 – 2021	32,440

The plan was amended in 2007 to provide that no further benefit accruals will occur after April 30, 2017.

The Institute's overall investment strategy is 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 with the assistance of a paid investment consultant. Performance of each investment manager is reviewed quarterly and interviews of each investment manager are generally conducted within a two-year cycle by an investments committee comprised of Institute members with investment industry experience. Investment risk is managed in several ways, including, but not limited to, the creation of a diversified portfolio across multiple asset classes and geographic regions. A listing of permitted and prohibited investments is maintained in the Institute's Statement of Investment Policy, dated August 2010.

During the year ended July 31, 2010, the Institute's investment consultant conducted a study on behalf of the investments committee, which reviewed the duration of the plan's assets and obligations (Asset-Liability Study). The Asset-Liability Study concluded that to better match the duration of the plan's assets and obligations, the plan's asset allocation to fixed income investments should increase and the plan's asset allocation to equity investments should decrease. In May 2010, the Institute, with the approval of the Board of Directors, modified the target asset allocations to be 50% fixed income investments, 45% equity investments and 5% to other types of investments. Fixed income investments primarily include securities issued or guaranteed by the U.S. Government, its agencies or government-sponsored enterprises, as well as corporate bonds from diversified industries and mortgage-backed and asset-backed securities. Equity investments include investments of large-cap, mid-cap and small-cap companies located in the United States as well as investments of non-United States based companies. Other types of investments include an investment in a limited partnership that holds positions in non-United States based companies.

In addition, the Asset-Liability Study concluded that the Institute should adopt a dynamic asset allocation strategy for the plan, which is intended to reduce volatility with the plan's funded status as the funded status improves over time. As the plan's funded strategy improves, the Institute will increase the target allocation of the plan's assets in fixed income investments and decrease the overall target allocation of the plan's assets in equity and other types of investments. This strategy was adopted by the Board of Directors in August 2010. During the year ended July 31, 2011, the plan's funded status improved. Accordingly, the target asset allocations were modified to be 55% fixed income securities, 41% equity securities and 4% to other types of investments.

The fair values of the Institute's pension plan assets at July 31, 2011 and 2010 by asset category are as follows:

	2011		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 5,593		$ 5,593
U.S. Large-Cap value	7,165		7,165
U.S. Mid-Cap growth	2,878		2,878
U.S. Mid-Cap value	2,662		2,662
U.S. Small-Cap core	4,919		4,919
International value	6,309		6,309
Real estate	2,866		2,866
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income funds	45,411		45,411
Other – International core		$ 3,567	3,567
	$ 77,803	$ 3,567	$ 81,370

	2010		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 4,404		$ 4,404
U.S. Large-Cap value	6,105		6,105
U.S. Mid-Cap growth	2,556		2,556
U.S. Mid-Cap value	2,398		2,398
U.S. Small-Cap core	4,348		4,348
International value	5,966		5,966
Real estate	2,682		2,682
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income funds	36,901		36,901
Other – International core		$ 3,082	3,082
	$ 65,360	$ 3,082	$ 68,442

The following table sets forth the investment strategies and redemption terms for those investments that are measured at net asset values per share as of July 31, 2011 and 2010:

Investment Name	2011	2010	Redemption Frequency	Redemption Period
	($000)			
Managers Cadence Capital Appreciation Fund (A)	**$ 5,593**	$ 4,404	Daily	NA
Artisan Mid Cap Fund (A)	**2,878**	2,556	Daily	NA
IronBridge Frontegra Small Cap Fund (A)	**4,919**	4,348	Daily	NA
Dodge & Cox Income Fund (A)		6,979	Daily	NA
PIMCO Long-Term U.S. Government Fund		7,404	Daily	NA
PIMCO Long Duration Total Return Fund	**27,920**	21,742	Daily	NA
Dreyfus Global Real Estate Securities Fund (A)	**2,866**	2,682	Daily	NA
Thornburg International Value Fund (A)	**6,309**	5,966	Daily	NA
Mondrian All Countries World Ex-US Equity Fund, L.P. (A)	**3,567**	3,082	Monthly	15 days
First American Government Obligations Fund	**1,898**	762	Daily	NA
	$ 55,950	$ 59,925		

There are no unfunded commitments in these investments.

(A) See Note 4 – Fair Value Measurements for description of these funds.

PIMCO Long-Term U.S. Government Fund: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 80% of its assets in a diversified portfolio of fixed income securities that are issued or guaranteed by the U.S. government, its agencies or government-sponsored enterprises, which may be represented by forwards or derivatives such as options, future contracts or swap agreements.

PIMCO Long Duration Total Return Fund: The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures, contracts or swap agreements. Fixed Income Instruments include bonds, debt securities and other similar instruments issued by various U.S. and non U.S. public- or private-sector entities.

First American Government Obligations Fund: The Fund invests exclusively in short-term U.S. government securities, including repurchase agreements secured by U.S. government securities.

Postretirement plan:

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.

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

	July 31, 2011	July 31, 2010
Discount rate	**5.05%**	5.12%

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

	July 31, 2011	July 31, 2010
Discount rate	**5.05%**	5.12%

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.

For the year ending July 31, 2012, the Institute expects to contribute $561,000 to the postretirement plan.

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

	July 31, 2011	July 31, 2010
	($000)	
Postretirement benefit obligation	**$ 8,116**	$ 8,208
Net unfunded status of the plan recognized as a liability in the statement of financial position	**$ 8,116**	$ 8,208
Employer contributions	**$ 562**	$ 595
Benefit payments	**$ (918)**	$ (878)
Periodic benefit cost for the year ended	**$ 172**	$ 190

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 Loss
	($000)	
Balance, July 31, 2009	$ (3,149)	$ 1,105
Increase during 2010	–	467
Amortization during 2010	358	(27)
Balance, July 31, 2010	**(2,791)**	**1,545**
Increase during 2011	**–**	**2**
Amortization during 2011	**358**	**(62)**
Balance, July 31, 2011	**$ (2,433)**	**$ 1,485**

The amounts in unrestricted net assets and expected to be recognized as a component of net periodic benefit cost for the year ending July 31, 2012, are ($480,000) and $61,000, representing amortization of net prior service credit and amortization of actuarial loss.

The weighted average health care cost trend rate and the ultimate trend rate used in measuring the postretirement benefit expense is 5%. For those retiring prior to May 1, 2003, the plan is assumed to meet the actuarial equivalence definition of Medicare Part D. This conclusion is based upon guidance issued to date and an analysis of the plan's prescription programs compared to Medicare Part D. No subsidy was received during the year ended July 31, 2011.

Estimated future postretirement benefit payments reflecting expected future service for each of the five years subsequent to July 31, 2011, and in the aggregate for the five years thereafter are as follows:

Year Ending July 31,	**Amount**
	($000)
2012	$ 561
2013	550
2014	547
2015	550
2016	551
2017 – 2021	3,335

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. The AICPA's plan was amended effective August 1, 2009, to change the nature of all employer contributions as discretionary based on meeting certain financial and operating targets as determined by the AICPA's Board of Directors. In August 2010, the AICPA's Board of Directors approved a discretionary contribution for the year ended July 31, 2010 equal to 95% of the eligible match, which is calculated as a certain percentage of employee contributions and is included in accounts payable and other liabilities as of July 31, 2010. Employer contributions for the C2B plan are made in amounts equal to a certain percentage of employee contributions. The cost of these plans was $2,214,000 and $2,260,000 for the years ended July 31, 2011 and 2010. Beginning in August 2011, the AICPA's Board of Directors reinstated employer contributions being made to the plan in amounts equal to a certain percentage of employee contributions.

Deferred compensation:

The AICPA has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $2,252,000 and $1,707,000 as of July 31, 2011 and 2010 and are included in the accompanying statements of financial position as a component of accounts payable and other liabilities.

NOTE 10. 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 website (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 accounts for the revenue on sales of AICPA products net as an agent. 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 website with the AICPA back-end systems. Further, C2B manages and supports the marketing of all of the AICPA's affinity programs and shares in the affinity revenue, except for the insurance and retirement programs. 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.

Summarized financial information of C2B as of and for the years ended July 31, 2011 and 2010 is as follows:

	2011		2010
		($000)	
Total assets	**$ 23,439**		$ 20,609
Total liabilities	**$ 9,256**		$ 8,020
Preferred stock	**36,594**		48,201
Common stockholders' deficiency	**(22,411)**		(35,612)
Total liabilities and equity	**$ 23,439**		$ 20,609
Total revenue (A)	**$ 20,560**		$ 19,434
Net income	**$ 1,696**		$ 755

(A) Includes approximately $11,339,000 and $11,154,000 in commissions for services rendered for marketing and promotion of certain AICPA product lines and approximately $9,221,000 and $8,280,000 for Business Solutions, AICPA's affinity services, technology services to the AICPA and other business lines for the years ended July 31, 2011 and 2010.

As of July 31, 2011 and 2010, 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, 2011 and 2010, the 8,000,000 authorized shares of preferred stock, which 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% noncumulative 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, 2011, a stockholder of Series A and a stockholder of Series B elected to convert 2,347,048 and 314,555 shares, respectively, into an equal number of Common Stock thereby reducing the preferred stock of C2B by $11,607,000. During the year ended July 31, 2010, four stockholders of Series B elected to convert a total of 2,046,170 shares into an equal number of Common Stock, thereby reducing the preferred stock of C2B by $10,456,000.

As of July 31, 2011, the AICPA and the Foundation control approximately 77% 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. For the years ended July 31, 2011 and 2010, the primary source of funding for C2B has been the preferred stockholders and its own current operations; the AICPA has only paid a de minimus amount of cash for its stock.

The AICPA has a note receivable from C2B, which is fully collateralized by C2B's website, bears an 8% interest rate and is due on December 31, 2019. Under the terms of the note, interest is paid monthly beginning in July 2005. 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.

At July 31, 2011, C2B has deferred tax assets of approximately $38,829,000 which arise primarily from net operating loss carryforwards for Federal income tax purposes of approximately $89,139,000 expiring through 2020 and certain other temporary differences. Included in these net operating losses are pre-acquisition losses of approximately $23,700,000, 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. The deferred tax asset at July 31, 2011 and 2010 was $2,237,000 and $1,793,000. 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 since 2003 and the only activity has been cancellations after employee terminations. Since there were no grant awards issued in 2011 or 2010, there was no compensation cost recognized in the financial statements for the years ended July 31, 2011 or

2010. Outstanding options, if all were to be exercised, would dilute the existing holders of C2B voting stock in the aggregate by approximately 2%. If exercised, the options would become C2B Common Stock and be classified as noncontrolling interest in the accompanying financial statements.

As of July 31, 2011 and 2010, there were 1,198,840 and 1,485,555 options outstanding and exercisable, with exercise prices ranging from $.38 per share to $5.11 per share.

NOTE 11. PREFERRED STOCK AND NET ASSETS:

Preferred stock and net assets and changes therein for the years ended July 31, 2011 and 2010 follow:

	Balance, August 1, 2009	Increase (Decrease)	Balance, July 31, 2010	**Increase (Decrease)**	**Balance, July 31, 2011**
			($000)		
Preferred stock of C2B	$ 58,657	$ (10,456)	$ 48,201	**$ (11,607)**	**$ 36,594**
Net assets:					
Unrestricted:					
AICPA	5,685	15,188	20,873	**14,443**	**35,316**
C2B	(52,737)	11,473	(41,264)	**13,219**	**(28,045)**
ARA	439	2	441	**–**	**441**
Benevolent Fund	5,697	518	6,215	**815**	**7,030**
Foundation	3,229	266	3,495	**962**	**4,457**
	(37,687)	27,447	(10,240)	**29,439**	**19,199**
Temporarily restricted:					
Foundation	8,510	1,232	9,742	**(819)**	**8,923**
Permanently restricted:					
Foundation	648	–	648	**–**	**648**
Total net assets	(28,529)	28,679	150	**28,620**	**28,770**
Total preferred stock and net assets	$ 30,128	$ 18,223	$ 48,351	**$ 17,013**	**$ 65,364**

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:

	2011		2010
		($000)	
John L. Carey scholarships	**$ 387**		$ 437
Accounting Doctoral Scholars (ADS)	**8,501**		9,293
Financial Education Initiatives	**1**		–
Library support	**34**		12
	$ 8,923		$ 9,742

Based on indications of support through its ADS program, the Foundation expects to receive approximately $17 million from CPA firms, state CPA societies and other organizations over the course of the program to increase the production of accounting Ph.D.s in existing doctoral programs. The Foundation finalizes the indications of support by obtaining executed pledge agreements.

Included in contributions receivable are unconditional promises to give pertaining to the ADS program. Amounts due in future periods, based on executed pledge agreements received, are as follows:

	2011
	($000)
Less than one year	$ 2,403
One to five years	3,083
	5,486
Discount	(307)
	$ 5,179

Contributions receivable are recorded at the full amount and discounted using a discount rate reflective of the Institute's borrowing rate for the year the pledge was made. The discount rates for the years ended July 31, 2011 and 2010 are 1.31% and 1.43%.

The Foundation monitors and evaluates contributions receivable and establishes a provision for doubtful accounts based on a history of past write-offs and collections and current credit considerations. As of July 31, 2011, the Foundation did not believe that significant credit risk existed and the allowance for the doubtful accounts of $50,000 was reversed.

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 created to support the AICPA library, the income of which is temporarily restricted.

The Foundation has investment and spending policies for its library endowment fund that attempt to provide a predictable stream of funding for the program supported by the endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The Foundation's endowment assets are commingled in a diversified portfolio of equity and fixed income securities in order to provide for growth with a moderate level of volatility.

The library support fund represents income earned on the library endowment principal and temporarily restricted for the support of the AICPA library maintained and operated by the University of Mississippi. Per current spending policy, the Foundation is committed each year to spend no greater than the fund balance of the library support fund.

The Foundation includes net investment income, which is comprised of interest and dividends and realized and unrealized gains and losses, on its permanently restricted library fund as part of temporarily restricted net assets. At July 31, 2011 and 2010, the Foundation had permanently restricted net assets of $648,384. For the years ended July 31, 2011 and 2010, the permanently restricted library fund generated net investment gains of $41,117 and $28,087. For the years ended July 31, 2011 and 2010, amounts appropriated for expenditure from the library support fund were $20,000 in each year.

For the years ended July 31, 2011 and 2010, the temporarily restricted library support fund had net assets of $33,275 and $12,158.

NOTE 12. ARA:

The ARA's mission is to provide funds for studies and research in regard to principles and standards of the accounting profession. The ARA did not fund any research during the years ended July 31, 2011 and 2010. ARA's Board of Trustees continues to explore additional opportunities to fulfill its mission.

NOTE 13. 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 $3,710,000 and $3,727,000 from the Trust for the years ended July 31, 2011 and 2010.

NOTE 14. 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 operations to Durham, North Carolina, in order to manage its cost structure and budget in the most effective way. The implementation of the relocation plan began in August 2006 and was completed by July 2007.

In April 2011, the AICPA's Board of Directors approved the relocation of the Lewisville, Texas, operations to Durham, North Carolina, in order to centralize the AICPA's professional development operations. Accordingly, the AICPA accrued $623,000 as of July 31, 2011.

The following table describes the changes to the accrued relocation expenses in the statement of financial position for the years ended July 31, 2011 and 2010:

	Accrued Relocation Expenses July 31, 2009	Adjustments to Accrued Relocation Expenses	Cash Payments	Accrued Relocation Expenses July 31, 2010
		($000)		
Present value of remaining lease payments, net	$7,562	$1,148	$(3,453)	$5,257

	Accrued Relocation Expenses July 31, 2010	Adjustments to Accrued Relocation Expenses	Cash Payments	Accrued Relocation Expenses July 31, 2011
		($000)		
Present value of remaining lease payments, net	**$5,257**	**$1,494**	**$(3,557)**	**$3,194**
Termination benefits	**–**	**623**	**–**	**623**
	$5,257	**$2,117**	**$(3,557)**	**$3,817**

Due to current market conditions, management was unable to secure a subtenant for the remaining space during 2011.

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