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ANNUAL MEMBERS MEETING
of the
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Tuesday, October 24, 2000
1:50 o'clock p.m.
Venetian Resort Hotel Casino
Las Vegas, Nevada

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P R O C E E D I N G S

CHAIRMAN ELLIOTT: At this time I declare the Annual Meeting of the American Institute of Certified Public Accountants to be in session and in particular offer a warm welcome to the Members of the Institute attending this meeting.

A copy of the annual joint message from Barry and me, together with the audited financial statements for the past year, have been distributed for your review. Extra copies are available at the registration desk.

This material will also be posted on the AICPA's website.

We now turn to Agenda Item #15, the Chair's Review of the Past Year.

(The following was accompanied with a Powerpoint presentation.)

CHAIRMAN ELLIOTT: In the last few weeks, the press has begun to refer to me at the Institute's outgoing Chair. I hope that the people who are referring to me that way meant sociable and friendly.

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(Laughter.)

CHAIRMAN ELLIOTT: But I fear that what they really meant was departing and retiring.

And in that more realistic sense it falls to me to review the year just past.

In my inaugural remarks in Seattle I said that what we needed to do to take effective action to realize the Vision for our members involved a number of strategies.

That in order to realize the Vision we need to facilitate our members' aspiration to move beyond the statutory definition of the CPA and beyond the current market perception to a higher value and a broader array of services.

I listed five steps necessary for our profession to realize this Vision.

First, we must continue to develop new services.

Second, we must reform pre-entry and continuing education to prepare members to take advantage of the opportunities in the marketplace.

1
2 Third, we must create a web-
3 based Institute, one that becomes a knowledge hub
4 for our profession.

5 Fourth, we must market and
6 develop our brand in order to help increase
7 demand for the profession's services and to make
8 the profession consistently preferred to its
9 competitors.

10 And the fifth thing I said we
11 must do is to strengthen our feedback loops from
12 the marketplace to assure that our service
13 offerings and quality are continuously adapted to
14 client and employer needs.

15 Let me review briefly our
16 progress in these five areas over the past year.

17 During the year under Al
18 Anderson's leadership we have introduced a number
19 of new services and new service generators.

20 CPA ElderCare services provide
21 smaller CPA firms with a suite of products,
22 training courses and tools to assure that elders
23 receive complete and high quality support
24 services. Already four thousand service providers
25 are in our ElderCare services database.

2 CPA Performance View provides a
3 rich set of measurements and measurement methods,
4 plus customized software that members can
5 economically provide to small businesses and help
6 them get the same broad array of performance
7 indicators, including forward-looking indicators,
8 that formerly only large businesses had the
9 resources to obtain.

10 The CPA SysTrust services
11 provide both consulting and assurance services,
12 first to help clients improve the reliability of
13 their information systems and then to provide
14 assurance on their reliability for either
15 internal or, ultimately, external use.

16 This service examines the four
17 key system criteria of availability, security,
18 integrity and maintainability.

19 SysTrust is the first step of
20 our strategy to enable continuous assurance to
21 investors.

22 WebTrust's modularization
23 appeals to a broader array of e-businesses, both
24 business-to-consumer and business-to-business, by
25 permitting a focus on privacy and security, or

1
2 whatever are currently customers' greatest
3 concerns. The proposed Internet privacy
4 legislation will, when enacted, stimulate
5 WebTrust demand. WebTrust is now active in eleven
6 countries.

7 The Center for Investment
8 Advisory Services adds to the range of services
9 our members can perform for their clients in the
10 area of investment management, custody and
11 transaction processing.

12 The ITA merger that we approved
13 at the Spring Meeting provides a member firm
14 section to enhance IT consulting services.

15 XBRL, our eXtensible Business
16 Reporting Language, will be the enabling
17 technology to publish and acquire business
18 reporting information over the Internet. It will
19 radically increase the value to users of our
20 profession's reports.

21 And we are making good progress
22 on additional services that should be available
23 in the next year, including these:

24 CPA Risk Advisory Services will
25 provide a disciplined way to evaluate a client's

2 risk profile and advise that client how to avoid,
3 mitigate or lay off risks. A thought leadership
4 paper on this service is on our website and will
5 be the basis for development of the new service.

6 TVC or Total Value Creation is a
7 method of quantifying the value created by firms.
8 It can enhance the GAAP model, which reports
9 value realized and thereby lags the creation of
10 value, particularly for New Economy companies.

11 Cpa2biz will soon provide a vast
12 range of new services in e-enablement and
13 procurement for small business clients.

14 From time to time, members ask
15 me what the measure of success should be for new
16 service introduction. My answer is that the only
17 relevant measure is increased revenue for our
18 members. It is very difficult to get that
19 information, but as a by-product of an unrelated
20 effort, we did obtain some relevant information
21 recently.

22 Those of you who are Council
23 old-timers and attended my presentation on new
24 assurance services in October 1996 saw this
25 slide, showing the assurance revenues for the

1
2 largest sixty firms for the six years 1990
3 through 1995. As you can see, they were flat.

4 Recently the largest firms,
5 which account for a significant fraction of the
6 revenue in this slide, released their combined
7 assurance revenues for three subsequent years.

8 After a number of years of being
9 flat, assurance revenues were flat again in 1996.
10 But they rose ten percent in the year 1997 and
11 another fifteen percent in 1998, the latest year
12 for which we have the aggregate data.

13 That represents \$1.6 billion in
14 new revenue for just these firms.

15 These increases represent the
16 conversion of a broader concept of assurance
17 services into services demanded in the
18 marketplace and, in turn, the conversion of those
19 services into revenues for our profession.

20 I wish we had measures for our
21 new services in other areas as well, but we
22 don't. But I am convinced, however, that we have
23 energized a new service development engine that
24 will continually release new services.

25 Not every service will be right

2 for every firm or every client, but some should
3 be, and our members will benefit by increased
4 revenue.

5 The second important area for
6 the realization of our Vision is the reform of
7 pre-entry and continuing education. I'll give you
8 the highlights of what we have achieved in that
9 area.

10 We made additional progress in
11 the redesign of the CPA Examination. Our
12 objective has been to convert the exam from one
13 measuring fact recall to one testing critical
14 thinking.

15 To the extent that educational
16 institutions use CPA-exam pass rates as metrics
17 of their own quality, this change will motivate
18 them to move away from fact-stuffing and toward
19 the development of critical thinking skills.

20 In the summer of 1999, we
21 released our AICPA Core Competency Framework for
22 Entry into the Accounting Profession. It is
23 intended to modernize curriculum and provide an
24 educational foundation better matched to the jobs
25 graduates will actually be doing. Paula Thomas,

1
2 the Chair of the Task Force that developed the
3 framework and a new Member of our Council, has
4 presented it at many conferences of educators
5 across the country and has received a very
6 positive response.

7 Another task force is
8 identifying teaching techniques and practices
9 that can be used to develop these competencies in
10 students.

11 And yet another is creating
12 evaluation tools to benchmark curricula against
13 the framework.

14 As you know after hearing from
15 Steve Albrecht and Scott Taylor yesterday, it is
16 essential that we step up progress on curriculum
17 reform. Our plans are to work through state
18 societies to maximize local influence on
19 educational institutions.

20 We converted the Institute's
21 self-study programs to the Internet and provided
22 1200 hours of CPE for the yearly fee of \$95 for
23 members through our InfoBytes program.
24 Subscriptions for the first year have
25 substantially exceeded our planning estimates,

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validating the concept and confirming the value
perceived by members.

We have released, along with
NASBA, an exposure draft on a new, competence-
based model for CPE that would recognize a
broader array of competence-building methods and
move toward a career-growth objective and away
from input measures such as number of hours in a
classroom.

The third area is the creation
of a web-based Institute that would be the
profession's knowledge hub. I can report several
achievements toward that end that we've achieved
under Johan Margono's and Clarence Davis'
leadership.

All fifty state societies joined
the Shared Services Corporation that represents
the first step toward combining the profession's
infrastructure on the web.

We also proposed, and Council
approved, the development of a vertical portal
for the profession. As you can tell from Barry's
and Brett's presentation this morning, this
project is progressing very well.

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When it comes fully online, it will be the critical infrastructure to support a web-based profession and to be its knowledge hub. Some of our strategic partners bring the technology and the knowledge base to speed the realization of this goal.

The Cognitor project will give us the foundation to take the concept of a web-based, knowledge-enabled profession to a global level.

In many ways these web developments are the most crucial for our realization of the Vision. They will permit our profession to bootstrap its knowledge-leveraging capabilities and present the full capabilities of the profession to any client or employer, anytime, anywhere.

The fourth area is marketing and brand development in order to extend marketplace permissions and increase demand for CPA services. In this area, thanks to John Hunnicutt's leadership, we can report the following accomplishments.

We aligned our advertising

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program to the Vision and increased our joint AICPA-State Society advertising twenty-eight percent to \$6.2 million to the current year.

Over the last four years we have invested \$22.8 million in building the CPA brand. This advertising is meant to educate key consumers of CPA services to the full range of capabilities we can provide.

Although our advertising is independently measured to be effective, we all realize that a much greater investment is desirable. If the Portal initiative is as successful as we believe it will be, the Institute may be able to increase advertising support for the CPA brand.

We also developed the Cognitor plan for a broad, global credential, along with a global business plan and brand-building strategy. When these are fully deployed beginning in 2002, and contingent on a member vote, our profession will benefit from a brand-building campaign of far greater scope than anything we have ever done before.

Our advertising consultants tell

2 us that a campaign of this scope can materially
3 alter marketplace perceptions of our profession's
4 range of capabilities and open many new service
5 opportunities.

6 Finally, we need to strengthen
7 feedback loops from the marketplace to help us
8 improve both the design and delivery of our
9 services.

10 Of the five imperatives, this is
11 the one on which we have made the least progress,
12 partly because major progress depends on
13 development of the web-based profession and
14 taking advantage of that infrastructure.

15 The Shared Services Corporation
16 and the Vertical Portal will put the necessary
17 infrastructure in place. As you will recall, the
18 Portal has a customer front end, and this will be
19 an ideal facility through which to receive
20 evaluative and critical input from employers and
21 clients.

22 We must make progress on this
23 imperative. The speed of change in our customers'
24 demands means that we must either have a way of
25 responding to or, better yet, anticipating their

2 new demands, or our profession's competitors will
3 do so and take away our markets.

4 That concludes my report on the
5 five imperatives I listed last year, but we have
6 also taken other important steps to realize the
7 Vision.

8 Our Vision Implementation Team,
9 under Tom Hood from Maryland, worked closely with
10 State Societies to help them critically evaluate
11 their activities and align them with the Vision.

12 Under Arlene Thomas' leadership,
13 we reengineered our Examinations Division and its
14 Board of Examiners to accelerate the achievement
15 of a computer-based, on-demand, broad-based exam
16 with increased testing of critical thinking
17 skills.

18 Under Sue Coffey's leadership,
19 we worked with the International Federation of
20 Accountants to deploy our self-regulatory
21 structure on a world-wide basis to help improve
22 the quality of accounting and auditing around the
23 world.

24 Under John Sharbaugh's and then
25 later Cynthia Lund's leadership, we continued our

1
2 program to widen adoption of the Uniform
3 Accountancy Act and we redoubled our emphasis on
4 substantial equivalency. We expect favorable
5 action in at least a dozen states in the year
6 2001.

7 Under Chuck Cohen's leadership,
8 our National Accreditation Commission introduced
9 a new specialization in information technology,
10 the Certified Information Technology
11 Professional, CITP. The first exam for this new
12 credential will be given next month.

13 Under Sue Coffey's leadership,
14 we vigorously defended the profession's right to
15 regulate itself.

16 And under Sue Coffey's and Rich
17 Miller's leadership we enhanced the core
18 functions of our Institute, including standard-
19 setting, quality control and ethics enforcement.

20 All of the initiatives I have
21 just described, many of which are dramatic, were
22 carried out while keeping total expenses for the
23 Institute 2.4 percent below the total budget
24 approved by Council in the Spring of 1999.

25 This amazing result is testament

2 to the competence and commitment of our
3 outstanding professional staff at the Institute.
4 They have met an intimidating list of challenges
5 during this past year.

6 Council Members see relatively
7 few of our professional staff. But the Board sees
8 an extensive cross-section of the important work
9 done by these staffers.

10 I assure you that we are
11 fortunate to have a world-class team at work to
12 support our many important initiatives.

13 If I were to thank all of them
14 personally, it would take the rest of the day. So
15 I will not do so. But I would be remiss if I did
16 not recognize Clarence Davis' outstanding
17 contribution to this result. We are fortunate
18 indeed to have such a capable and industrious
19 CFO.

20 Now, as you know, a body at rest
21 tends to remain at rest, and a body in motion
22 tends to remain in motion.

23 Ladies and gentlemen, the AICPA
24 is now a body in motion. The world is changing
25 quickly, mainly as a result of information

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technology and political changes.

When the world changes, so do our profession's customers. And when they change, we must too - our institutions, our firms and we as individuals. These changes are welcomed by some, dreaded by some, and resisted by others. But they cannot be stopped.

After a century in which our profession could prosper simply by sticking to its time-tested professional and business model, we can now prosper only by adapting to or anticipating change.

When times were relatively unchanging, the Institute was relatively unchanging, and few members had reason to complain. But when times are dynamic, your Institute must be dynamic.

We are fortunate that our leadership saw the need to adapt and took steps to make it happen. While many past leaders had a hand, I single out Bob Israeloff as being in the vanguard of change. It was he who identified the need to have the Institute be more member-centric and responsive. It was he who initiated the

2 search, and served on the search committee, for a
3 new CEO and selected a change agent in the form
4 of Barry Melancon.

5 Bob was followed by a series of
6 Chairs who were fully committed to adaptive
7 change: Ron Cohen, Bob Mednick, Stu Kessler and
8 Olivia Kirtley. So both the volunteer leadership
9 and the full-time staff leadership were able to
10 work together to convert the Institute into a
11 body in motion.

12 But once an institution like
13 ours begins to change in a dramatic way, it runs
14 the risk of alienating members. Some are
15 impatient and prefer a faster rate of change.

16 Others are more conservative. As
17 Ed Dupke put it at our meeting last year in
18 Seattle, conservatives are people who are in
19 favor of progress and innovation, but not yet.

20 (Laughter.)

21 CHAIRMAN ELLIOTT: So times of
22 change are times of stress for organizations like
23 ours as more and more members conclude that the
24 pace of change is either too fast or too slow.

25 You are probably familiar with

2 the concept of how many units of gravitational
3 force, G's, an automobile can withstand in a
4 tight turn before it breaks away and skids off
5 the road.

6 There is an equivalent concept
7 in organizational behavior as well. A tight turn
8 is mandated by the speed of change in the
9 marketplace. Too tight a turn will result in a
10 loss of control. But a turn not tight enough will
11 also result in going off the road. A really
12 skillful driver is needed to manage the speed and
13 rate of turn in order to win the race.

14 I believe we have that skilled
15 driver in Barry Melancon.

16 Council must consider the
17 complaints of both members who would turn faster
18 and those who would turn slower in deciding
19 whether the Institute is on course.

20 I apologize to those members who
21 think we're changing too fast. We'll do our level
22 best to keep supporting you in maintaining the
23 form of practice that you're most comfortable
24 with.

25 And I apologize to those members

2 who think we are not changing fast enough. We're
3 doing our best not to hold you back.

4 We need to retain all of these
5 members, not just because professional unity is a
6 long-held value, but also because we will all be
7 stronger as a result.

8 I ask each of these discontented
9 groups to spare a thought for the other.

10 If you're on the leading edge,
11 think sympathetically of your colleagues who are
12 committed to the profession's traditional
13 services, who serve clients who are not as ready
14 for change, who worked hard to become CPAs and
15 develop a clientele in different times, who
16 sincerely believe that change puts the tried and
17 true at risk, and who without fail maintain the
18 virtues that made our profession great.

19 On the other hand, if you're in
20 the traditional group, think sympathetically of
21 the CPAs who are innovators refreshing our
22 service offerings for the next generation, who
23 are blazing new trails, who need to serve a
24 sophisticated and demanding clientele, who need
25 facilities to enhance their knowledge and keep it

2 on the leading edge, who need obsolete
3 restrictive rules relaxed in order to serve their
4 clients, who chafe under the narrowness with
5 which the market sees the CPA and may no longer
6 even use the designation, but who nevertheless
7 provide services that are a logical extension of
8 our profession's historical role: helping clients
9 and employers succeed through the strategic use
10 of information and information systems.

11 Each of these constituent sets
12 should think of the other as a valuable,
13 honorable part of this great profession, and each
14 should recognize the legitimacy of the others'
15 concerns.

16 Each should recognize that in
17 times of change it will not be possible to fully
18 satisfy every member. That is nobody's fault.
19 It's just the changing world in which we are
20 either fabulously fortunate or unluckily
21 condemned to live, depending on your point of
22 view.

23 Whichever group you belong to -
24 the change agents, the status quoers, or the
25 comfortable middle - you know that we must face

up to a number of issues confronting our profession.

The accounting curriculum does not prepare students for the profession they will actually be entering.

The number of students majoring in accounting is declining.

The number of people taking the CPA Exam is declining.

Membership in State Societies and the AICPA is either flattening or beginning to decline.

Competitors, both software replacements of accounting or tax work or inroads from non-CPA professionals, are claiming market space previously dominated by CPAs.

Fewer CPA firms and individual CPAs are using the CPA designation when going to market.

Self-regulation is under severe threat.

More and more tax professionals are coming from the ranks of lawyers rather than CPAs.

1
2 Only twenty-two percent of the
3 professionals in the largest firms are CPAs.

4 Our clients and employers are
5 increasingly global, but our profession is not a
6 global profession with global standards and
7 reciprocity.

8 Our strategies to cope with
9 these issues are a compact set, both
10 comprehensive and powerful:

11 The broad, global credential;
12 The profession's vertical
13 portal; and

14 A vigorous defense of self-
15 regulation.

16 Each of these strategies, by
17 virtue of its scope and magnitude, runs the risk
18 of alienating members who do not understand them
19 and who do not agree with them.

20 Council's job is to evaluate
21 these strategies, help to refine them, and
22 conclude whether they represent credible ways of
23 achieving the profession's Vision and serving the
24 public interest.

25 If Council concludes that they

1
2 do, then it is Council's job to champion these
3 initiatives with the members in their states. For
4 in the end, the profession can be changed, if at
5 all, only at the grassroots level.

6 The year just completed has seen
7 its share of dramatic AICPA initiatives. Your
8 leadership believes that they are in the
9 profession's interests and in the public
10 interest.

11 We hope that you agree.

12 We now move to the election of
13 auditors for the AICPA and its subsidiaries and
14 the AICPA's Insurance Trust for the year 2000-
15 2001.

16 The Audit Committee and the
17 Board of Directors recommend the election of J.H.
18 Cohn, LLP as auditors of the AICPA and its
19 subsidiary for fiscal year 2001 and the AICPA
20 Insurance Trust for the year ended December 31,
21 2000.

22 May I have a motion for their
23 election?

24 A MEMBER: So move.

25 A MEMBER: Second.

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CHAIRMAN ELLIOTT: It's been
moved and seconded.

Is there any discussion of the
motion to retain J.H. Cohn as auditors?

(No response.)

CHAIRMAN ELLIOTT: Those in
favor of J.H. Cohn LLP as auditors of the AICPA
and its related organizations for fiscal year
2001 and the AICPA Insurance Trust for calendar
year 2000 please signify by saying "aye."

(Chorus of "ayes.")

CHAIRMAN ELLIOTT: Those
opposed signify by saying "no."

(No response.)

CHAIRMAN ELLIOTT: The "ayes"
have it and J.H. Cohn LLP continues as auditors.

I now ask Bill Strain, Chair of
the Finance Committee, and Clarence David, CFO,
to give us their report on the financial
statements for the year ending July 31, 2000, and
related financial matters.

This is Item 16 in your
materials.

MR. WILLIAM STRAIN: Good

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afternoon.

I'm delighted to report on the financial material that was mailed to you in early October and on the activities of the Finance Committee and the AICPA finance team.

Clarence Davis, the AICPA's Chief Financial Officer, will join me in this presentation.

Our goal is to review the AICPA's financial results for the year ended July 31, 2000, to compare actual results to budget and forecast and to present, primarily for the benefit of the new Council Members, the budget for fiscal 2001.

That budget was approved in the Spring Council meeting in May.

I will present an overview and Clarence will highlight specific areas of emphasis.

I think you will be pleased with the continued progress by the AICPA staff in allocating resources and managing the operations.

If anyone has questions after we have completed the presentation, I invite you to

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ask them at that time.

Our presentation will
concentrate primarily on the results of the
AICPA, which includes its newly-formed majority-
owned for-profit subsidiary, CPA Portal, Inc.

As you know, CPA Portal, Inc.
will create a CPA channel for electronic
distribution of existing and future AICPA
products and business-to-business solutions for
clients and employers of AICPA members.

I should note, however, that our
published annual report, which has been provided
to you at this meeting, reflects combined
financial statements, which include the results
of the AICPA and its subsidiaries along with the
Division for CPA Firms, the AICPA Foundation, the
AICPA Benevolent Fund and the Accounting Research
Association.

These financial results are
combined in accordance with the reporting
requirements set forth in Statement of Position
94-3, Reporting of Related Entities for Not-For-
Profit Organizations.

The Finance Committee reviews

1
2 interim results and periodic financial forecasts
3 provided by the finance team throughout the team.
4 The original budget for the year ended July 31,
5 200 was breakeven. Actual results for the AICPA
6 for this fiscal year were \$3.2 million excess of
7 expenses over revenue.

8 I will now turn to Clarence to
9 discuss variations from the original budget.

10 MR. CLARENCE DAVIS: Good
11 afternoon.

12 How do we compare to the budget
13 of fiscal 2000 and the forecast presented at the
14 May 2000 Council?

15 The excess expenses over revenue
16 reflect the expenses of various new initiatives
17 of the Institute as approved by the Board.

18 As shown in this slide, net
19 actual expenses over revenue were lower than the
20 forecast we showed you in May but higher than the
21 original budget.

22 As we discussed in May, the net
23 expenses are over budget due to implementation of
24 the AICPA Board of Directors' approved change in
25 the group study business line, certain costs

2 related to the formation of CPA Portal, Inc., as
3 well as other costs related to other Vision-
4 related activities, including new assurance
5 services, a new accreditation program called the
6 Certified Information Technology Professional,
7 CITP.

8 The net actual expenses are
9 lower than forecast since we did not accelerate
10 the amortization of existing computer systems as
11 conservatively forecasted earlier this year due
12 to the revised timing of the development of our
13 new systems. And we had additional savings in
14 postage, shipping, advertising and fees.

15 As noted in our financial
16 statements, \$4.4 million of Portal-related direct
17 and indirect costs have been charged to the
18 operations. The AICPA anticipates that these
19 advances to the Portal will substantially be
20 repaid upon funding of the Portal.

21 MR. WILLIAM STRAIN: Now, let's
22 turn to the AICPA only recent financial results.

23 The four most recent years
24 reflect overall growth in revenue and improvement
25 in the gross margin percentage.

2 Revenue-producing activities
3 have increased approximately \$2 million while
4 costs of sales have decreased \$.3 million. This
5 reflects a \$2.3 million improvement at the gross
6 margin level, a 1.3 percent increase.

7 While revenue from revenue-
8 producing activities was slightly higher in 2000
9 versus 1999, gross margin was higher as result of
10 a change in product mix.

11 Dues as a percentage of gross
12 operating revenue increased approximately 3.5
13 percent to 41.5 percent in fiscal 2000. This was
14 mainly attributable to the dues increases
15 approved by last year's Council.

16 Total operating expenses have
17 increased over the four-year period and reflect a
18 significant investment by the AICPA in new and
19 innovative programs and services as well as
20 technology.

21 The \$130 million of expenses for
22 2000 is less than the \$134 million budget for
23 2000, a three percent variance.

24 In effect, the deficits of the
25 past two years have been funded by successes of

1
2 fiscal year 1997 and 1998.

3 Future trends in the bottomline
4 are forecasted to be at breakeven.

5 The next slide, please.

6 At this slide illustrates, the
7 fund balance at July 31, 2000 is \$32.2 million.
8 Because any operation must be supported by a
9 sufficient capital base, previous Boards as well
10 as the current Board approved a policy setting a
11 fund balance goal of twenty to twenty-five
12 percent of annual revenue.

13 This target was achieved as of
14 July 31, 1997 and remained in the established
15 range in fiscal 2000 at 21.8 percent.

16 A few comments on membership.

17 At the end of this past July the
18 Institute had 337,454 voting members, which is
19 only slightly higher than last year.

20 The AICPA also has 17,588
21 student affiliates and associates which is a
22 twelve percent increase over the prior year.

23 Members in industry continue to
24 exceed members in public practice.

25 Twenty-eight percent of the

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membership is female, a .5 percent increase.

And 20.7 percent of the membership is thirty-five years old or younger, a 1.5 percent increase.

The AICPA considers the under thirty-five group critical to its future and is addressing the membership issue as evidenced by our increased student affiliates and associates membership.

MR. CLARENCE DAVIS: Now, for the benefit of new Council Members, I will present a brief summary of the fiscal 2001 budget approved at the May Council meeting.

The budget for fiscal 2001 is once again breakeven and reflects funding for various significant strategic initiatives now underway.

The major components included in this budget are:

Strategic planning initiatives;

The new online education

library;

The new group study program

strategy;

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2 A modest dues increase and dues
3 restructuring;
4 Regulation of the profession;
5 Other Vision-related activities;
6 Assurance;
7 National Accreditation
8 Commission; and
9 The Center for Investment
10 Advisory Services.

11 The budget also provides for
12 \$1.5 million for unbudgeted projects.

13 The Finance Committee and the
14 Board believe that this provision is essential to
15 enable the AICPA to respond to the rapidly
16 changing profession and any new initiatives that
17 may require immediate funding.

18 The capital budget was carefully
19 reviewed to assure our continued advancement in
20 the use of technology for meeting member service
21 needs.

22 As a result of this budget and
23 the actual 2000 results, the fund balance is
24 projected to be \$32.4 million at the end of
25 fiscal 2001 or 21 percent of total revenue and,

2 therefore, within the target set by the Board of
3 twenty to twenty-five percent.

4 Now I will turn it back to Bill
5 for closing remarks.

6 MR. WILLIAM STRAIN: In
7 summary, the AICPA has a strong financial
8 position and continues to make significant
9 investments in initiatives to enhance the
10 profession.

11 Before we take questions, I
12 would personally like to thank Clarence Davis and
13 the rest of the finance team of the AICPA for
14 making my role as Finance Chair so easy to
15 accomplish.

16 Thank you, Clarence.

17 (Applause.)

18 MR. CLARENCE DAVIS: Thank you.

19 MR. WILLIAM STRAIN: And thank
20 you for your interest and patience.

21 At this time we will be happy to
22 respond to any questions from the floor.

23 (No response.)

24 MR. WILLIAM STRAIN: Let me
25 briefly answer one that came up in this morning's

1
2 discussion on Cognitor with regard to advertising
3 and promotion.

4 If you were to look at the trend
5 analysis information highlighted in the report,
6 you would see that the budget for that line item
7 was \$13.6 million whereas we only spent \$9.1
8 million.

9 But, importantly, the Image
10 Enhancement Campaign portion of that budget in
11 that line item was essentially fully spent at
12 approximately \$4 million.

13 The reason for the decrease or
14 the under-expenditure was primarily due to timing
15 in certain areas, specifically The Center for
16 Investment Advisory Services, which got off with
17 a little later start than we anticipated. But
18 that is the main reason for the under-expenditure
19 in that category.

20 Are there any other questions?

21 (No response.)

22 MR. WILLIAM STRAIN: Seeing
23 none, that completes our report.

24 Thank you.

25 (Applause.)

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2 CHAIRMAN ELLIOTT: I am now
3 pleased to introduce Steve Schenkel of J.H. Cohn,
4 LLP, independent auditors of the AICPA, who will
5 present the auditors' report.

6 Steve.

7 MS. STEVE SCHENKEL: Thank you,
8 Bob.

9 Bill Strain and Clarence Davis
10 just discussed the financial position and results
11 of operations of the AICPA and its majority owned
12 subsidiary, the CPA Portal, Inc. as of and for
13 the year ended July 31, 2000.

14 Our engagement for the AICPA
15 consisted of two parts.

16 First, we were engaged to audit
17 the financial statements of the AICPA and related
18 organizations as of and for the year ended July
19 31, 2000.

20 Secondly, we were engaged to
21 examine management's assertions included in a
22 statement of management's responsibility for
23 financial statements and internal control at the
24 AICPA and related organizations, maintained
25 effective control, internal control, over

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2 financial reporting and over the safeguarding of
3 assets against unauthorized acquisition, use or
4 disposition as of July 31, 2000 based on criteria
5 established in Internal Control Integrated
6 Framework issued by COSO of the Treadway
7 Commission.

8 With respect to the audit of the
9 financial statements, we have issued an
10 unqualified opinion.

11 With respect to the examination
12 of management's assertions, our opinion is that
13 the AICPA maintained in all material respects
14 effective internal control over the
15 aforementioned.

16 At this point I would like to
17 discuss certain limited aspects of our audit.

18 However, before that, as Bill
19 and Clarence just discussed, this past year was
20 another year in which the AICPA embarked on many
21 new initiatives, whether it was the formation of
22 The CPA Portal, change in the delivery of CPE or
23 issues related to independence, amongst a few.
24 These represent changes inside and outside of the
25 AICPA that impact the nature, extent and scope of

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our audit.

Offsetting the effects of these initiatives as well as others is the internal oversight process over financial reporting.

I believe it's important and beneficial that you have an understanding of this.

The process commences with the AICPA's accounting staff, overseen by the Chief Financial Officer, Clarence Davis, and Barry Melancon, as President, and ultimately both the Finance and Audit Committees, who obtain qualitative and quantitative judgments about the financial information from management.

With respect to our responsibilities as auditors, the extension of the Audit Committee from its charter -- one which, aside from compliance with professional standards, was cited by the Blue Ribbon Panel as a model of its adoption of the Public Oversight Board's Audit Committee recommendations -- the Audit Committee's charter includes not only the required communication, such as overall audit approach, risk assessment, coordinations with

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2 internal audit, the control environment, but also
3 the charter requires that throughout the year,
4 and especially at the completion of our audit,
5 our qualitative assessments, as the outside
6 auditors, in terms of conservatism and
7 aggressiveness on items such as accounting
8 principles, financial statement presentation and
9 disclosures, accounting estimates by management,
10 adoption of accounting pronouncements.

11 With respect to our interaction
12 with the Audit Committee, it consists of
13 approximately five meetings annually as well as
14 having unrestricted access as needed.

15 Our interaction with management
16 and internal audit consists of frequent meetings
17 throughout the year in order to keep abreast of
18 new developments and initiatives.

19 I just briefly touched upon
20 certain aspects of the audit, which is far more
21 encompassing than that when I just discussed.

22 Before I ask if there are any
23 questions, I would like to express our
24 appreciation to Council, the Board of Directors
25 and the Audit and Finance Committees, the AICPA

1
2 management team and staff for the privilege of
3 serving as your auditors and the cooperation we
4 receive.

5 Thank you.

6 Are there any questions?

7 (No response.)

8 CHAIRMAN ELLIOTT: Thank you
9 very much, Steve.

10 (Applause.)

11 CHAIRMAN ELLIOTT: We now
12 adjourn the AICPA's Annual Meeting for the year
13 2000.

14 Before you leave this meeting,
15 please let us know in the evaluation form you
16 received in your packet what you think of this
17 meeting, or for that matter Council meetings in
18 general.

19 We are continually investigating
20 different meeting formats and how they can be
21 improved.

22 We will now take a fifteen-
23 minute break.

24 Please be back in this room
25 promptly at 2:50 because we have some major items

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still to cover in this meeting.

(At 2:35 o'clock p.m. the
proceedings were concluded.)

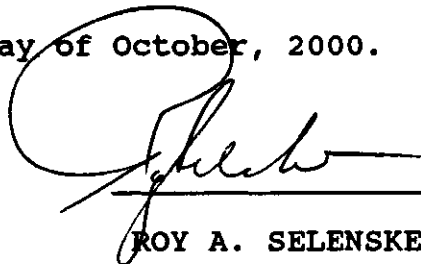
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STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

I, ROY A. SELENSKE, a Certified Shorthand
(Stenotype) Reporter and Notary Public within
and for the State of New York, do hereby certify
that the foregoing pages 1 through 43 taken at
the time and place aforesaid, is a true and
correct transcription of my shorthand notes.

IN WITNESS WHEREOF, I have hereunto set my
name this 30th day of October, 2000.



Handwritten signature of Roy A. Seleske, C.S.R., written over a horizontal line.

ROY A. SELENSKE, C.S.R.

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