2010

AICPA annual report; My AICPA is...

American Institute of Certified Public Accountants (AICPA)

AICPA American Institute of CPAs

my AICPA is ...

2009-2010 ANNUAL REPORT

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Message from the Chairman and President & CEO

What does the **AICPA** mean to you?

As we meet with members across the country, we hear stories about how committee service has provided valuable opportunities for networking and learning. Others share stories of how their work with our 360 Degrees of Financial Literacy campaign has touched the lives of people in their communities. Many underscore their need and appreciation for our educational resources. Whether it is reading our daily, weekly and monthly publications; expanding your competencies through our conferences; saving money with our affinity programs; or utilizing any of our myriad other offerings, members from around the nation have found that the AICPA plays an invaluable role in their professional lives.

You are part of a diverse group engaging in a wide range of activities, pursuing numerous priorities and holding different expectations. Still, we strive to help each one of you perform at the highest levels, serve the public interest, stay informed on important issues affecting CPAs and achieve success. That's what the AICPA means to us.

We're proud of how well the Institute's efforts reflect all your varied interests. Our work centers around what you've told us you wanted through member surveys, focus groups and personal contact. Advocacy in Washington and an improved website consistently came out on top and we delivered for you on both this past year, along with many other things you've cited.

As the largest and most respected professional organization for CPAs, the AICPA fought tirelessly for you and the public on Capitol Hill and on Main Street, in spite of the lingering recession and bumpy recovery. It truly was the busiest year that we can recall for legislative activity. But it was worth it because we achieved some significant victories that honor the public interest and protect CPAs' unique function in the United States for businesses and individuals. For example, thanks to a monumental effort,

• Robert R. Harris, CPA/CFF | Chairman of the Board

Congress agreed to recognize CPAs' "customary and usual" services when it crafted bills for the Consumer Financial Protection Bureau (CFPB) as part of sweeping financial reform legislation. Covering CPAs' financial advice and counsel to clients, as well as financial-literacy discussions, under the CFPB would have resulted in duplicative and unnecessary regulation in light of CPAs' appropriate regulation by state boards of accountancy. Likewise, we helped preserve private sector, independent standard setting for the Financial Accounting Standards Board (FASB) by stopping a legislative amendment that would have jeopardized it. The Center for Audit Quality (CAQ), which is affiliated with the AICPA, joined in that effort.

We also defended our members who serve or work for private companies by being the strongest advocate for change in the financial reporting standard-setting process to accommodate differences for private companies. The AICPA led the call for a new blue-ribbon panel to make recommendations on the future of private company financial reporting. Unlike previous efforts that focused on making changes in existing or proposed standards for private companies, the panel's work will lead to a policy-level decision. The panel's recommendations, which are expected by the end of 2010, will include whether a separate board is needed to set private-company standards, and we believe it is. The 18-member panel already has decided that the status quo is not an option, meaning appropriate changes to GAAP are more likely than ever. The AICPA created the panel with the Financial Accounting Foundation, FASB's parent organization, and the National Association of State Boards of Accountancy.

Furthermore, we continue to shape standard setting by identifying practice issues, providing accounting and auditing guidance, and moving standard setters to take action. For instance, the convergence projects by the FASB and the International Accounting Standards Board (IASB) will mean significant changes in financial reporting in the future. Revenue recognition and leases are but two that affect virtually all businesses. We not only are commenting on the proposals to make sure they will be effective and can be implemented, but also are developing summaries, guides, videos and FAQs so you will be ready when these major standards are released by the end of 2011.

Another standards initiative this year that is important to note relates to the convergence of accounting standards just mentioned. As International Financial Reporting Standards (IFRS) move closer to eventual adoption for U.S. public companies, the AICPA continues to help you prepare for the new financial reporting system. Daily IFRS updates are posted to our IFRS resources website, IFRS.com, which also houses articles, FAQs, a backgrounder, videos, a monthly newsletter, training courses and more. Not surprisingly, our semiannual IFRS Readiness Survey shows you continue to improve your familiarity with IFRS. Nearly half (47%) of CPAs in the spring 2010 survey said they already have basic knowledge of IFRS, an advancement from 39% who had basic knowledge in October 2008. At the same time, there's been a decline in those saying they have no knowledge of IFRS; 16% now versus 30% in October 2008. These trends are important because IFRS already is an active financial reporting framework in this country. In fact, IFRS questions will start to appear on the CPA Exam in 2011 and a certificate program to demonstrate IFRS knowledge is under development.

Many of you are tax practitioners and we have been intensely involved on numerous tax issues. Regarding the new Internal Revenue Service (IRS) tax-return preparer registration program proposed earlier in 2010, our primary goal was to make sure CPAs did not bear undue regulatory burdens. Thus, as the IRS initially considered aspects of the program, we strongly opposed the redundant examination and continuing professional education requirements for CPAs, and the IRS agreed. We are continuing to work with

the IRS regarding additional guidance that may extend similar treatment to non-signing preparers who serve under a qualifying individual in certain professional firms, such as a CPA firm. Furthermore, preventing confusion in the marketplace about what consumers are getting with the varying tax preparers who would be listed with the IRS is a priority as well and one of the reasons we've asked the IRS to delay implementation of the exam for any practitioner. We believe slowing down, getting it right and doing a cost/benefit analysis will help the IRS make the correct decisions. You've been an important part of this whole process – thousands of you wrote to the IRS about your concerns after a special AICPA News Update outlined our issues.

Moreover, we agreed with you that our information, tools, news and resources have to be easily and quickly accessible for them to provide value to you. We're especially pleased with the debut this year of a completely new AICPA.org. Based on member input, user needs and industry best practices, the website features improved search, enhanced navigation, the selection of AICPA publications and emails, videos, social media, RSS feeds, content ratings and more member-exclusive content. In addition, the new My Account functionality enables you to easily manage your membership online.

Other AICPA websites unveiled redesigns, too. Our financial-literacy website for consumers, 360 Degrees of Financial Literacy, now offers the public personalized tools and information to better manage their finances. Since its April 2010 launch, it has been honored with two awards and averages 125,000 visits per month. The acclaimed student recruitment website "Start Here, Go Places." introduced a FutureMe feature to enable students to learn about various career paths. A new website, This Way to CPA, launched in September 2010, focuses on college students and young professionals studying for the CPA Exam.

As a founding organization of the Enhanced Business Reporting Consortium, a member of the World Intellectual Capital Initiative network, we've long focused on sustainability, an area of business reporting that considers the environmental and social aspects of conducting business along with profitability. We have enjoyed much success this year engaging our profession on this issue. The world is looking to us for advice and guidance in this area. We are the professionals best positioned to see the connections among strategy, risk, financial performance and reporting – all essential elements of sustainability reporting, as well as more transparent corporate reporting in general. We strongly supported forming the International Integrated Reporting Committee to oversee development of a globally accepted integrated reporting model. The AICPA is a member of The Prince of Wales' Accounting for Sustainability Project (A4S), a consortium of public and private entities around the globe. As part of A4S, the AICPA is one of the founding members of the Accounting Bodies Network formed in 2010 to support the work of the A4S in the accounting profession worldwide. A hands-on workshop was developed to help participants design a strategic sustainability initiative at their companies. A new webpage was created to house information and resources regarding sustainability accounting, sustainability reporting, sustainability assurance, tax and other services. An overview of sustainability and our involvement is summarized in *Integrated Reporting – A New Model for Corporate Reporting*.

Members in business and industry also could turn to a number of tools the AICPA provided, including guidance on the implications of Standard & Poor's considering enterprise risk programs in credit reviews of non-financial issuers. White papers on the critical issues of enterprise risk management, internal control and corporate governance were published to help CPA financial executives and government organizations as they face challenges in these areas. The AICPA also produced a primer on health-care reform to help you lead your organization to success. Our quarterly economic outlook survey, widely distributed to the media, continues to showcase CPA financial executives as broad-based businesspeople with expertise on the country's economy and market forces.

Do you work in a small or regional firm? The PCPS Client Service Resource Center and the Economic Podcast series were designed to help you address client retention, fee pressures, cost cutting and other critical issues. In addition, our subsidiary, CPA2Biz, helped small- and medium-firm members better serve clients and increase revenue with improved use of cloud computing. Thanks to three new alliances established this year in the AICPA Trusted Business Advisor[SM] Solutions program, you can access leading-edge technology for audit confirmations, tax-document automation and workflow management.

Partnering with CPA2Biz, the AICPA launched a technology solution that makes it easier for you to track the status of your CPE and chart pathways for improving your competencies. Through the AICPA Learning Center, you can quickly access more than 100 AICPA CPE self-study courses, web events and virtual conferences, as well as obtain transcripts and print certificates of completion. More features will be rolled out over the coming months, including a compliance tracker and firm-administration customizations.

As you can see, your AICPA is our AICPA and vice versa. We have continued to keep our focus on your needs and what you look to us for so you can succeed. Please join us in celebrating all of the AICPA's accomplishments and activities this past year designed to deliver the value you demand and deserve from your membership. We proudly present our 2009-2010 Annual Report, titled "My AICPA is …"

Robert R. Harris, CPA/CFF
Chairman

Barry C. Melancon, CPA
President & CEO

• **Barry C. Melancon, CPA** | President & CEO

"We're proud of **how well the Institute's efforts** reflect all your varied interests. Our work centers around what you've told us you wanted through member surveys, focus groups and personal contact."

Robert R. Harris, CPA/CFF and **Barry C. Melancon, CPA**

Advocating on Behalf of the Public Interest, Members and Profession

The Institute relentlessly endeavors to protect its members and the public interest from unnecessary regulatory burdens, as well as promote awareness of and confidence in the integrity and competence of CPAs.

Influencing Financial Regulatory Reform

- **Financial regulatory reform was one of Washington's top priorities this year, making it perhaps the AICPA's busiest time ever for legislative advocacy.** The Institute successfully orchestrated the defeat of a proposed "aiding and abetting" amendment that could have extended civil liability to secondary parties, such as accountants, in securities lawsuits. Support from state CPA societies, firms and federal key person contacts boosted the effort.

- **The AICPA also was victorious in its work to help Congress understand that CPAs already are sufficiently regulated,** enabling the profession to escape duplicative and unnecessary rules under the Consumer Financial Protection Bureau for CPAs' customary and usual accounting services.

- **At the same time, the AICPA offered strong and unequivocal support for the continued independence of the FASB** to keep the accounting standard-setting process free of political pressure. The CAQ, which is affiliated with the AICPA, joined in this effort.

- On another front, **the Institute opposed efforts to weaken some of the investor protections under section 404(b) of the Sarbanes-Oxley Act,** which requires that a company's annual report include an auditor's attestation report on management's assessment regarding internal controls over financial reporting. In the end, only companies with market capitalization of $75 million or less are exempt from the requirement.

Supporting the PCAOB

- **When a Supreme Court ruling in June effectively affirmed the Public Company Accounting Oversight Board's (PCAOB) constitutionality, AICPA President and CEO Barry Melancon called it "a victory for investors and for the accounting profession."** He added that "the court rejected a transparent attempt to undermine the post-Enron reforms that have served our financial markets well." Under the ruling, board members now are subject to "at will" removal by the Securities and Exchange Commission (SEC).

Representing Members' Tax Interests

- **The Institute raised critical questions about the IRS's initiative to register tax-return preparers.** The IRS agreed with the AICPA's argument that its examination and continuing professional education requirements duplicated existing licensing requirements for CPAs. The AICPA is continuing to work with the IRS regarding additional guidance that may extend similar treatment to non-signing preparers who serve under a qualifying individual in certain professional firms, such as a CPA firm. The Institute also plans to continue working with the IRS to ensure that the public is not misled about the assumed qualifications or experience of tax preparers listed with the IRS, which is one of the reasons the AICPA has asked the IRS to delay implementation of the exam for any practitioner.

The **Institute** raised critical questions about the IRS's initiative to register tax-return preparers.

- Even though **the AICPA urged the IRS to drop its plans to require companies to disclose uncertain tax positions (UTP) in their annual tax returns**, the IRS moved forward with requiring such disclosures. However, the final guidance includes many changes and modifications from the initial proposal, reflecting comments the IRS received from the AICPA, other organizations and taxpayers. For example, instead of the required disclosure regime being effective for 2010 for taxpayers with assets of $10 million or more as initially proposed, it will now be phased in over a five-year period based on a corporation's asset size. In addition, there is no reporting of a maximum tax adjustment, no reporting of the rationale and nature of uncertainty in the concise description of the position and no reporting of administrative practice tax positions. The AICPA continues to work with the IRS on the UTP requirements. Access AICPA comment letters, all of the IRS pronouncements on uncertain tax positions and AICPA coverage of the issue from an AICPA resource page.

- In a letter to the Senate Finance Committee and the House Ways and Means Committee, **the AICPA in early 2010 urged fast action on estate and generation-skipping transfer taxes to prevent continuing uncertainty and delays in estate planning and administration.** The Institute also offered Congress a priority list of suggested reforms in estate and gift taxes. **CPAs grappling with estate tax gap administration issues could turn to a variety of practical free resources, including a webinar, PowerPoint presentation and informative articles.** The Institute also partnered with the National Association of Estate Planners and Councils to promote estate planning to practitioners and their clients by offering web seminars and resources during Estate Planning Awareness Week.

- **Our Tax Reform Alternatives for the 21st Century study, published late last year, discussed the reasons that change is needed,** enumerated reform options and examined income versus consumption taxes and other related issues.

- The AICPA spoke out **against a proposed amendment that would tax income and gain** from an "investment services partnership interest" not as capital gains but as ordinary income.

- **The AICPA called for repeal of a section of the new health care law that requires businesses to report to the IRS any purchase worth $600 or more**. The Institute argued that compliance would be burdensome and costly for small businesses, and that the information would not be of meaningful value in collecting unpaid taxes.

- **Long an advocate against tax strategy patents, the AICPA renewed its call for legislation banning them.** AICPA President and CEO Barry Melancon in June noted that even though the Supreme Court decision in *Bilski v. Kappos* strikes down one business method patent, it did not go far enough, and the U.S. Patent and Trademark Office continues to issue tax strategy patents.

- **In the wake of major health care reform legislation, the Institute last spring published Health Care Reform – What It Means for CPAs.** This primer helps CPAs in practice and in industry understand the implications of the new law to effectively advise their clients or organizations.

- **Institute members once again could take advantage of updated tax season campaign resources that help educate clients about tax law changes,** including a brochure, a speech and a PowerPoint presentation. Firms can imprint their names and logos on the brochure.

Advocating for Our Members

- Under the Federal Trade Commission's (FTC) "Red Flags" rule, organizations that could be defined as creditors or financial institutions generally must implement written programs to prevent identity theft. The FTC had taken the position that CPAs were subject to the rule, but in light of AICPA and state society advocacy, along with the AICPA filing a lawsuit against the FTC, **enforcement of the Red Flags rule has been delayed**. However, since the Red Flags rule may apply to CPAs' clients and employers, **the AICPA created a comprehensive resource page to help members understand the rule and how it may apply to them**, when and if it ever becomes effective.

- **In a tremendous success story for the profession, two additional states have enacted legislation that allows CPAs licensed in another state to practice in their state, bringing the total to 47.** Legislation is pending in two additional states. The Institute continues to work with the remaining jurisdictions to advocate for mobility legislation, and also is focusing on implementation in states that have passed it.

- **Comment points from the AICPA and the CAQ were reflected in final amendments to SEC rules on custody and recordkeeping** under the Investment Advisers Act of 1940. The Institute recommended a reduced scope, risk-focused approach to surprise examinations and revisions in proposed internal controls examination requirements.

Setting 21st Century Standards

The Institute is proactive in the development, revision and updating of standards to meet the needs of the 21st century CPA profession – influencing standard setters and crafting guidance for more effective implementation of standards.

Enhancing Financial Reporting Standards

- **In an effort to examine the future of financial reporting for private companies from a policy-level perspective and decide whether separate, stand-alone standards or a separate standard-setting board were necessary, the AICPA, along with the Financial Accounting Foundation and the National Association of State Boards of Accountancy (NASBA), formed a blue-ribbon panel.** The panel, which solicited public comments from constituents of private company financial reporting, plans to make its recommendations by the end of 2010.

- **The AICPA continues to lead the way in supporting serious consideration of adoption of International Financial Reporting Standards (IFRS) for U.S. public companies.** In a statement on the SEC's Work Plan to incorporate IFRS into the U.S. financial reporting system, **the AICPA voiced its support for a single set of high-quality, globally accepted financial reporting standards** and the thoughtful and concrete steps the Commission is taking to prepare for the transition.

- The AICPA's IFRS website continues to provide resources and information for members. The many **timely and practical tools include a wiki, which**

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debuted this year, that compares IFRS for Small and Medium-sized Entities with corresponding sections of U.S. GAAP.

- **To maintain high standards in federal government financial reporting, the AICPA governing Council in May 2010 authorized the continued recognition of the Federal Accounting Standards Advisory Board (FASAB) as a standard setter under Rule 203 of the AICPA Code of Professional Conduct.** FASAB sets federal government accounting standards that are used by federal agencies and by the federal government in the preparation of financial statements.

- **The AICPA Webcast "XBRL – Preparing for Phase II and Detailed Tagging," alerted public companies to the issues surrounding an SEC requirement.** The January presentation was designed for chief financial officers; controllers; accounting and finance managers; and CPAs working with clients who prepare financial statements. Its goal was to help them comply with the SEC's rule to submit financial statements in eXtensible Business Reporting Language (XBRL), an Internet-based standard. The AICPA has endorsed and supported XBRL from its inception.

Providing Guidance on Standards

- The **AICPA Reliability Project** in 2008 considered the need for changes in the standards for compilation and review engagements.

  - Partially in response to that project, **the Accounting and Review Services Committee in December 2009 issued Statement on Standards for Accounting and Review Services (SSARS) No. 19, *Compilation and Review Engagements*,** which makes the most significant changes to the compilation and review standards since 1978.

  - Among the most important changes, **SSARS No. 19 allows CPAs to disclose in the accountant's compilation report the reasons for an independence impairment.** It also separates review guidance and compilation guidance.

  - The abundant implementation resources available to practitioners include **a summary of SSARS No. 19 and two white papers:** Significant Change to Compilation Reporting Requirements When Independence Is Impaired and Understanding Internal Control and Internal Control Services.

- **After listening to member feedback, the Auditing Standards Board (ASB) agreed to push the effective date of the standards developed under the Clarity Project to periods ending after Dec. 15, 2012.** Because of the postponed effective date, members would have sufficient and appropriate time to educate and train their staff and to properly incorporate the standards into their audit methodologies. The ASB launched its Clarity Project in 2007 to make the auditing standards simpler to read, understand and apply, as well as to converge them with International Standards on Auditing published by the International Auditing and Assurance Standards Board (IAASB).

- **To ease implementation, the AICPA split the guidance contained in Statement on Auditing Standards (SAS) No. 70, *Service Organizations*, into two separate standards:** Statement on Standards for Attestation Engagements (SSAE) No. 16, for use by service auditors; and a new clarified SAS for user auditors. To promote better understanding of these changes, the AICPA developed an FAQ on

SSAE No. 16 and a related webcast, along with an article explaining the transformation of SAS No. 70. To help members respond to market and customer needs, the AICPA also developed a framework for reports on a service organization's financial and non-financial controls, called Service Organization Control (SOC) Reports (formerly known as SAS 70). This series includes three reporting options: SOC 1 for SSAE 16, for reports on controls at a service organization that have an impact on a user entity's internal control over financial reporting; SOC 2 for reports on controls at a service organization over security, availability, processing integrity, confidentiality or privacy; and SOC 3, a report covering the same subject matter as SOC 2, but in a short-form, general-use format that can be used in a service organization's marketing efforts.

- **The AICPA revised its Statements on Standards for Tax Services (SSTSs) to respond to practitioners' comments and incorporate needed updates.** Among the changes, the revised SSTSs now specify that the standard for undisclosed tax positions is the higher of the standard of the applicable taxing authority or a "realistic possibility of success." Additionally, the revised SSTSs reflect an increase in the standard for disclosed positions from "not frivolous" to "reasonable basis." The statements offer CPAs guidance on appropriate tax practice standards and demonstrate the profession's commitment to high-quality tax services.

Promulgating Ethics

- **The AICPA Professional Ethics Executive Committee issued Interpretation No. 101-17, "Networks and Network Firms," under Rule 101, Independence, to provide guidance to firms that form networks with other firms and entities to enhance their capabilities to provide professional services.** Implementation guidance clarified how to use the rules in practice.

- **The AICPA launched an Ethics Codification Project that will reformat and enhance the profession's ethics guidance literature to make it more intuitive and user-friendly,** as well as consider convergence of U.S. ethics standards with international rules where appropriate.

Making a BIG Impact

The Institute helps business, industry and government members with their professional needs, providing strong support on timely business issues, as well as resources and expertise on need-to-know industry subject matter.

Members Lighting the Way

- **CPA decision-makers have their pulse on the business environment and the market forces at work.** The quarterly AICPA Business & Industry Economic Outlook Survey, conducted in collaboration with the UNC Kenan-Flagler Business School, examined viewpoints on the current economy, the state of individual organizations and anticipated future economic prospects and challenges. Survey results are widely distributed to the media, educating the public about economic issues and showcasing CPAs' leadership in financial matters.

Managing Risk

- **The economic crisis and perceived insufficient company control systems have led to a growing demand for thought leadership on enterprise risk management (ERM).** To help CPAs address this market need where CPAs could fill an important role, the AICPA has developed a new webpage on ERM housing numerous resources for members in business, industry and government.

- **A special brief was published to provide an update on Standard & Poor's plan** to integrate evaluations of ERM programs into its credit review process for non-financial corporate issuers.

- As an active member of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), **the AICPA participated in preparing a paper from COSO titled Effective Enterprise Risk Oversight: The Role of the Board of Directors,** which examined the challenges for boards and the benefits of enterprise risk management.

- To find out how audit committees, CFOs and others are addressing ERM globally in their organizations, **the AICPA and the Chartered Institute of Management Accountants (CIMA) surveyed their business and industry members in partnership with the Enterprise Risk Management Initiative at North Carolina State University (the NCSU ERM Initiative).** The results of the survey were published jointly by the AICPA, CIMA and the NCSU ERM Initiative in Enterprise Risk Oversight: A Global Analysis. The report indicates that universally, financial executives are feeling pressure to re-evaluate and improve their overall approach to enterprise risk management.

- **A Government Accountability Brief, Enterprise Risk Management: Is it Relevant to Government?**, explained that the need for robust enterprise risk oversight is relevant to all types and sizes of organizations, including governmental entities.

Examining Fraud

- **Another study the AICPA worked on as a member of COSO was Fraudulent Financial Reporting: 1998–2007, An Analysis of U.S. Public Companies,** a comprehensive analysis of 347 alleged accounting fraud cases the SEC investigated between January 1998 and December 2007. The study's results are useful to boards of directors, external auditors, investors, regulators and other key stakeholders in their efforts to prevent, deter and detect fraudulent financial reporting. The AICPA offered a webinar and a PowerPoint summarizing the study's findings.

Leading the Sustainability Conversation

- The Institute already has made significant strides in **becoming a thought leader in the sustainability area and is a prime source of sustainability resources for the accounting profession.** As a founding member of the internationally focused Enhanced Business Reporting Consortium (EBRC), and having established the Special Committee on

Enhanced Business Reporting before that in 2003, the AICPA has long focused on sustainability, which considers the environmental and social aspects of conducting business along with profitability.

- **The AICPA last year became one of the founding members of the Accounting Bodies Network** of The Prince of Wales' Accounting for Sustainability Project (A4S). The forum's principles promote integrated or "connected reporting"– reporting that links an organization's sustainability impacts with its financial performance more clearly, concisely and consistently.

- **The AICPA also strongly supported the formation of the International Integrated Reporting Committee**, created to oversee development of a globally accepted integrated reporting model.

- **The AICPA last fall submitted a comment letter to the Climate Disclosure Standards Board (CDSB), a consortium of business and environmental organizations, on the board's draft framework for Climate Change Reporting.** AICPA staff members were invited to join the board's technical working group developing the framework.

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- **The Institute joined with the CDSB, A4S and 12 major accounting institutes around the world in sending an open letter to political leaders** attending the United Nations Climate Change Conference in Copenhagen. It called for a single set of universally accepted standards for climate change-related disclosures. The Institute also commented on an IAASB paper addressing assurance on greenhouse gas statements.

- **Other helpful resources for members include guidelines on environmental accounting and scenario planning, and a web presence** for the AICPA sustainability initiative, providing a variety of resources to help CPAs understand sustainability accounting, reporting, assurance, tax and other sustainability issues. These resources and the AICPA's activities demonstrate that sustainability is not about the politics of "going green," but about the strategic and financial reporting aspects being driven by marketplace demands from both consumers and investors, with CPAs staking their ground in this emerging area.

Addressing Government Members' Needs

- **Recognizing that members in government face issues and challenges different from members in business and industry,** several specific resources were developed for this group. One is the Government Accountability Brief, Internal Controls: Just the Start of a Fraud, Waste and Abuse Prevention Program, which discusses the need for and importance of fraud prevention programs in government.

- **A PowerPoint presentation encouraging students to pursue an accounting career in government has been given** at various universities and organizations by the Government Performance and Accountability Committee. Top 5 Reasons Government Accounting Provides a Great Career has been downloaded more than 10,000 times by members.

Providing Members the Tools to Succeed

The Institute places critical importance on member development and advancement. With resources and tools covering every dimension of the CPA profession, the AICPA affords members countless opportunities to improve their skills and knowledge, regardless of their area of specialization.

Accessing Technology for Members

- **To provide members with up-to-the-minute news and resources, the AICPA, in close collaboration with CPA2Biz, in May launched its new AICPA.org website.** It features enhanced navigation and search functions that offer a more personalized experience and better meet CPAs' information needs. Built with leading-edge technology, the site's many enhancements include RSS feeds; social media access and live updates; member-only content; self-service membership profile management; enhanced search; AICPA TV; and easy and comprehensive subscription management of publications and emails.

- **Three new alliances offered AICPA members access to leading-edge cloud technology solutions.** Confirmation.com is a paperless web-based solution designed to make audit confirmations more efficient and less risky. Copanion offers tax document technology that allows firms to standardize tax preparation workflows and improve productivity. XCM Solutions is a pioneer in work-management and workflow technology for the accounting profession. These newly added alliances join Apptix, Bill.com, Intacct and Paychex as part of CPA2Biz's Trusted Business Advisor℠ Solutions platform – web-based solutions transforming the way CPAs conduct business and work with clients. Many educational webinars and white papers available through the Trusted Business Advisor Program and website helped CPA firms think more strategically about how best to package and position client services via cloud-based services, and how to best implement these workflow improvement tools throughout their firms.

- **With the launch of the new AICPA Learning Center, powered by CPA2Biz, members can get instant online access to AICPA CPE self-study courses, live web events and virtual conferences.** They also will be able to easily track the status of their CPE courses and access transcripts and certificates of completion on demand. Additional features include competency pathways to help members gain the knowledge and skills to chart their careers. Development of a CPE compliance tracker and firm administration customizations also are under way.

Reaching Across Borders

- **In a step that will promote cross-border practice by streamlining the process through which qualified accountants become certified and licensed in each other's countries,** the U.S. International Qualifications Appraisal Board, a joint body of the AICPA and NASBA, signed a five-year Mutual Recognition Agreement with the New Zealand Institute of Chartered Accountants in 2009. There are similar existing agreements with Canada, Mexico, Ireland and Australia.

- **The AICPA/CICA Privacy Task Force, formed with the Canadian Institute of Chartered Accountants, issued the Generally Accepted Privacy Principles to supersede the existing AICPA and CICA Privacy Framework.** Known as GAPP, the principles help organizations design and implement sound privacy practices and policies.

- To provide members with news and insights on global issues, **the new International page on the revamped AICPA.org offers access to timely publications, the perspectives of the AICPA international community, educational opportunities and a quick link to IFRS**.

Given the importance of Roth IRA conversion planning in 2010, the **AICPA Personal Financial Planning** section provided a wealth of resources to help CPAs advise clients.

Serving Our Small-Firm Members

- According to the *2009 PCPS CPA Firm Top Issues Survey*, client retention ranked as the top issue for CPA firms of all sizes. In light of this challenge, the **Private Companies Practice Section (PCPS) this year unveiled the PCPS Client Service Resource Center,** a comprehensive source of tools and information on issues including client retention, billing and collection, client advisory boards and fee pressures, among other topics.

- **PCPS also offered practitioners timely information and advice in the Economic Podcast** series. The presentations, which feature tips from experienced CPAs, tackled topics such as opportunities in a recession, financial metrics for today's CPA firm, cost-cutting and helping clients address economic declines.

Growing Resources for Financial Planners

- **Given the importance of Roth IRA conversion planning in 2010, the AICPA Personal Financial Planning (PFP) section provided a wealth of resources to help CPAs advise clients.** PFP section members have **access to the more than-200-page *The Rebirth of Roth: A CPA's Ultimate Guide to Client Care*, decision charts, a simple Roth conversion calculator, discounted sophisticated software, recordings and materials from a comprehensive Roth web seminar series,** as well as access to articles and audio recordings to help guide their clients as they consider Roth conversions.

- **To encourage the competency of young professionals in PFP, the AICPA sponsored a new annual scholarship that allows a young CPA to attend the AICPA Advanced Estate Planning Conference.** The Institute also created targeted resources to encourage qualified new planners to enter the profession.

- **The PFP section added resources to help advance member knowledge and opportunities.** A dedicated webpage reviews legislative and regulatory news in financial regulatory reform and other key areas. Section members now have free access to *Inside Information*, a newsletter from respected author and consultant Bob Veres. Ten new PFP Networking Groups launched this year allow members to share information and ideas. To foster member competency, the AICPA developed a new Personal Financial Specialist (PFS) exam review course that provides self-study CPE at a nominal cost. The Institute also established a PFP champion program to engage and equip passionate advocates for this discipline across the country and added new participants to the PFS media spokesperson program, offering this group hands-on media training.

Securing the Future through Leadership

The AICPA works to ensure the CPA profession continues to grow and flourish, generating a large pool of talented individuals to pursue accounting careers. In addition, the Institute offers members opportunities to help others move forward, whether through improving their financial knowledge or providing economic assistance.

Looking Forward

- **As part of its commitment to protect the public interest and maintain CPAs' respected reputation, the AICPA stepped up its efforts to promote licensure, creating tools and information for those taking the exam and working toward greater consistency in licensure regulation among the states.** The Institute also is involved in helping the academic community to develop best practices in accounting education.

- **ThisWaytoCPA.com, a new website, explores the multiple career paths in the CPA profession as well as provides guidance on becoming a CPA.** Some of the key features of the site include mock job interviews and résumé tips, scholarship information, state-by-state CPA licensure requirements and real CPA profiles. There also is a timeline that outlines the exam process and a forum where questions can be posted and answered by other users.

- **"Start Here, Go Places." has garnered more than 175,000 unique visitors since its relaunch in the summer of 2009.** Many visitors come to the award-winning site from partner organizations and state CPA societies. The "For Teachers" section of the website was featured at four national educator conferences that reached more than 400 high school educators, guidance counselors and community college educators, providing more information about careers in accounting. More than 700 educators have registered on the website as a result.

- **A special section on the new AICPA.org describes the many career options open to CPAs.** It includes career assessment tools that highlight the requirements for any number of specializations.

- **The AICPA secured an extension of the Uniform CPA Examination contract through 2024. It not only allows the Institute to provide content for the exam, but also laid the groundwork for an improved exam.** The AICPA developed methods that will allow timely updates to the exam content that reflect changes in entry-level practice. This process will allow the AICPA to keep the exam up-to-date and relevant for generations of CPAs to come. The exam establishes a high standard for entry in the profession, protecting both the profession and the public. As a key element of professional development, the new This Way to CPA website for college students and young professionals illustrates further the importance of the exam in one's career path.

- **The American Accounting Association and the AICPA formed the Pathways Commission to study possible future paths of higher education** for those seeking entry into the accounting profession. The commission is using a "supply chain" approach; members of the supply chains consist of individuals and representatives from organizations that have an impact on the various current accounting education pathways and will assess and address the challenges educators and practitioners face when teaching and training future accounting professionals over their lifetime.

- **To ensure young CPAs will be prepared to be the profession's next generation of leaders, a CPA younger than the age of 36 was appointed to every AICPA volunteer committee.** In addition, the second class of young CPAs was selected to attend the AICPA's Leadership Academy to learn the skills needed to lead their organizations, communities and the accounting profession.

- **The Accounting Doctoral Scholars (ADS) Program completed its third recruiting year on Oct. 1, 2010.** Sixty applicants were selected to attend the ADS Orientation Conference in Chicago. Of those attending the conference, 30 were selected as ADS Program Scholars and will be enrolling in Ph.D. programs beginning in the fall of 2011. They will join the 56 ADS Program Scholars who have enrolled in Ph.D. programs since 2008. The ADS program helps bridge the gap between practitioners and educators by recruiting future doctoral-level educators who have practical experience in auditing and tax.

- **The AICPA governing Council in May unanimously authorized a proposed bylaw amendment for a vote by the membership to modernize the requirements to join the AICPA as a voting member.** The change, overwhelmingly approved by members with more than 81% of the vote, recognizes the diverse work environments of today's accounting professionals, provides consistency in AICPA admission requirements in light of disparate CPA certification/licensure requirements among states and gives younger professionals an earlier and closer association with CPAs.

Improving People's Lives

- **Demonstrating its continuing commitment to improving the financial literacy of all Americans, the AICPA launched a new 360 Degrees of Financial Literacy website to offer the public personalized tools and information** to better manage their finances and make intelligent financial decisions. Among other enhancements, the site features a new "My 360" tool that allows registered users to create a customizable dashboard of articles and resources to help them make informed financial decisions and connect to local financial education events organized by their state CPA societies. Since the April 2010 launch, the site has won two awards, boasts more than 10,000 registered users and averages 125,000 visits a month.

- **The AICPA teamed with the Society for Human Resource Management to create the first national award that recognizes employers that have implemented financial education programs for their staff.** The award was created last spring on a recommendation from the workplace subcommittee of the President's Advisory Council for Financial Literacy. Corporate, not-for-profit and government organizations are eligible to be selected for the Workplace Financial Education Award.

- **The AICPA donated $40,000 to Habitat for Humanity International on behalf of the CPA profession to assist in the ongoing recovery effort in Haiti.** The donation was made possible by AICPA member contributions to its disaster relief program: CPAs in Support of America Fund Inc. The Institute's funding was used to help 10 families repair and reconstruct their homes.

The AICPA teamed with the Society for Human Resource Management to create the **first national award that recognizes employers** that have implemented financial education programs for their staff.

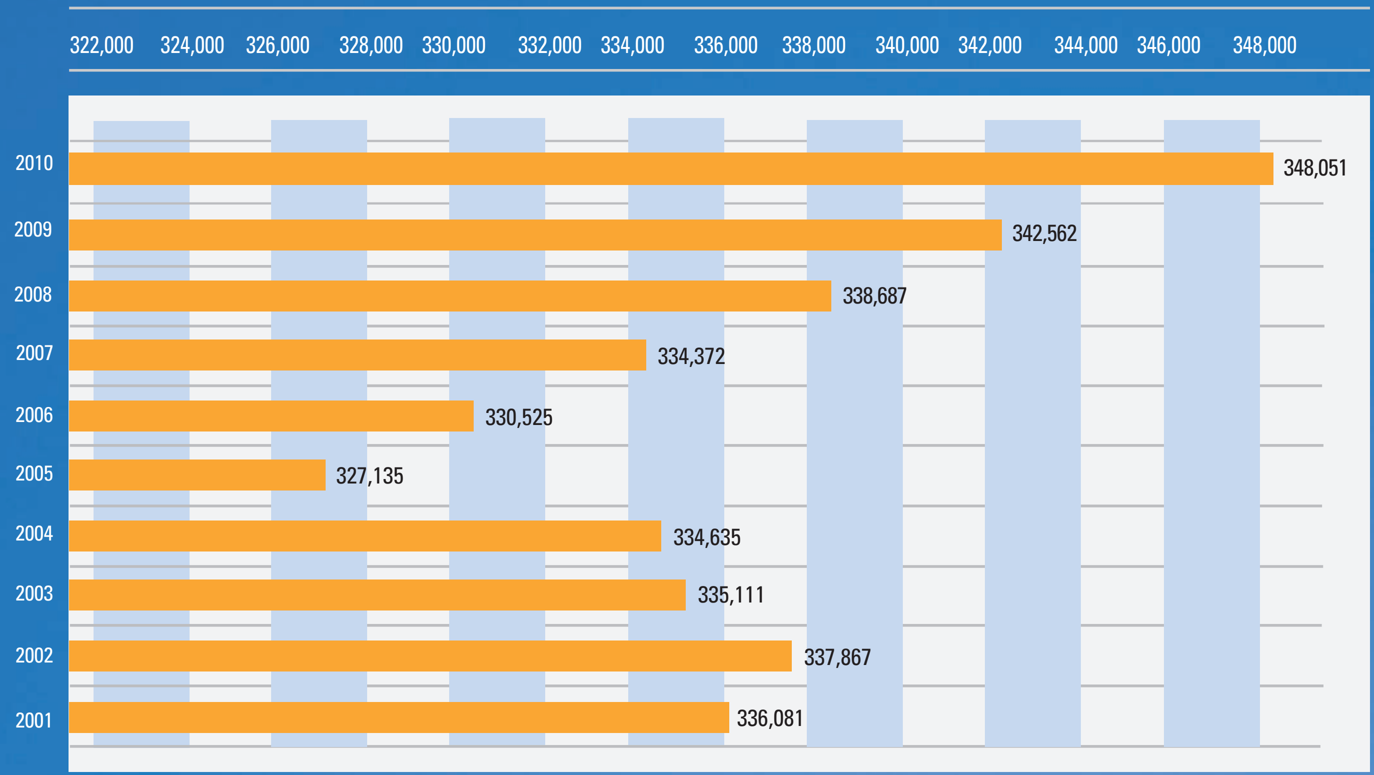
Board of Directors 2009-2010

FINANCIALS

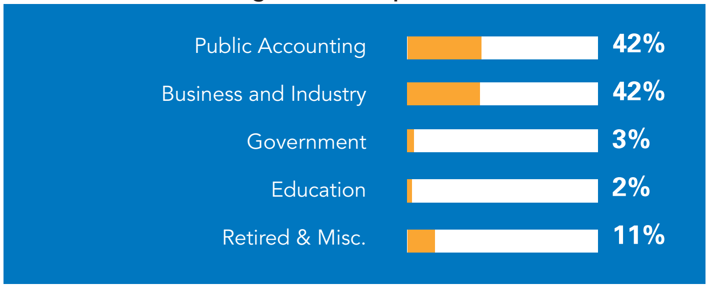
2009-2010 ANNUAL REPORT

Sources and Occupations of AICPA Membership

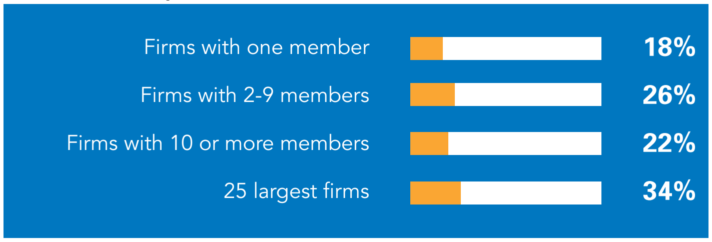
AICPA Voting Membership Since 2001



2010 Total AICPA Voting Membership 348,051 Members



Membership in Public Practice 154,941 Members



Management's Discussion and Analysis

Membership in the AICPA is a unique and personal experience for each of our 369,000 members. The AICPA works every day to provide members with the resources, information and leadership that enable them to provide valuable services in the highest professional manner to benefit the public as well as employers and clients. In fulfilling this mission, the AICPA focused this year on developing numerous resources to support its diverse membership.

The AICPA continued to be vigilant in protecting its members and the public interest from unnecessary or unintended regulatory burdens. For example, the AICPA, with support from state CPA societies, firms and federal key person contacts, defeated an effort to create a private right of action for "aiding and abetting" that could have extended civil liability to secondary parties, such as accountants, in securities lawsuits. We also won special recognition for CPAs under the newly created Consumer Financial Protection Bureau for their "customary and usual" services. Furthermore, we continue to work closely with the IRS on its tax preparer registration program and we helped preserve private sector, independent standard setting for the Financial Accounting Standards Board (FASB) by stopping a legislative amendment that would have jeopardized it.

The AICPA continues to take an active role in shaping the standards governing the profession's work. Most notably, the AICPA took the lead in creating and serving on a landmark blue ribbon panel to explore and make recommendations regarding the future of standard setting for private companies. We also submitted comment letters on key proposed accounting and auditing standards, such as those released for public comment by the FASB and the International Accounting Standards Board under the accounting standards convergence project. Fiscal 2010 activities also included supporting the Securities and Exchange Commission's Work Plan on public companies' possible transition to International Financial Reporting Standards, and advocating for worldwide reporting standards for climate change-related disclosures as part of an entity's sustainability activities. Additionally, the AICPA is continually creating new resources that will help prepare members for proposed changes in professional standards.

Making it easy for you to have quick access to our news, information and tools is essential to helping you benefit from your membership and from all that the AICPA does on your behalf. During Fiscal 2010, we introduced the new AICPA.org website, transforming how we communicate with our members. The site includes an array of new features designed to help our members get the right information at the right time, such as the selection of AICPA publications and emails; a My Account functionality to manage your membership easily online; RSS feeds; social media accounts with live updates; and AICPA TV, among others. In addition, the AICPA's 360 Degrees of Financial Literacy and "Start Here, Go Places." websites were redesigned to provide enhanced features and improved interactivity. A new website, This Way to CPA, was launched in September 2010 to help accounting students, graduates and young professionals stay focused on continuing their career development and highlight the importance of taking the CPA Examination (the Exam).

A detailed account of our broad range of activities is provided in this Annual Report, and it is important to place this Management's Discussion and Analysis in the context of the achievements and challenges experienced during Fiscal 2010. Our total operating revenue exceeded $200 million for the third consecutive year. In addition, our regular voting and total membership reached record breaking numbers, for the second year in a row, exceeding 348,000 and 369,000 members, respectively, in 2009 and 2010.

REPORT ON OPERATIONS

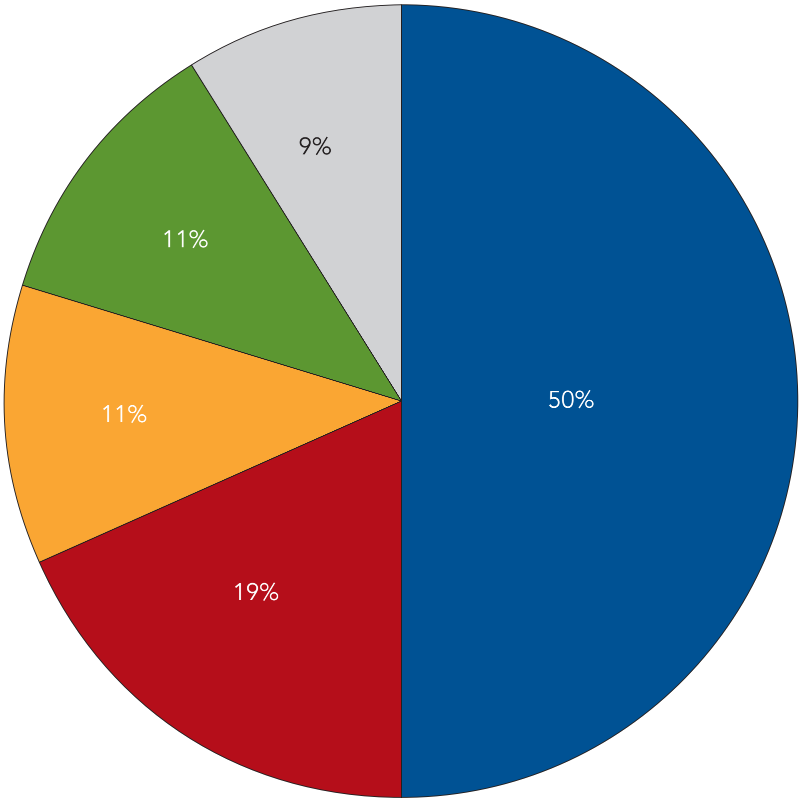
Investments

In Fiscal 2010, the AICPA's investments portfolio grew by approximately $12 million from the prior year as a result of improved market conditions and the reinvestment of dividends and interest earned. The portfolio is well diversified across equity and fixed income securities and the AICPA remains diligent in actively monitoring the performance and allocation of its investments, in partnership with its investments committee.

Computerized CPA Examination

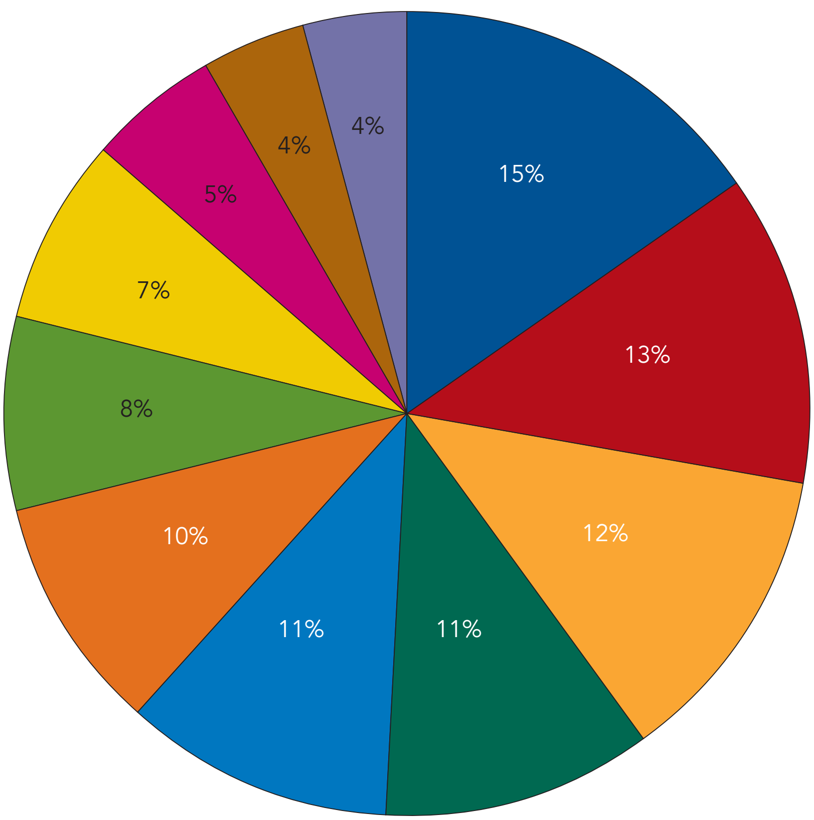
The Exam is delivered through a tri-party agreement (Agreement) between the National Association of State Boards of Accountancy, Prometric and the AICPA. The AICPA accounts for the Exam on a break-even basis over the life of the Agreement, which was extended to 2024 during Fiscal 2010.

Fiscal 2010 also marked the fourth straight year where the Exam's revenue exceeded costs incurred. Accordingly, costs equal to the revenue recognized in the current year have been expensed, with the excess of revenue over expenses of $14.9 million recognized as a reduction of deferred costs. As such, at July 31, 2010, the balance of approximately $18.3 million of net deferred costs is reflected in the Combined Statement of Financial Position. Since the Exam launched in 2004, the deferred asset balance is approximately $21 million lower than management's projections presented to Council in the Fall of 2005 due to higher candidate volume and lower expenses.



Operating Revenue by Activity

Membership Dues	50%
Professional Development & Member Service Conferences	19%
Professional Examinations	11%
Publications	11%
Investment & Other Income	9%



Total Expenses by Activity

Professional Development & Member Service Conferences	15%
Professional Examinations	13%
Publications	12%
Regulation & Legislation	11%
General Management	11%
Technology	10%
Other	8%
Technical	7%
Organization & Membership Development	5%
Communications & Public Relations	4%
Other Financial Charges	4%

Management's Discussion and Analysis

Three main factors affect the recoverability of deferred costs associated with the Exam and are tested annually for impairment – (1) future candidate volume; (2) future price increases; and (3) cost management. Given these factors and the financial performance in Fiscal 2010, the projections continue to reflect the AICPA's belief that the deferred costs associated with the Exam will be fully recovered over the life of the Agreement.

The candidate cost to take the Exam is set by each licensing jurisdiction and currently ranges between $848 and $1,142, assuming a candidate takes all four parts. The AICPA currently earns $95 per section or $380 for a candidate taking all four parts of the Exam regardless of the candidate charge set by the licensing jurisdiction. Although price increases are permitted under the terms of the Agreement, there were no price increases in Fiscal 2010, and none are planned for Fiscal 2011.

Long-term Debt

At July 31, 2009, the AICPA had total long-term debt of $44.9 million, comprised of a $2.9 million interest-free line of credit from Prometric to finance the computerization of the Exam and a $42 million term loan.

During Fiscal 2010, the AICPA made principal payments of $1.4 million under the interest-free line of credit and $5.3 million in principal payments under the term loan. At July 31, 2010, total long-term debt was $38.2 million.

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

Defined Benefit Plans

In Fiscal 2010, the AICPA experienced an increase in the value of the assets of the pension plan (Plan) but was negatively impacted by a lower discount rate, as the interest rate environment continued to be volatile. This volatility resulted in pension and postretirement charges in excess of net periodic cost of $7.4 million, which has been included in Other Charges in the Statement of Activities. As the value of the Plan's assets recovers in the future, and interest rates rise, it is expected that this financial impact will reverse itself over time.

In addition, during Fiscal 2010, the AICPA's investments committee commissioned a study of the Plan's assets and obligations. The 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 AICPA, with the approval of the Board of Directors (Board), modified the target asset allocations to be 50% fixed income investments and 50% equity and other investments. The study also concluded that the AICPA 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 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 and other investments. This strategy was adopted by the Board in August 2010.

The AICPA did implement a plan freeze effective April 30, 2017, which means that 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. It is important to note that more than 70% of the pension liability is attributable to former employees that have already vested in the plan. Management reviews the design of its defined benefit pension and other postretirement plans on a regular basis to assess opportunities to manage the exposure that market fluctuations may create to our financial situation.

CPA2Biz

In Fiscal 2010, CPA2Biz's revenue totaled $19.4 million with net income of $0.8 million. The CPA2Biz e-commerce site again received high marks for member satisfaction and was ranked by Internet Retailer as a Top 500 Retail Web Site for the fifth consecutive year. During the year, CPA2Biz invested significant resources in a new Learning Management System for members, as well as added three key strategic alliances — Confirmation.com, Copanion and XCM — to its suite of best-in-breed cloud computing solutions. These new solutions join Bill.com, Intacct and Paychex as part of CPA2Biz's Trusted Business Advisor Solutions platform, transforming how CPAs conduct business and deliver services to clients.

In early Fiscal 2011, CPA2Biz's NY office lease expired and CPA2Biz relocated its staff into the AICPA's New York office. This relocation will allow for greater synergies and efficiencies between the AICPA and CPA2Biz while also reducing occupancy costs on a combined basis.

Management's Discussion and Analysis

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. Below are highlights from our combined financial statements as of and for the year ended July 31, 2010:

- *Total assets* on a combined basis were $225.7 million in Fiscal 2010 compared to $232.1 million in Fiscal 2009. The decrease is primarily due to lower Exam deferred costs and lower collection of dues in advance of Fiscal 2011, which was attributable to mailing the dues bills one month later than the prior year. The dues bill mailing correlates to Council's Spring meeting to approve the dues rates, which occurred in May 2010 as compared to April 2009. These decreases are partially offset by higher investment values due to economic recovery in the market and higher Exam-related accounts receivable resulting from an increase in candidate volume and revenue.

- *Total liabilities* on a combined basis were $177.3 million in Fiscal 2010 compared to $201.9 million in Fiscal 2009. The decrease is largely attributable to the decrease in advance dues mentioned above and lower long-term debt associated with the principal payments made in Fiscal 2010. This decrease is offset by higher net pension and postretirement expenses and an accrual for the AICPA's 401(k) match, which became discretionary effective August 1, 2009 and was based on achieving certain financial performance indicators, as monitored by the Finance Committee.

- *Operating revenue* on a combined basis was $214.8 million in Fiscal 2010 compared to $216.0 million in Fiscal 2009. The revenue decrease is primarily attributable to lower contribution revenue related to the AICPA Foundation's Accounting Doctoral Scholarship program, as over sixty signed commitments (ranging from five to seven years) were received in 2009 during the initial launch of the program versus six signed commitments of a similar duration in 2010, lower advertising revenue and lower print publication revenue due to a decline in print publication orders from large firms. The decrease was offset primarily by higher AICPA membership dues revenue associated with achieving a record number of members and higher Exams revenue as noted earlier.

- *Operating expenses* on a combined basis were $198.1 million in Fiscal 2010 compared to $191.6 million in Fiscal 2009. The increase is primarily due to higher professional examinations expenses due to higher Exam volume and higher technology expenses as a result of the launch of the new AICPA.org, 360 Degrees of Financial Literacy and "Start Here, Go Places." sites in Fiscal 2010 and development of the new website This Way to CPA, which launched in early Fiscal 2011. The increase was offset by lower expenses related to professional development activities, primarily as a result of the decrease in related revenue.

- *Cash provided by operating activities* was $9.5 million in Fiscal 2010 compared to $38.1 million in Fiscal 2009. This change is primarily the result of the lower advance dues in Fiscal 2010. Cash used in investing activities was $9.4 million in Fiscal 2010 compared to $10.9 million in Fiscal 2009. This change is primarily due to lower purchases of amortizable assets in Fiscal 2010. Cash used in financing activities was $6.7 million in Fiscal 2010 compared to $8.4 million in Fiscal 2009. The net cash outflow in Fiscal 2010 was solely attributable to the repayment of long-term debt.

CONCLUSION

The AICPA will continue to serve as an advocate for our members and the profession, and we will continue to strive to provide you with the right resources, information and leadership at the right time to enable you to serve your clients, employers, and the public. We successfully navigated a challenging year during this time of economic recovery, and we are proud of our many key accomplishments outlined above and throughout this Annual Report. We are also pleased that we generated a modest operating profit in Fiscal 2010, especially given market volatility. We will continue to invest in programs that maintain the CPA's place as trusted advisors.

Management believes that the AICPA has sufficient liquidity and working capital to meet its needs in the upcoming fiscal year, and it continues to monitor current economic conditions and their impact to the Fiscal 2011 operating results.

Management's Responsibilities for Financial Statements and Internal Control

Financial Statements

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

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

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

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

The report of the independent public accountants follows this statement.

Internal Control

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

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

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

The Institute has assessed its internal control over financial reporting in relation to criteria described in *Internal Control – Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Institute believes that, as of July 31, 2010, its internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition met those criteria.

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

The report of the independent public accountants follows this statement.

Barry C. Melancon, CPA
President and CEO

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

Reports of Independent Public Accountants

To the Members of the
American Institute of Certified Public Accountants

We have examined management's assertion, included in the accompanying statement of management's responsibilities for financial statements and internal control, that the American Institute of Certified Public Accountants and Related Organizations maintained effective internal control over financial reporting and over safeguarding of assets against unauthorized acquisition, use or disposition as of July 31, 2010, 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, 2010, is fairly stated, in all material respects, based on criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

J.H. Cohn LLP

J.H. Cohn LLP
Roseland, New Jersey
September 24, 2010

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, 2010 and 2009, 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, 2010 and 2009, 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

J.H. Cohn LLP
Roseland, New Jersey
September 24, 2010

Financial Statements
July 31, 2010 and 2009

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND RELATED ORGANIZATIONS

COMBINED STATEMENTS OF FINANCIAL POSITION
JULY 31,

	2010	2009
	($000)	
ASSETS:		
Cash and cash equivalents	**$ 35,548**	$ 42,106
Certificates of deposit	**1,689**	501
Investments	**102,025**	89,868
Accounts and notes receivable, net of allowance for doubtful accounts	**14,672**	14,400
Contributions receivable, net of discount and provision for doubtful accounts	**7,208**	6,365
Deferred costs and prepaid expenses	**34,544**	48,048
Goodwill and other intangible assets	**12,553**	12,553
Furniture, technology and leasehold improvements, net	**17,424**	18,209
Totals	**$ 225,663**	$ 232,050
LIABILITIES:		
Accounts payable and other liabilities	**$ 28,504**	$ 23,327
Accrued relocation expenses	**5,257**	7,562
Advance dues	**39,844**	65,324
Unearned revenue	**9,737**	10,276
Long-term debt	**38,179**	44,857
Deferred rent	**14,340**	13,643
Deferred employee benefits	**41,451**	36,933
Total liabilities	**177,312**	201,922
PREFERRED STOCK AND NET ASSETS:		
Preferred stock of C2B	**48,201**	58,657
Net assets:		
Unrestricted:		
AICPA and related organizations	**31,024**	15,050
C2B	**(41,264)**	(52,737)
Total unrestricted	**(10,240)**	(37,687)
Temporarily restricted	**9,742**	8,510
Permanently restricted	**648**	648
Total net assets	**150**	(28,529)
Total preferred stock and net assets	**48,351**	30,128
Totals	**$ 225,663**	$ 232,050

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

	2010	2009
	($000)	
CHANGES IN NET ASSETS:		
Operating revenue:		
Dues	**$ 107,821**	$ 103,879
Publications	**24,003**	26,376
Professional development and member service conferences	**39,570**	39,951
Professional examinations	**24,544**	21,618
Investment and sundry income	**15,440**	15,631
Contributions	**3,452**	8,530
Total operating revenue	**214,830**	215,985
Operating expenses:		
Program services:		
Publications	**24,357**	24,167
Professional development and member service conferences	**31,972**	33,960
Member services:		
Regulation and legislation	**22,492**	23,138
Technical	**15,407**	14,873
Publications	**482**	611
Other	**9,721**	10,508
Professional examinations	**25,843**	22,277
Communications and public relations	**8,410**	9,117
Support and scholarships	**5,727**	4,710
Assistance programs	**565**	529
Supporting activities:		
General management	**21,033**	15,811
Organization and membership development	**11,014**	11,590
Technology	**19,879**	18,742
Relocation	**1,148**	1,535
Total operating expenses	**198,050**	191,568
Excess of operating revenue over expenses before other charges	**16,780**	24,417
Other charges:		
Pension and postretirement charges in excess of net periodic cost	**(7,378)**	(27,730)
Interest expense incurred on derivative financial instruments	**(546)**	(805)
Totals	**(7,924)**	(28,535)
Excess (deficiency) of operating revenue over expenses	**8,856**	(4,118)
Gains (losses) on investments:		
Realized	**(385)**	(2,898)
Unrealized	**9,975**	(9,923)
Totals	**9,590**	(12,821)
Change in net assets before minority interest	**18,446**	(16,939)
Minority interest	**223**	–
Change in net assets	**18,223**	(16,939)
Net assets, beginning of year	**(28,529)**	(36,590)
Conversion of preferred stock into common stock	**10,456**	25,000
Net assets, end of year	**$ 150**	$ (28,529)

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

($000)

	AICPA and Related Organizations	C2B	TOTAL
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**
2009:			
Preferred stock		$ 58,657	$ 58,657
Net assets:			
Unrestricted	$ 15,050	(52,737)	(37,687)
Temporarily restricted	8,510		8,510
Permanently restricted	648		648
Total net assets	24,208	(52,737)	(28,529)
Totals	$ 24,208	$ 5,920	$ 30,128

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

COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31,

	2010	2009
	($000)	
Increase (decrease) in cash:		
Operating activities:		
Cash received from members and customers	**$ 185,281**	$ 221,962
Interest and dividends received	**2,415**	2,617
Cash paid to suppliers, employees and others	**(174,235)**	(182,562)
Interest paid	**(2,367)**	(2,677)
Income taxes paid	**(1,593)**	(1,280)
Net cash provided by operating activities	**9,501**	38,060
Investing activities:		
Payments for purchase of amortizable assets	**(2,028)**	(4,701)
Payments for purchase of furniture and technology	**(3,598)**	(2,689)
Payments for purchase of certificates of deposit	**(3,804)**	(1,251)
Payments for purchase of investments	**(15,493)**	(18,576)
Proceeds from sale of certificates of deposit	**2,616**	750
Proceeds from sale of investments	**12,926**	15,588
Net cash used in investing activities	**(9,381)**	(10,879)
Financing activities – repayment of long-term debt	**(6,678)**	(8,357)
Net increase (decrease) in cash and cash equivalents	**(6,558)**	18,824
Cash and cash equivalents, beginning of year	**42,106**	23,282
Cash and cash equivalents, end of year	**$ 35,548**	$ 42,106

	2010	2009
	($000)	
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	**$ 18,223**	$ (16,939)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization:		
Furniture, technology and leasehold improvements	**4,004**	4,167
Internal software	**3,214**	1,930
Loss on disposal of furniture, technology, leasehold improvements and software	**379**	3
Loss on sale of investments	**385**	2,898
Amortization of unearned revenue	**(461)**	(517)
Unrealized (gain) loss on investments	**(9,975)**	9,923
Minority interest	**223**	
Provision for:		
Losses on accounts and notes receivable	**(656)**	(131)
Losses on contributions receivable	**50**	
Discount on contributions receivable	**(86)**	493
Accrued relocation expenses	**1,148**	1,535
Deferred rent	**697**	(243)
Deferred employee benefits	**9,913**	28,843
Changes in operating assets and liabilities:		
Accounts and notes receivable	**(1,572)**	(1,293)
Contributions receivable	**(807)**	(6,393)
Deferred costs and prepaid expenses	**13,535**	7,397
Accounts payable and other liabilities	**3,737**	(4,188)
Accrued relocation expenses	**(3,453)**	(3,171)
Advance dues	**(23,524)**	17,954
Unearned revenue	**(78)**	(966)
Deferred employee benefits	**(5,395)**	(3,242)
Total adjustments	**(8,722)**	54,999
Net cash provided by operating activities	**$ 9,501**	$ 38,060
Supplemental disclosures of noncash operating and investing activities:		
Furniture, technology, leasehold improvements and internal software	**$ 1,217**	$ 1,271

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 Scholarship 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, 2010. 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.

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 2009 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, 2010 and 2009, 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 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, 2010 and 2009, the Institute's cash balance exceeded the current insured amount under FDIC by approximately $5,450,000 and $5,111,000. The Institute places its cash equivalents in Sweep Investment

Accounts (Sweep Accounts) collateralized by U.S. Treasury obligations and are not insured nor guaranteed by the FDIC. As of July 31, 2010 and 2009, the balance in the Sweep Accounts were $25,859,000 and $0. 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, 2010 and 2009, cash and cash equivalents temporarily restricted as to use for the ADS program (see Note 11) was $1,064,000 and $1,123,000. As of July 31, 2010 and 2009, certificates of deposit temporarily restricted as to use for the ADS program were $1,002,000 and $0.

Restricted cash is limited in use for legislative consulting services. At July 31, 2010, restricted cash, which is included in cash and cash equivalents on the statement of financial position, totaled $219,051.

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, 2010 and 2009, the allowance for doubtful accounts was $1,762,000 and $2,418,000.

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, 2010, 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 (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 $6,096,000 and $6,678,000 for the years ended July 31, 2010 and 2009.

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

External and internal costs, excluding general and administrative costs and overhead costs, incurred during the application development stage of internal use 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 adopted the new accounting for uncertainty in income taxes guidance on August 1, 2009. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and the Institute has no unrecognized tax benefits at July 31, 2010. The Institute's U.S. Federal income tax returns prior to fiscal year 2007 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, 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, 2010 and 2009, 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.

In December 2008, authoritative guidance was issued that requires employers to provide additional disclosures about plan assets of a defined benefit pension or other post-retirement plan. The objective of this guidance was to provide users of financial statements with an understanding of how investment allocation decisions are made, the major categories of plan assets held by the plans, the inputs and valuation techniques used to measure the fair value of plan assets, significant concentration of risk within the Institute's plan assets, and fair value measurements determined using significant unobservable inputs of a reconciliation of changes between the beginning and ending balances. The Institute adopted the new disclosure requirements for the year ended July 31, 2009.

Codification:

In June 2009, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding accounting standards codification and the hierarchy of U.S. generally accepted accounting principles (U.S. GAAP). This guidance has become the source of the authoritative U.S. GAAP recognized by the FASB and applied by nongovernmental entities. This guidance was effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Institute adopted the provisions of this guidance for the fiscal year ended July 31, 2010 and the adoption of this guidance did not have a material impact on the Institute's financial statements.

Subsequent events:

The Institute has evaluated events and transactions for potential recognition or disclosure through September 24, 2010, which is the date the financial statements were available to be issued.

NOTE 3. INVESTMENTS:

Investments consist of:

	2010	2009
	($000)	
Equity securities	**$ 64,267**	$ 55,486
Fixed income securities	**30,457**	27,569
Limited partnership	**7,301**	6,813
Total fair value	**102,025**	89,868
Unrealized losses	**(5,434)**	(15,409)
Total cost	**$ 107,459**	$ 105,277

Investment income (loss) consists of:

	2010	2009
	($000)	
Dividends and interest	**$ 2,405**	$ 2,557
Realized losses	**(385)**	(2,898)
Unrealized gains (losses)	**9,975**	(9,923)
	$ 11,995	$ (10,264)

NOTE 4. FAIR VALUE MEASUREMENTS:

The Institute values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value at July 31, 2010 and 2009 are classified in the tables below in one of the three categories described above:

	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 – long-term	29,936		29,936
U.S. Government, corporate bonds and other fixed income	521		521
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

	2009		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 8,622		$ 8,622
U.S. Large-Cap value	12,293		12,293
U.S. Mid-Cap growth	5,178		5,178
U.S. Mid-Cap value	4,433		4,433
U.S. Small-Cap core	8,795		8,795
International value	12,085		12,085
Real estate	4,080		4,080
Fixed income securities:			
U.S. Government, corporate bonds – long-term	26,513		26,513
U.S. Government, corporate bonds and other fixed income	1,056		1,056
Limited partnership:			
International core		$ 6,813	6,813
Total assets measured at fair value	$ 83,055	$ 6,813	$ 89,868
Financial derivative instruments:			
Interest rate swap	$ –	$ 2,206	$ 2,206
Total liabilities measured at fair value	$ –	$ 2,206	$ 2,206

Investments in equity securities and fixed income securities are valued using market prices on active markets (Level 1). 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, 2010 and 2009.

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, 2010 and 2009 as follows:

	2010			2009		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
		($000)			($000)	
Investments	**$ 94,724**	**$ 7,301**	**$102,025**	$ 83,055	$ 6,813	$ 89,868
Accounts payable and other liabilities	**$ –**	**$ 2,752**	**$ 2,752**	$ –	$ 2,206	$ 2,206

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, 2010:

Investment Name	**Fair Value**	**Redemption Frequency**	**Redemption Period**
Allianz CCM Capital Appreciation Fund	$ 9,370	Daily	NA
Managers AMG Essex Large Cap Growth Fund	171	Daily	NA
T. Rowe Price Science & Technology Fund	68	Daily	NA
Artisan Mid Cap Fund	6,284	Daily	NA
Frontegra IronBridge Small Cap Fund	10,135	Daily	NA
Dodge & Cox Income Fund	29,936	Daily	NA
Dreyfus Global Real Estate Securities Fund	5,639	Daily	NA
Thornburg International Value Fund	13,196	Daily	NA
Mondrian All Countries World Ex-US Equity Fund, LP	7,301	Monthly	15 days
Wells Fargo Money Market Fund	521	Daily	NA
Total	$ 82,621		

There are no unfunded commitments in these investments.

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).

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, advancement, and use of science and/or technology. While most assets will be invested in U.S. common stocks, the Fund may invest in other securities, including foreign stocks, and use futures and options 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.

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 S&P, Moody's or Fitch.

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.

Mondrian All Countries World Ex-US Equity Fund, LP: 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 nontraditional equity securities and warrants.

Wells Fargo Government Money Market Fund: 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:

	2010		2009
		($000)	
Furniture	**$ 4,634**		$ 4,650
Technology	**21,549**		19,131
Leasehold improvements	**13,139**		13,190
	39,322		36,971
Less accumulated depreciation and amortization	**21,898**		18,762
	$ 17,424		$ 18,209

NOTE 6. GOODWILL AND OTHER INTANGIBLE ASSETS:

Goodwill and other intangible assets are as follows:

	2010		2009
		($000)	
Goodwill	**$ 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, 2010 and 2009.

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, 2010 and 2009.

NOTE 7. LONG-TERM DEBT:

Long-term debt consists of the following:

	2010		2009
		($000)	
AICPA (A)	**$ 1,429**		$ 2,857
AICPA (B)	**36,750**		42,000
	$ 38,179		$ 44,857

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

(B) Term note payable in 27 consecutive quarterly installments commencing October 30, 2009 payable 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 $36,750,000 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, 2010, the collateral had a market value of $85,688,000. The guarantor of the term note is NorthStar.

Interest expense for the years ended July 31, 2010 and 2009 was $2,908,000 and $3,354,000.

Based on borrowing rates currently available, the fair value of long-term debt at July 31, 2010 and 2009 approximates $38,140,000 and $44,763,000.

Principal amounts due under the above obligations in each of the five years subsequent to July 31, 2010 and thereafter are as follows:

Year Ending July 31,	Amount
	($000)
2011	$ 9,250
2012	10,179
2013	5,000
2014	5,000
2015	5,000
Years subsequent to 2015	3,750
	$ 38,179

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 $36,750,000 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, 2010 and 2009, the fair value of the interest rate swap was a liability of approximately $2,752,000 and $2,206,000 and have 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 Examination, the AICPA is party to an agreement with the National Association of State Boards of Accountancy (NASBA) and Prometric. Pursuant to the agreement, the AICPA delivered the Examination in a computer-based format in April 2004. NASBA developed and maintains the National Candidate Database, which serves as the gateway for candidates applying to take the Examination. Prometric is responsible for providing scheduling, test preparation, test delivery and results processing of the Examination in a computer-based testing environment consistent with AICPA and NASBA requirements.

The AICPA receives fees through NASBA based upon the number of examinations taken. The agreement provides for the AICPA to "break even" with regard to costs incurred in developing and maintaining the Examination. Through July 31, 2010, approximately $91,175,000 of revenue and $109,517,000 of costs have been incurred. During the years ended July 31, 2010 and 2009, the AICPA recognized revenue of approximately $24,478,000 and $21,562,000. Accordingly, costs equal to the revenue recognized have been expensed. At July 31, 2010 and 2009, the balances of $18,342,000 and $33,290,000 are included in deferred costs and prepaid expenses in the accompanying statements of financial position.

Prometric has provided the AICPA with a $10,000,000 interest-free line of credit to facilitate the conversion of the Examination from a paper-based to a computer-based format. Beginning with the commencement of the computerized Examination, the AICPA is required to repay the borrowings in annual principal payments equal to $4.00 per test section administered by Prometric but not less than one-seventh of the amount borrowed as of the date of the commencement of the computerized Examination. The initial term of the agreement is seven years from the date of commencement. However, during the year ended July 31, 2010, the AICPA, NASBA and Prometric extended the terms of the contract to 2024.

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, 2010 and 2009, the AICPA received $5,415,000 and $2,274,000 from Prometric, which is included as a reduction in deferred costs and prepaid expenses in the accompanying statements of financial position.

Lease commitments:

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

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

Minimum rental commitments on noncancelable real estate and equipment leases in effect as of July 31, 2010, exclusive of future escalations for real estate taxes and building operating expenses, less future minimum sublease rentals, are:

Year Ending July 31,	Amount
	($000)
2011	$ 10,473
2012	9,506
2013	6,408
2014	6,334
2015	6,584
Years subsequent to 2015	37,885
	77,190
Less future minimum sublease rentals (A)	2,963
Net future minimum rental commitments	$ 74,227

(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 $2,963,000 as of July 31, 2010. 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, 2010 and 2009 was $7,099,000 and $7,176,000. 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, 2010 are:

Year Ending July 31,	Amount
	($000)
2011	$ 1,814
2012	252
2013	232

Letters of credit:

As of July 31, 2010, 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, 2011 and January 20, 2011.

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, 2010 beyond the letters of credit. The line of credit expires on April 30, 2012.

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, 2010	July 31, 2009
Discount rate	**5.45%**	6.25%
Rate of compensation increase	**4.00%**	4.00%

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

	July 31, 2010	July 31, 2009
Discount rate	**6.25%**	7.38%
Expected return on plan assets	**8.25%**	8.25%
Rate of compensation increase	**4.00%**	4.00%

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

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, 2011, the Institute expects to contribute $5,800,000 to the defined benefit pension plan.

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

July 31, 2010:	**Amount**
	($000)
Benefit obligation	**$ 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**

July 31, 2009:	
Benefit obligation	$ 87,948
Fair value of plan assets, net of plan liabilities of $138	58,830
Net unfunded status of the plan recognized as a liability in the statement of financial position	$ 29,118
Employer contributions	$ 2,650
Benefit payments	$ (3,869)
Accumulated benefit obligation	$ 82,235
Periodic benefit cost for the year ended	$ 903

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
	($000)	
Balance, July 31, 2008	**$ 219**	$ 1,211
Increase during 2009	**141**	26,685
Amortization during 2009	**(29)**	–
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

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, 2011 are $159,000 and $1,320,000, 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, 2010 and in the aggregate for the five years thereafter are as follows:

Year Ending July 31,	**Amount**
	($000)
2011	$ 4,260
2012	4,440
2013	4,580
2014	4,760
2015	5,080
2016 – 2020	29,820

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 investment 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 investments. This strategy was adopted by the Board of Directors in August 2010.

The fair values of the Institute's pension plan assets at July 31, 2010 and 2009 and by asset category are as follows:

	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

	2009		
	Fair Value Measurements Using		
	Level 1	Level 2	Total
		($000)	
Equity securities:			
U.S. Large-Cap growth	$ 5,638		$ 5,638
U.S. Large-Cap value	8,059		8,059
U.S. Mid-Cap growth	3,335		3,335
U.S. Mid-Cap value	2,936		2,936
U.S. Small-Cap core	5,815		5,815
International value	7,989		7,989
Real estate	2,666		2,666
Fixed income securities:			
U.S. Government, corporate bonds and other fixed income funds	18,030		18,030
Other – International core		$ 4,500	4,500
	$ 54,468	$ 4,500	$ 58,968

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, 2010:

Investment Name	Fair Value	Redemption Frequency	Redemption Period
Allianz CCM Capital Appreciation Fund	$ 4,404	Daily	NA
Artisan Mid Cap Fund	2,556	Daily	NA
Frontegra IronBridge Small Cap Fund	4,348	Daily	NA
Dodge & Cox Income Fund	6,979	Daily	NA
PIMCO Long-Term U.S. Government Fund	7,404	Daily	NA
PIMCO Long Duration Total Return Fund	21,742	Daily	NA
Dreyfus Global Real Estate Securities Fund	2,682	Daily	NA
Thornburg International Value Fund	5,966	Daily	NA
Mondrian All Countries World Ex-US Equity Fund, LP	3,082	Monthly	15 days
First American Government Obligations Fund	762	Daily	NA
Total	$ 59,925		

There are no unfunded commitments in these investments.

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).

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.

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 S&P, Moody's or Fitch.

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.

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.

Mondrian All Countries World Ex-US Equity Fund, LP: 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.

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, 2010	July 31, 2009
Discount rate	**5.12%**	6.10%

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

	July 31, 2010	July 31, 2009
Discount rate	**5.12%**	6.10%

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, 2011, the Institute expects to contribute $645,000 to the postretirement plan.

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

	July 31, 2010	July 31, 2009
	($000)	
Benefit obligation	**$ 8,208**	$ 7,815
Net unfunded status of the plan recognized as a liability in the statement of financial position	**$ 8,208**	$ 7,815
Employer contributions	**$ 595**	$ 592
Benefit payments	**$ (878)**	$ (815)
Projected benefit obligation	**$ 8,208**	$ 7,815
Periodic benefit cost for the year ended	**$ 190**	$ 210

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
	($000)	
Balance, July 31, 2008	**$ (3,507)**	$ 589
Increase during 2009	**–**	516
Amortization during 2009	**358**	–
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

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, 2011 are ($358,000) and $62,000, representing amortization of net prior service credit and amortization of actuarial loss.

The weighted average health care cost 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, 2010.

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 $2,260,000 and $2,137,000 for the years ended July 31, 2010 and 2009.

Deferred compensation:

The AICPA has a nonqualified deferred compensation plan for certain key employees. Amounts accrued under this plan are $1,707,000 and $1,056,000 as of July 31, 2010 and 2009 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, 2010 and 2009 is as follows:

	2010	2009
	($000)	
Total assets	**$ 20,609**	$ 21,345
Total liabilities	**$ 8,020**	$ 9,288
Preferred stock	**48,201**	58,657
Common stockholders' deficiency	**(35,612)**	(46,600)
Total liabilities and equity	**$ 20,609**	$ 21,345
Total revenue (A)	**$ 19,434**	$ 17,792
Net income	**$ 755**	$ 351

(A) Includes approximately $11,154,000 and $9,286,000 in commissions for services rendered for marketing and promotion of certain AICPA product lines and approximately $8,280,000 and $8,506,000 for Business Solutions, affinity, technology services and other business lines for the years ended July 31, 2010 and 2009.

As of July 31, 2010 and 2009, the aggregate number of shares of all classes of stock which 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, 2010 and 2009, 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, 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. During the year ended July 31, 2009, a Series A stockholder elected to convert its 5,867,600 shares into an equal number of shares of Common Stock, thereby reducing the preferred stock of C2B by $25,000,000. The Common Stock resulting from the Series A conversion was donated to the Foundation and recorded at fair market value and has been eliminated in consolidation.

As of July 31, 2010, the AICPA and the Foundation control approximately 72% of C2B's voting rights. In accordance with C2B's amended shareholder agreement, the AICPA's voting percentage will exceed 50% in perpetuity, subject to the AICPA's approval to a transaction in which additional shares are issued to an investor. Notwithstanding the AICPA's controlling interest in C2B, the AICPA does not guarantee any of the obligations nor is it responsible for any of C2B's liabilities. As of July 31, 2010, the primary source of funding for C2B has been the preferred stockholders and its own net income; 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, 2014. 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, 2010, C2B has deferred tax assets of approximately $39,322,000 which arise primarily from net operating loss carryforwards for Federal income tax purposes of approximately $89,982,000 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, 2010 and 2009 was $1,793,000 and $1,480,000. 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 2010 or 2009, there was no compensation cost recognized in the financial statements for the years ended July 31, 2010 or 2009. 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 minority interest in the accompanying financial statements.

As of July 31, 2010 and 2009, there were 1,485,555 and 1,494,204 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, 2010 and 2009 follow:

	Balance, August 1, 2008	Increase (Decrease)	Balance, July 31, 2009	**Increase (Decrease)**	**Balance, July 31, 2010**
			($000)		
Preferred stock of C2B	$ 83,657	$ (25,000)	$ 58,657	**$ (10,456)**	**$ 48,201**
Net assets:					
Unrestricted:					
AICPA	28,360	(22,675)	5,685	**15,188**	**20,873**
C2B	(77,131)	24,394	(52,737)	**11,473**	**(41,264)**
ARA	439	–	439	**2**	**441**
Benevolent Fund	6,169	(472)	5,697	**518**	**6,215**
Foundation	3,204	25	3,229	**266**	**3,495**
	(38,959)	1,272	(37,687)	**27,447**	**(10,240)**
Temporarily restricted:					
Foundation	1,721	6,789	8,510	**1,232**	**9,742**
Permanently restricted:					
Foundation	648	–	648	**–**	**648**
Total net assets	(36,590)	8,061	(28,529)	**28,679**	**150**
Total preferred stock and net assets	$ 47,067	$ (16,939)	$ 30,128	**$ 18,223**	**$ 48,351**

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:

	2010	2009
	($000)	
John L. Carey scholarships	**$ 437**	$ 484
Accounting Doctoral Scholars (ADS)	**9,293**	8,025
Library support	**12**	1
	$ 9,742	$ 8,510

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:

	2010
	($000)
Less than one year	$ 2,017
One to five years	5,710
	7,727
Discount	(469)
	7,258
Provision for doubtful accounts	(50)
	$ 7,208

For the years ended July 31, 2010 and 2009, contributions receivable are recorded at the full amount and discounted using discount rates of 1.43% and 1.40%.

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, 2009, the Foundation did not believe that significant credit risk existed and no provision for doubtful accounts was recorded.

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, 2010 and 2009, the Foundation had permanently restricted net assets of $648,384. For the year ended July 31, 2010, the permanently restricted library fund generated a net investment gain of $28,087 and for the year ended July 31, 2009, the permanently restricted library fund generated a net investment loss of $1,351 and included such in temporarily restricted net assets.

The temporarily restricted library support fund had net assets of $1,077 at July 31, 2009. For the year ended July 31, 2010, the library support fund generated combined contribution revenue and investment gain of $31,081, and had a use of funds of $20,000. At July 31, 2010, this temporarily restricted fund had a balance of $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. Through 2002, the ARA made annual best efforts commitments to raise funds for the Financial Accounting Foundation (FAF) to support the work of the Financial and Governmental Accounting Standards Boards from sources within the accounting profession. Effective with the passage of the Sarbanes-Oxley Act on July 30, 2002, the funding of the FASB is provided through payments by Securities and Exchange Commission (SEC) registrants. The ARA did not fund any research during the years ended July 31, 2010 and 2009.

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 $3,727,000 and $3,624,000 from the Trust for the years ended July 31, 2010 and 2009.

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.

The following table describes the changes to the accrued relocation expenses in the statement of financial position for the years ended July 31, 2010 and 2009:

	Accrued Relocation Expenses July 31, 2008	Adjustments to Accrued Relocation Expenses	Cash Payments	Accrued Relocation Expenses July 31, 2009
		($000)		
Present value of remaining lease payments, net	$9,198	$1,535	$(3,171)	$7,562

	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

Due to current market conditions, management was unable to secure a subtenant for the remaining space during 2010. After considering information provided by the AICPA's real estate consultants, management reassessed its estimate of probable costs and the sublease timeline associated with the remaining space, which continues to be actively marketed.

Faces of the AICPA on the cover

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Partner — Anchin, Block & Anchin, LLP

Mary Bernard
Member since April 1987
Director of State and Local Taxes — Kahn, Litwin, Renza, & Co., Ltd.

Byron Patrick
Member since February 2003
CEO — Simplified Innovations, Inc.

Donny Shimamoto
Member since June 2005
Managing Director — IntrapriseTechKnowlogies LLC

Annette Stalker
Member since October 2007
Director — Ueltzen & Company, LLP

Ronald Thompkins
Member since May 1975
Partner — Watson Rice LLP

Kemberley Washington
2010 Leadership Academy participant
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