

NCACPA Board of Directors Meeting Minutes

January 17-18, 2018

The Lodge at Ballantyne, Charlotte

Rollin Groseclose, CPA, Chair, presiding

Members Participating

Rollin Groseclose
Zach Donahue
Whitney Gann
Nicole Benford
Mike Gillis
Sarah Bruce

Bill Ezzell
Eddie Sams
Jonathan Kraftchick
Malcomb Coley
Kristen Hoyle
Kelli Knoble

Dianne Uzzell
George Beckwith
Scott Showalter
Shawana Karkouki
Ronnie Eubanks
Donna Taylor

Due to inclement weather, the following Board members were present at the Charlotte meeting - Bill Ezzell, Kelli Knoble, Dianne Uzzell, and Shawana Karkouki - with all others noted above participating via conference call.

Staff Participating

Sharon Bryson was onsite, with all others participating via conference call - Mark Sotichack, Nikki Vann, Amelia Hodges, Lorrie Leonhardt, Jackie Asekhauno, Moira Gill, and Alexis Verbic.

Guests

NC State Board of CPA Examiners (NCSBE) Executive Director, Bob Brooks; and Deputy Director, David Nance, CPA; NCSBE President, Hunter Cook, CPA; all via conference call. Each of the following guests were present onsite: Dave Horne, Esq., Smith Anderson, NCACPA Legislative Counsel/Lobbyist; Jack Cathey, PhD, CPA, UNC Charlotte – The Belk College of Business; Michael A. McNamara, CPA, Greer & Walker LLP; and Jack Schmoll, CPA, Schmoll CPA PLLC.

Administrative Matters

Call to Order

Rollin Groseclose called the meeting to order and welcomed members of the NCACPA Board, reps from the NC State Board of CPA Examiners, NCACPA staff, and other invited guests. The CPAs participating recited the "Oath of a NC CPA."

Consent Agenda

The minutes of the October 5-6, 2017 Board of Directors meeting were presented, a motion was made and seconded, and the minutes were unanimously approved.

Strategic Discussions

Enhanced Membership Engagement

Sharon Bryson introduced each of the member guests from the Charlotte area and asked them to discuss their current and/or future professional challenges/opportunities, and how NCACPA might assist. Here is a summary from their conversations:

Jack Schmoll noted how extremely beneficial his professional participation in NCACPA has been, specifically citing the value of NCACPA to a sole practitioner, which he is. He highlighted the importance of succession planning, and how NCACPA can and should assist members in this area given the demographic realities ahead for the entire profession. Jack also referenced that in his role as Chair of the NCACPA Taxation Committee over the past three years, he has clearly seen the crucial role the Association must continue to play in the advocacy area, and the overall significance of this strategic initiative for our entire membership. Lastly, Jack commented on his participation as a professional development presenter in another state CPA society, and sincerely complimented NCACPA's professionalism in this area from a comparative standpoint.

Dr. Jack Cathey commented on the noteworthy growth of UNC-Charlotte's Accounting program, with a major aspect of the UNC system's overall growth stemming from UNC-Charlotte. He noted the emphasis today's accounting student places on finding a "professional home" that includes the opportunity for a balanced life. Jack went on to say many of their students are paying a significant portion of their higher education costs, with only a portion of their financial support coming from their respective families. He said that today's students going into public accounting want and expect firm support, with that support including a firm culture of diversity and inclusion, along with flexibility.

Jack noted that regarding their accounting curriculum, UNC-C needs additional help from NC CPAs with both tools and training. He added some of this help certainly comes from the larger firms, but that more is needed, particularly regarding overall clarity in the area of data analytics. Board member Kristen Hoyle suggested the possibility of getting CPAs together from firms of various sizes in order to provide accounting educators with more specific information as to what firms need from tomorrow's CPA. Board member Malcomb Coley agreed, and commented there's no question their firm needs new hires to have increased analytical skills.

Lastly, Jack acknowledged the fine work our Board has done regarding our prior survey of the NC MAC programs. He added that, thus far, UNC-Charlotte has been able to effectively retain their Accounting Department's talent pool, but that salary inversion is indeed present...and that future retention of their accounting professors is definitely a concern.

Mike McNamara stated he continues to see overall growth continuing in their firm, and as the largest independent firm in our state, he referenced how meaningful NCACPA support has been...and added his viewpoint that there is indeed room for a firm such as Greer & Walker in today's marketplace. He commented on the ongoing war for talent, and that 20 years ago, their firm portfolio was 60% in Tax Services, with 40% in Assurance work...and he noted that breakdown is still representative of their firm today.

Mike added he is not at all concerned about the upcoming changes in peer review and added his feeling he believes peer review requirements actually aren't stringent enough...and that he hopes future requirements will help eliminate those who shouldn't be practicing in the A&A arena.

Lastly, Mike noted he feels the rising cost of taking the CPA Exam is unfair to students and discourages many of them from pursuing the accounting profession.

Chair Groseclose thanked each of our guests for "braving the elements" and joining our Board meeting, and expressed sincere appreciation for the feedback and insight they each shared.

Governance & Operational Effectiveness

Peer Review Administration – NCACPA's Role Going Forward

Chair Groseclose acknowledged the recommendation from NCACPA management/staff to the Executive Committee (in December) that NCACPA continue as an Administering Entity (AE) and apply for a waiver from hiring a dedicated CPA for the next two years. Rollin provided an overview of the process undertaken. It was confirmed this process will involve NCACPA informing the AICPA we will not be participating in the "CPA requirement" during 2018, and in November of 2018, we have the opportunity to confirm we will operate under that same protocol during 2019, with the option available to modify our response at that time as well. Rollin added the Executive Committee had unanimously agreed to endorse management's recommendations on how to proceed with peer review administration and asked the Board for a decision to support this Executive Committee recommendation. The decision was moved to a vote, with Board approval confirmed. Bill Ezzell abstained from the vote.

2018 Nominating Committee

Sharon Bryson stated the 2018 NCACPA Nominating Committee would be meeting on January 29th, noting that previously approved recommendations of the Board Governance & Effectiveness Task Force were in full swing with respect to this process. She expressed appreciation for the Board-identified skills/expertise in terms of future needs on our Board of Directors. On that point, it was suggested "Academia & Learning" be added to the current listing of skills/expertise. Sharon closed her comments by referencing the prior bylaw change that will allow this year's Nominating Committee further flexibility in filling Board seats, with the intent of heightened focused on necessary skills, as opposed to the quantity of individuals nominated to those seats.

NCACPA Membership Trends & Plans/Proposed NCACPA Bylaw Changes

Mark Sotichack provided an overview of NCACPA's current membership trends, along with a pricing project update related to those same trends. He shared an update on the Membership Categories and Dues Pricing for FY2019 (to be reflected in the FY2019 Budget...reviewed during the 2/28/18 Executive Committee Meeting, and at the March 2018 Board meeting). Mark also presented revisions to the NCACPA Bylaws as necessitated by the Membership Project, along with corresponding suggestions made by the Executive Committee. It was noted the need to discuss this area of the FY2019 Budget at this point is due to: necessary system implementation; website design updates; and timing of communication to members (that we propose to conduct in early March.) Mark pointed out we are down 941 members this year (as compared to last year), that 541 of those were in the CPA category, and over half of these members were 50+ years old, and in industry. A positive point made was the vast majority of other state CPA societies saw this drop in membership much earlier than we did, and our proactive work with McKinley Advisors will definitely help us be proactive with related next steps.

The Board expressed appreciation for this information and recommended this same data be shared with MET (our Member Engagement Team). Scott Showalter put forth a motion to approve the proposed

pricing plans and necessary bylaw changes, was seconded by Shawana Karkouki, with unanimous approval.

Budget Prep Discussion

Treasurer Dianne Uzzell provided an update on the December 2017 financial statements, along with an overall financial "State of the Association," which included favorable year-end projections. She added the next Executive Committee meeting will be held on February 28, 2018 at the NCACPA office in Morrisville, at which time a presentation and full discussion of the 2018-19 operating budget will occur. Dianne invited all Board members to this meeting, noting this is the time and place where detailed questions are posed regarding the proposed budget.

Lastly, in order to help facilitate the FY 2018-2019 budget preparation process, Dianne asked Board members for their general expectation of the budget. The consensus was to take a breakeven approach in order to cover operating expenses, and that a loss due to direct expenses from strategic initiatives would be acceptable.

A motion was made and seconded to approve the December 2017 financials and was unanimously approved by the Board.

Increased Advocacy & Awareness

Advocacy Progress Report & Related Outreach

NCACPA Taxation Committee Chair, Jack Schmoll, presented a summary of proposed NCACPA legislative agenda items to address during the short session of the 2018 NC General Assembly. Jack noted a group of NCACPA members extremely knowledgeable in the area of NC state tax had been brought together to consider the following issues: NC Department of Revenue Power of Attorney; Market Based-Sourcing; and Bonus Depreciation/Section 179. He shared an overall summary of why these particular topics were identified, along with suggested next steps in the process. Sharon Bryson commended this group's work and noted NCACPA will also be reaching out to the NC Bar Association's Tax Section in order to jointly collaborate on these legislative initiatives.

Sharon and NCACPA Lobbyist Dave Horne provided details regarding ongoing work with the NC Department of Revenue to allow the pass-through of an extension for filing a federal income tax return to serve as an application for a State extension for all types of income tax returns.

Regarding the NC CPA PAC, Sharon reported a document entitled "Guidelines for NC CPA Political Action Committee Activities & Contributions" had been drafted and was included in the informational materials for this meeting. Sharon noted our PAC balance is currently at \$8,075 (compared to \$3,600 at this point last year), and that additional fundraising work will ensue as we prepare for the General Assembly's return in late May.

Sharon commented on NCACPA's upcoming 3/6/18 meeting with the NC Steering Committee of the Accountants' Coalition, and that both Bill Ezzell and Dave Horne will be attending that meeting as well. It was noted large firms represented at this gathering will be specifically asked to support NCACPA's advocacy-related work through their support of our PAC.

It was recommended after NCACPA's legislative agenda items are solidified, that a one-page summary of these issues would be extremely helpful to our members as they assist with lobbying efforts at the grassroots level.

Current Strategic Matters/Next Steps

There was high level discussion of each of the following topics previously identified as important strategic areas for NCACPA to consider:

- Member Recruitment & Retention in Business & Industry
- Alternative Revenue Sources for NCACPA
- Firm Succession Planning
- Developing Personas to Predict NCACPA Customer Behavior

Board member Whitney Gann stated our Member Engagement Team would be a prime group to brainstorm on the "Member Recruitment & Retention in Business & Industry" topic, and as Board Liaison to this group, will recommend this item be included on their next meeting agenda.

It was referenced our Professional Development Advisory Council is currently discussing the area of "Personas and NCACPA Customer Segmentation," and that this particular area also includes a significant Enhanced Membership Engagement component. Board member Jonathan Kraftchick commented on the need to engage in outreach regarding this initiative, noting there are certainly experts in this area who would be willing to talk with us.

It was stated management will continue to work on these initiatives and share related plans with the Board, while also emphasizing Board input remains vital.

Adjournment

Both guests and staff members excused themselves from the meeting to allow for a closed session, followed by adjournment of the meeting.

Respectfully submitted,
Sharon Bryson,
Secretary to the Board