



NCACPA Board of Directors Meeting Minutes

October 3-4, 2018

D. Scott Showalter, CPA, CGMA, CGFM, Chair, presiding

Members participating

Scott Showalter	Rollin Groseclose	George Beckwith
Shawana Karkouki	Kristen Hoyle	Sarah Bruce (on conf. call)
Kelli Knoble	Whitney Gann	Amin Ainolhayat
Austin Wachter	Scott Hughes	Michelle Tracz
Walter Davenport	Mike Gillis	Jonathan Kraftchick

Staff participating

Sharon Bryson, Mark Sotichack, Amelia Hodges, Lorrie Leonhardt, Teka Miller, Jackie Asekhauno, Nikki Vann, Alexis Verbic, and Moira Gill.

Guests

Rob Rowan, CPA, International Finance Controller, SAS; Pam Kelley, CPA, Vice President, Corporate Tax, Martin Marietta; Mark Livingston, CPA, CPIM, Partner – COO, Hughes Pittman & Gupton, LLP; Abi Raja, CPA, Accounting Manager, Ply Gem Industries Inc.; NC State Board of CPA Examiners Deputy Director, David Nance, CPA; NCACPA Legislative Counsel/Lobbyist Dave Horne, JD, Smith Anderson; Crystal Feldman, Smith Anderson.

Welcome

Jana Raedy, Associate Dean—Master of Accounting Program, & Associate Professor, EY Scholar in Accounting, UNC–Chapel Hill, welcomed the Board of Directors to the Rizzo Center. Jana was joined by Adam Gerdts, Associate Dean of Advancement for Kenan Flagler Business School. Both Jana and Adam made remarks about Bill Ezzell, who had selected the Rizzo Center for this Board of Directors meeting. They emphasized Bill's vital importance to the UNC community, and particularly the business school as a prior UNC MAC program commencement speaker and Alumni Merit Award winner.

Strategic Discussions

Enhanced Member Engagement

Scott referenced feedback from the Governance & Operational Effectiveness Task Force to



increase engagement with members at Board meetings, and then introduced the meeting's member guests: Pam Kelley, Rob Roland, Mark Livingston, and Abi Raja.

Scott asked each member guest to talk about current and/or future challenges and opportunities within the profession, and what NCACPA can do to help. Here is a summary from their conversations:

- "Roadmap" for increased retention and conveying value of "intangible" efforts to senior leadership.
- Training younger generation of the workforce in:
 - Leadership/working cross-departmentally
 - Application of technical skills
 - Writing, generally (business writing and using social media professionally as well)
- Providing CPE – Data analytics/visualization, robotics, coding languages (training CPAs to obtain and extract data without needing an IT resource, and possessing the ability to show support behind business decisions).
 - Need to educate senior leaders to recognize trends or emerging issues and critically think about their implications, as well as how to measure their impact.
- Relevancy to clients – Role of the CPA will incorporate more consulting and sales, particularly in the promotion of a firm's (or company's) technology services.
 - NCACPA can be instrumental in connecting CPAs together as they charter new roles and responsibilities in their organizations.
- Networking - NCACPA can facilitate meet-ups of like-minded (by discipline within the profession) people together for idea-sharing. Can also host networking events with niche topic focus catered to emerging skillsets.

Administrative Matters

Call to Order

Scott Showalter called the meeting to order at 1:00 pm and welcomed members of the NCACPA board, staff of the NC State Board of CPA Examiners, the NCACPA management team, and other invited guests. Mark Sotichack introduced NCACPA's new Director of Membership, Teka Miller, who began her role on October 1. The CPAs in attendance then recited the "Oath of a North Carolina CPA."

Scott acknowledged Rollin Groseclose's service as 2017-18 Chair and presented him with a commemorative plaque.

Sharon Bryson mentioned the video created in honor of Bill Ezzell, and that per the family's request, the Association will share the video with them at a later time, at which point it will also be shared with the Board of Directors.



Scott provided an update on NC CPA Political Action Committee and NC CPA Foundation Inc. contributions from the Board. As of the meeting date, 13 of 16 Board members had given to the PAC, and 14 of 16 had given to the Foundation.

Consent Agenda

Scott Showalter inquired if there were any questions concerning the minutes of the August 22, 2018 Board of Directors meeting (held via conference call). There being no questions or comments, a motion was made and unanimously approved to accept the minutes.

Strategic Discussions

Governance & Operational Effectiveness

Financial Matters

Shawana Karkouki, Treasurer, briefed the Board on the annual audit report, done by Cohn Reznick, LLP. The biggest change in the report is the consolidated set of financial statements based on changes in the governance structure between NCACPA and the NC CPA Foundation Inc. (change in reporting entity).

Risk factors were discussed during the course of the Audit Committee's meeting. The staff and Committee members are aware of changing reporting standards for nonprofits. There will be a focus on new reporting standards of net assets that are donor restricted/unrestricted, and how that will affect NCACPA, particularly with Foundation scholarships.

There being no questions, a motion was made and the audit was approved.

Shawana covered the Association's financial snapshot for August, pointing out NCACPA is on budget. In terms of dues, NCACPA is exceeding targets in all paid categories (that excludes students and new members). Mark mentioned the Ring in the Members campaign, which focused on reaching CPAs who had not renewed as of July 31, 2018 (1,205 members). NCACPA staff was allotted ~50 calls each to make over a period of 3 weeks; 33% of those members contacted, renewed their membership, totaling \$96,000 in dues revenue.

There were several members in industry who cited cost as a factor in not renewing, since their membership was not reimbursed. Competition concerning available professional development options was also part of the feedback received for not renewing.

Shawana concluded the session after noting the February 25, 2019 date for the NCACPA budget review.



Highly Valued Professional Development

Scott introduced the next session of the meeting by referencing the suggestion of the Governance and Operational Effectiveness Task Force to present a “deep dive” on a strategic quadrant at each Board meeting.

This meeting’s strategic deep dive was on highly valued professional development, and was structured as an interactive panel led by Professional Development Advisory Council (PDAC) members Joan Pharr (Chair), Jonathan Kraftchick, Amelia Hodges (Director of Professional Development), and Jackie Asekhauno (Learning Manager). Main topics discussed included:

- Dip in seminar registration, and increase in online learning over past four years. Conferences remain steady.
- New programs (such as the CFO Cluster) are being tried out, and older programs (such as the Healthcare Conference) are being evaluated for efficacy.
- In addition to the increase in online courses, a CPE Select pass was rolled out this year, bundling the purchase price of NCACPA courses. Most purchases have been made by members in industry.
- NCACPA Build Your Own Ethics – new 25-minute courses, already with 84 registrants.
- New adaptive self-study standard is under consideration, and would leverage computer algorithms to measure the interaction of learners. The standard should be out for comment in January/February of 2019.
- NCACPA’s federal tax classes have been approved by the IRS for enrolled agents.
- Competitive analysis is being conducted in six-month intervals to evaluate other CPE providers.
- Trends in learning all involve technology:
 - Micro-/nano-learning – CPE in ten-minute increments
 - Personalized learning – leveraging the adaptive learning algorithms previously mentioned
 - Smaller, interactive online classrooms
 - Integrated training – user gets training pop-ups based on learning performance
 - Gamification, boosts, and certificates/badges
 - Kelli brought up the idea to focus on badges with younger CPAs in order to track their professional acumen/progress. Concurrently, certificates for managers and below concerning data analytics could help firms see which employees hold what knowledge.
- Future initiatives:
 - Subject-matter expert project – NCACPA is identifying local speakers to offer national programs. There will be a focus on diversity of topics and backgrounds.
 - Learning path and other resources for young CPAs, an opportunity created by sunseting the Emerging Leaders Conference.
 - Assessing user experience – making sure our products are continuously improved.



Break-out conversations were held at each table regarding professional development discussion prompts. Common/notable themes from those conversations are bulleted below.

Should PDAC consider it a conflict to pursue customers outside the CPA/accounting profession for PD? If not, what partnerships might we consider?

- Actively promote beneficial content to non-CPAs as applicable (or to non-CPAs working at firms who need to know accounting topics).
- Broader skills with a cross-functional focus could appeal to non-CPAs.
- Be careful to not get so broad that we are not serving our membership with enough focus.
- Big Four are hiring many non-CPAs, so soft skills training will continue to be important, and there is an opportunity for NCACPA.

Identify 2-3 hot topics and/or issues impacting the profession. How should they be delivered?

- Technology training tailored generationally for the most relevancy – hands-on, bring something you are actually working on
- Partner with technology vendors for better pricing and for more diversity in offerings
- Productivity – topics suitable for nano-learning
- Succession planning
- Data Analytics - nano-learning, with 10 minutes of topical content, and then 10 minutes for application-based learning.

NCACPA is looking to introduce learning paths in our curriculum, with the first targeting young CPAs. What would you like to see included in a learning path for young CPAs? What other learning paths should NCACPA consider developing?

- Business writing, delivering/accepting feedback, public speaking, working in teams, critical thinking, project management.

There was discussion regarding the new Joint CPE Task Force, comprised of staff and members on the NC State Board of CPA Examiners, as well as NCACPA staff and members. The Task Force is looking at modernizing CPE rules, including competency measurements, public vs. non-public CPE, reporting requirements, and penalties for non-compliance.

At their next meeting, the Task Force will discuss nano-learning based on its inclusion in the new set of UAA rules (Jan. 2018), format and frequency of Ethics, and the proposed 50% technical requirement for CPE, defined by 13 areas of practice. (*Note: UAA has not yet been adopted.)

Should the new CPE rules have a technical requirement for all CPAs? Should the new CPE rules have a technical requirement only for CPAs who work for a firm registered with the State Board?

- You need to take CPE that directly correlates with your role. It was noted that South Carolina has an 8-hour limit on non-technical hours.
- There seemed to be varied feedback from the Board on this topic. There was agreement that technical CPE that directly correlates with your role is important, but implementation of these rules may have consequences:
 - What may be technical for one CPA, may not be technical for another.



- For CPAs shifting between public and industry in their career, technical requirements could become too narrow to be broadly applicable.
- There would be more of an onus on CPE providers to justify why they are labeling their program under a specific field of study.

The Board was encouraged to continue providing PDAC feedback as initiatives continue and are introduced.

Increased Advocacy and Awareness

Profession Advocacy

Dave Horne briefly covered the 2018 election landscape. All but four of the election races in North Carolina this year are competitive, which makes civic involvement even more important.

Dave also touched on constitutional amendments that will appear on the ballot this November, making note of two especially—capping the maximum state income tax rate at 7%, and eliminating nonpartisan representation on the elections board (which would also transfer power to pick board members from the Governor to the legislature).

Moira Gill provided brief updates on progress made on NCACPA's 2019 legislative agenda:

- Power of Attorney—NCACPA has had initial conversations with two staff of the Department of Revenue, both of whom are sympathetic to the Association's viewpoint. Biggest barrier is a software issue that will cost money and take time. The approach we are aiming for is to have legislators convince the DoR this is something they need to implement. Having CPA members meet with legislators to discuss this issue will be crucial. NCACPA will also be collaborating with the Bar Association to help us advance this issue in the legislature. NCACPA will bring this issue up at the annual meeting of the Tax Committee with the DoR.
- Market-Based Sourcing—Legislative Task Force member Kathleen Holston drafted a letter to be delivered to the legislature, which Smith Anderson is finalizing.
- Bonus Depreciation/Section 179—NCACPA is seeking specific examples to share with legislators on how the change we recommend to Section 179 more positively impacts taxpayers than it would negatively impact businesses. Timing was an issue in getting this to the floor in previous sessions. A next step is to figure out what our proposed solution might cost the treasury.
- Data Privacy Reform—No updates at this time, but Dave expects discussion around reform will pick up in the upcoming long session.

Sharon discussed grassroots initiatives the Association has been focused on, including a Key Contact program, capturing information on which members know which legislators within the General Assembly. Enhanced communication with the membership was mentioned, including the addition of several new NCACPA webpages focused on advocacy. Sharon also referenced the Taxation Committee's annual meeting with the NC Department of Revenue, scheduled for December 13, 2018.



Sharon shared the very positive news that the NC CPA PAC fundraising goal of \$20,000 by October 2018 was met.

Presentation slides were shared showing the candidates of the General Assembly the Association plans to support with PAC funds. Brief rationale was shared as to why a specific candidate was receiving a contribution, whether because of their clout within the legislature or placement on a committee of interest to NCACPA.

Membership Awareness

Jonathan Kraftchick discussed updates and insights from conversations of the Emerging Technologies Task Force:

- Firms tend to view technology as a way to increase revenue of traditional services.
- Promoting additional value beyond traditional services will be crucial, and much of it comes down to branding and awareness about new tech services firms/companies offer.
- Small firms are in a good position to try new things of an experimental nature and more quickly than larger companies/firms. However, cybersecurity is still vastly underutilized by small firms.
- Technology and innovation are heavily linked to recruiting, retention, and succession.

Jonathan then presented the Task Force's recommendations to the Board:

- Over the next six months:
 - Create a Council focusing solely on emerging technology that will have an impact on membership
 - Council will define NCACPA's target audience and create "Hype Cycle" Glossary
 - Determine readiness of various member segments for innovation via annual survey (create baseline and see how it moves every year)
 - Develop regular awareness and communication plan
- Over next 6–18 months:
 - Determine Council's relationship to other existing committees, and how to monitor/collaborate on emerging technology initiatives

The Board gave its support to move forward based on the Task Force's recommendations.

Peer Review Update

Scott Hughes led a presentation on the current state and future of peer review administration. Illinois has joined with eight other states (two potential additions) to provide services in a partnership format, sharing technical resources. With this model, there is a lot of cost involved in multistate travel, and the fee structure is much higher than what we charge in NC.



Non-attest services have been a focus in years past, and there will be a new emphasis on risk assessment as well, as advised by the AICPA. There is new guidance forthcoming which will be a CPE opportunity for NCACPA to address those transitions.

The Peer Review consortium among the state CPA societies was also discussed. This collaboration is still in the exploratory phase, but seeks to share mitigation of risk in the peer review process.

In October, the Peer Review Committee will host the AICPA and speak about efficiencies, as well as the challenges peer reviewers, technical reviewers, and committee members have faced with Prima technology. Scott added there will be much change in the peer review area over the next year.

Governance and Operational Effectiveness

Scott began a discussion on the Board of Directors Self-Evaluation survey and provided a brief summary of survey results.

The two highest rated items (meaning, marked as “very high commitment”) were attendance at Board meetings and support of the NC CPA Foundation. The two lowest rated items were contributions to Board meetings (taking opportunity to contribute to conversation as is expected) and learning more about professional issues.

It was suggested that at the annual Board orientation, new members be briefed on the monetary commitments and expectations, details regarding official committee liaison roles, and information about groups formed outside of the traditional committee structure (task forces, councils, etc.).

Nominating Committee/Future Directors

The Board had a conversation about desirable skills the Nominating Committee should look for in future Directors.

Skills/attributes discussed included:

- Taxation – with members rolling off, this will be an area where there will be a gap
- CPA with non-traditional role in firm (e.g. CIO, human resources/legal function, professional development-focused)
- Geographical diversity
- Non-CPA in technology with deep link to accounting profession

Firm Succession Planning

Mike Gillis led a discussion on succession planning, a major issue for privately-held business owners, especially CPAs.

One idea was to arrange meet-ups for firms in geographic areas, help them set up practice continuation agreements, and educate firm owners through CPE (Mike’s firm, DMJ & Co., offers



this). It was suggested NCACPA conduct a survey of members in sole/two-practitioner firms to get feedback on needs, level of readiness, etc.

MIBI Recruitment and Retention

Michelle Tracz updated the Board on the work of the Members in Business and Industry Committee.

At the spring and fall MIBI conferences, Scott Showalter and Sharon Bryson presented Focus on the Profession sessions, sharing with attendees NCACPA's strategies for better serving MIBI members. Based on poll results, the strategies resonated with the audience. The audience was also polled on most pressing issues NCACPA can help with, and those included technology, CPE, and data analytics. Providing enhanced value to these members is even more critical because they often do not receive employer support in footing membership dues and CPE costs.

NC CPA Foundation Update

Chair-Elect Austin Wachter gave the Board an update on the NC CPA Foundation Inc. Main points included:

- Since rolling out a more user-friendly platform, the Foundation has received 60 applications thus far, and 150 more are in process before closing out next month.
- A diverse group of volunteers will evaluate applications in early December using an evaluation rubric on a number of characteristics.
- The Foundation is incorporating a needs-based section into the common application.
- Fundraising will begin this fall and go into next year, coordinating efforts in tandem with NCACPA's centennial in 2019.
 - Foundation Board members will visit firms/individuals and ask for tiered donations (suggested \$15,000 annually for largest firms, \$1,000 for individuals).
 - A multiyear commitment form will also be created (4-year for firms and 3-year for individuals, negotiable).

Adjournment

The Board of Directors' next meeting will be a conference call on January 16 from 10:00 am to 12:00 pm.

There being no further business to discuss, Scott Showalter adjourned the meeting.

Respectfully submitted,
Sharon H. Bryson, M.Ed., CEO
Secretary to the Board