AICPA®

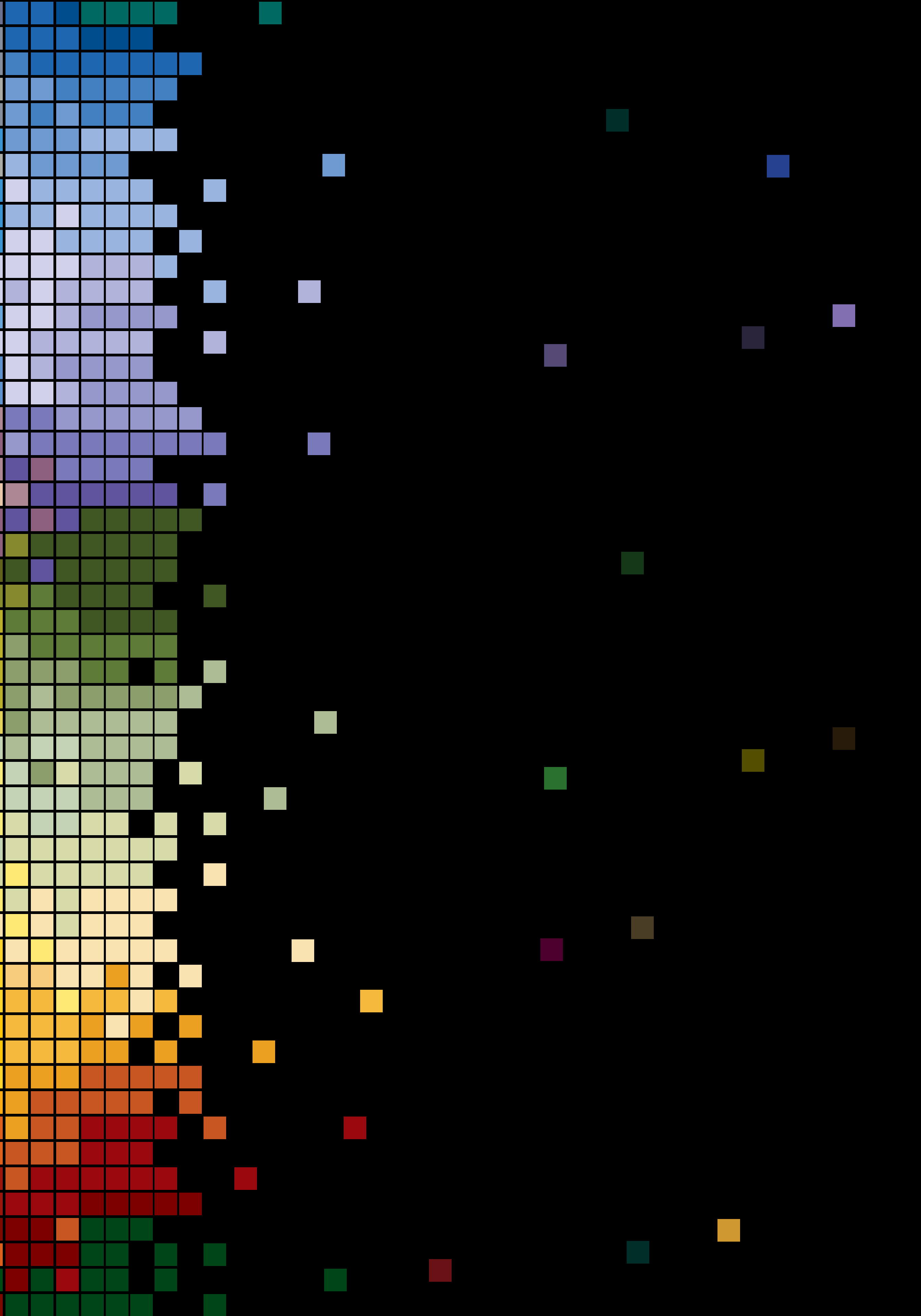
Specialized Communities
and Firm Practice Management

Benefits.

Support.

Leadership.

2007 – 2008 Annual Report



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Letter from the Vice President

One of the most important goals of the AICPA is to deliver value to our members. The Specialized Communities and Firm Practice Management teams and volunteer committee members are solidly committed to this goal. While we continually strive to be bigger and better, the feedback we have received from the members of our Specialized Communities leads us to believe we are on the right path to delivering on our goal. However, your continued feedback is absolutely necessary so we can stay on course.

Our members' satisfaction is first and foremost, and how well we are accomplishing that is measured in our numbers. Numbers have special meaning to CPAs; for us, our membership growth rate is very important. Across all of our areas – Forensic and Valuation Services, Information Technology, Personal Financial Planning and Private Companies Practice Section – we saw our membership grow by 8%.

On the following pages, you will find a summary of some of the initiatives we undertook this past year. These and other activities were accomplished through the combined efforts of our dedicated volunteers and professional staff. We hope this gives you a flavor of the value our members receive. Thank you for your membership and support of our AICPA Specialized Communities.

Best regards,

James C. Metzler

James C. Metzler, CPA
Vice President – Small Firm Interests
Specialized Communities and Firm Practice Management

Specialized Communities and Firm Practice Management
2007 – 2008 Annual Report

We CPAs have many things in common – training in financial matters, business acumen, integrity and the enviable status of trusted business adviser. But we're a diverse group, too, and our areas of expertise are as varied as the situations to which we apply them.

The goal of the AICPA's Specialized Communities and Firm Practice Management (SCFPM) division is to provide resources that enhance our members' success. We focus on:

COMMUNITY
Events and online forums to allow members to connect with their peers

INFORMATION
Website and print publications to keep members informed

PROFESSIONAL DEVELOPMENT
Education, tools, practice aids and knowledge centers to enhance the expertise of CPAs

CERTIFICATION
Credential programs to help CPAs differentiate their experience and expertise

PRACTICE DEVELOPMENT
Tools and resources for starting or expanding a specialty practice

ADVOCACY
Promotion and protection of members' interests with regulators and other third parties

PCPS

Private Companies Practice Section

COMMUNITY

PCPS Human Capital Center

PCPS continues to add valuable tools to the PCPS Human Capital Center (HCC), one of two significant new online resources launched in the last year. The HCC provides PCPS members exclusive access to a wide range of information they can use to address a variety of staffing challenges. Recent additions include explanatory videos from Boomer Consulting Inc. (in the Strategy and Planning section) and generational issues resources developed by Next Generation Consulting (in the Generation/Diversity Integration section). Other new videos introduce users to the site and its sections, and illustrate how to apply the Center's advice in typical situations.

PCPS Succession Resource Center

A recent addition to the PCPS Firm Practice Center, the PCPS Succession Resource Center provides one-of-a-kind, comprehensive tools to help practitioners address this pressing issue. This exclusive PCPS member benefit includes resources that address selling or merging a firm; grooming future leaders; working through retirement transitions and decisions; and shutting down a firm. The material was developed by nationally known consultant Bill Reeb, CPA.CITP, of the Succession Institute.

INFORMATION

PCPS Small Business Brochures

These new brochures are designed to enhance CPAs' strong relationships with small business clients. Practitioners can use "A Guide to CPA Services" to inform clients about how a CPA can help plan, run and grow a company. "A Guide to the U.S. Small Business Administration" describes the numerous resources available for clients through this agency, which has entered into a strategic alliance with the AICPA.

65 PERCENT **The challenge:**
of multi-owner firms and **91%** of sole proprietors don't have a written succession plan.

PROFESSIONAL DEVELOPMENT

Emerging Partner Training Forum

The AICPA Emerging Partner Training Forum, now in its third year, continues to attract sellout crowds. PCPS created this unique program, which offers hands-on training and insights from nationally recognized consultants and successful firm leaders. It is designed to provide introductory leadership training to meet the needs of smaller firms without in-house programs. Two versions of the Forum appeal to new participants as well as alumni who want to further their development. In addition, PCPS-member participants receive bi-monthly support calls from the PCPS team to help them implement the ideas presented at the Forum.

ADVOCACY

PCPS Involvement in the AICPA Reliability Initiative

PCPS Executive Committee Chair David Morgan served as chair of the AICPA Reliability Task Force, which is charged with studying and making recommendations on changes to the Accounting and Review Services standards. The goal of the recommendations is to maintain existing compilation and review standards while enabling the accountant to express limited assurance where it is currently precluded because of impairment of the accountant's independence due to the performance of certain control activities. The Accounting and Review Standards Committee (ARSC) responded positively to the task force's recommendations and is expected to issue a related exposure draft in the coming months. A member of the PCPS Technical Issues Committee (TIC) is on the ARSC reliability task force, and TIC offered feedback on the initiative through its liaison with ARSC.

PCPS TIC Speaks Out on Standard-Setting Issues

The PCPS TIC monitors standard-setting activities and provides the small firm perspective. TIC maintains regular contact with key groups such as the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Auditing Standards Board, the ARSC and the Professional Ethics Executive Committee. TIC has submitted 18 formal comment letters on exposure drafts in the last fiscal year, and TIC members have been appointed to numerous task forces addressing important technical issues. In addition, the award-winning *TIC Alert* provides practitioners with timely synopses of key standard-setting developments.

For more information, visit **pcps.aicpa.org**

67 PERCENT

The reality:

of multi-owner firms and **50%** of sole proprietors believe succession planning will be a significant issue in the near future.

Source: 2008 PCPS Succession Survey

PFP
Personal Financial Planning

COMMUNITY

PFP Networking Group

Developing relationships with other CPA financial planners enables members to get specific answers to the issues that confront them. The PFP Networking Group provides an interactive environment for CPAs to learn from qualified presenters, compare notes and exchange advice. In the last year, a kickoff meeting was held and the group has continued to grow.

INFORMATION

Prudent Practices for Investment Advisors

The area of fiduciary responsibility, specifically investment fiduciaries, is a critical one for many CPA financial planners. This handbook – a collaboration between Fiduciary360 and the Fiduciary Task Force of the AICPA PFP Executive Committee – provides competent, objective investment advice.

AICPA/Moss Adams LLP CPA Financial Planner Practice Study

This first-ever study of CPA financial planning and investment advisory practices indicates the typical CPA financial planning practice is growing faster than the broader industry and has a higher operating profit. The AICPA and Moss Adams LLP sponsored this study as a means to better understanding best practices and the challenges that face CPA financial planners. This study will drive many future initiatives for the PFP Section.

PROFESSIONAL DEVELOPMENT

Web Seminars

Monthly web seminars feature financial planning topics related to technical and practice management matters. These well-attended seminars were presented live and archived on the PFP website, thus providing members high-quality information at their convenience.

Advanced PFP Conference

As one of the AICPA's PFP Community's premier learning and networking events, the Advanced PFP Conference has "become a must-attend event in the PFP industry," according to Bob Veres' *Inside Information* newsletter. The conference now features a variety of subject-matter tracks and in-depth presentations, including roundtable discussions to facilitate networking and build community.

CERTIFICATION

PFS – Personal Financial Specialist Credential

CPAs with the PFS Credential possess expertise in financial planning, have a tax and financial planning background and adhere to the AICPA's Code of Professional Conduct. This fiscal year, the number of PFS Credential holders continued to rise – an increase of 5% – affirming that CPAs believe the PFS Credential affords them a competitive advantage in the marketplace. The public is recognizing this advantage as well: the Find-a-PFS referral database is one of the most frequently used sections of the PFP website.

PRACTICE DEVELOPMENT

Forefield Advisor

The PFP Section enhanced members' access to Forefield's content by seamlessly integrating Forefield Advisor for improved usability, and adding new functionality and even more information. Members now can access a library of more than 3,000 articles and calculators, and have the ability to build and email to clients customized, personalized presentations. These tools enable PFP Section members to improve client relationships by proactively addressing clients' needs and attract new business by delivering timely, helpful information to prospects.

ADVOCACY

Regulatory Comment

The PFP Section has worked in conjunction with the AICPA's Tax Section and Washington office to monitor issues that have the potential to impact members. A few of the issues we have addressed include:

- Tax deadline changes
- The SEC's Proposed Changes to Form ADV (used for registration as an investment adviser)
- The DOL's Proposed Regulation on Fiduciary Requirements in Participant-Directed Individual Account Plans

Financial planning credentials relating to America's senior citizens came under scrutiny this year. We continue to closely monitor state and federal regulatory activity regarding senior-specific certifications and professional designations and their potential impact on PFS Credential holders, CPAs and the public.

For more information, visit **pfp.aicpa.org**

35 PERCENT

The typical CPA financial planning practice averaged 35% year-over-year revenue growth between 2004 and 2006.

Source: AICPA/Moss Adams LLP CPA Financial Planner Practice Study

IT
Information Technology

COMMUNITY

IT Section and CITP Groups on LinkedIn

Members of the IT Section have the opportunity to join groups on the professional networking site LinkedIn. The groups help enhance professional networking and make it easy for members to identify and contact fellow members. Members can share information, identify new opportunities and browse profiles to find members with specialized expertise.

INFORMATION

Privacy Risk Assessment Tool

The AICPA/CICA (Canadian Institute of Chartered Accountants) Privacy Risk Assessment Tool is designed to help CPAs/CAs, management, owners and other privacy professionals effectively and comprehensively assess their privacy policies and practices. The tool is based on the 10 principles and 66 criteria in the AICPA/CICA Generally Accepted Privacy Principles (GAPP). It also includes examples of best practices and benchmarks based on examples found in privacy laws and regulations worldwide.

State Security Breach Laws

In order to help members stay current on security breach laws and regulations, the IT Section's website provides links to the 46 federal and state jurisdictions that have data-breach laws. These privacy regulations, enacted to protect consumers' confidential personal information, require companies and/or state agencies to disclose to consumers security breaches involving personal information.

11 PERCENT

Increase (2003 – 2008) in percentage of accounting graduates employed by public firms that received MIS/Computing assignments.

Source: AICPA's 2008 Trends in the Supply of Accounting Graduates and Demand for Public Accounting Recruits study

PROFESSIONAL DEVELOPMENT

IT Audit School

A 3½-day workshop (October 27 - 30, 2008) will provide financial statement auditors crucial information about the ways in which IT impacts financial reporting. The workshop will also offer essential guidance relative to the IT considerations that should be addressed and the extent to which they should be considered, tested and reported in a financial statement audit.

Top Technology Initiatives - Content Suites

The 2008 Top Technology Initiatives (TTI) content suites provide a drill-down perspective on TTI-related issues. The suites include practical guidance, tools and practice aids to help members incorporate the initiatives into their organizations' IT strategy.

CERTIFICATION

CITP – Certified Information Technology Professional Credential

The CITP program provides a community and resource center for CPAs to research, monitor, assess, educate and communicate the impact of technology to their clients and/or employers. The CITP Credential combines IT expertise with the core knowledge and skills that place CPAs among the most trusted business advisers. There was an 18% increase in the number of credential holders in the 2008 fiscal year.

ADVOCACY

CITP Credential and State Societies

In 2008, 19 CPA state societies opted to work with the IT Section to enhance awareness of the CITP Credential among their members. Through these efforts, more CPAs learned about IT's vital role in financial management and the value of CPAs with IT expertise and experience.

For more information, visit **infotech.aicpa.org**

50 PERCENT

of CFO survey respondents found IT knowledge "most beneficial" to their careers, after accounting and finance.

Source: Robert Half Management Resources, referenced on CFO.com

FVS
Forensic and Valuation Services

Community

ABV Mentor Program

The Mentor Program was established in December 2007 to help new or future ABVs integrate into the ABV Community. Protégés participating in the program can tap into the experience of seasoned business valuation professionals, who can share experiences and knowledge and assist with skills development.

INFORMATION

Web Seminar Series

FVS offers monthly web seminars that alternate between business valuation and forensic and litigation services topics. 2008 seminars included: Discounts on Lack of Marketability – Examining Liquidity Factors, Longstaff Method and Medelbaum Factors; Section 409A and its Impact on Stock Option and Stock Appreciation Rights Valuations; Standards Implementation Update; and FASB Statement 141R Business Combinations as it Relates to the Valuation Professional.

PROFESSIONAL DEVELOPMENT

Statements on Standards for Valuation Services

The Statements on Standards for Valuation Services (SSVS1) business valuation standard was issued in 2007 and was effective January 1, 2008. This standard provides critical guidance to CPAs in this practice area. A toolkit has been developed to assist with implementation of the standard, and is available free of charge on the FVS website.

Special Report 08-01 – Independence, Objectivity and Integrity in Performing Forensic and Valuation Services

Published this year, this special report provides guidance on ethical issues that might affect a forensic accounting or valuation engagement.

66 PERCENT

CPAs who believe there is an increasing market demand for forensic accounting services practitioners.

CERTIFICATION

ABV – Accredited in Business Valuation Credential

The mission of the ABV program is to provide a community of business valuation experts with specialized access to information, education, tools and support that enhance their ability to make a genuine difference for clients and employers. The program allows credential holders to brand or position themselves as CPAs who are premier business valuation service providers. ABV Credential holders differentiate themselves by going beyond the core service of reaching a conclusion of value: they also create value for clients through the strategic application of their analysis. The number of ABV Credential holders grew by 5% in the 2008 fiscal year, and 2007 saw the highest number of ABV Exam-takers since the exam's inception.

CFF – Certified in Financial Forensics Credential

In May 2008, the AICPA's governing council authorized the creation of a new CPA specialty credential in forensic accounting. The CFF Credential combines specialized forensic accounting expertise with core CPA knowledge and skills. The CFF acknowledges fundamental and specialized forensic accounting skills CPA practitioners apply in service areas such as: bankruptcy and insolvency; computer forensics; economic damages; family law; fraud investigations; litigation support; stakeholder disputes; and valuations. The CFF launched July 1, 2008, and by July 31, more than 500 CPAs had applied for the credential.

ADVOCACY

Comment Letter Regarding Uniform Standards of Professional Appraisal Practice (USPAP)

FVS provided a comment letter to the Appraisal Standards Board and the Appraisal Qualifications Board on December 17, 2007, in response to the boards' Invitation to Comment on USPAP and USPAP Education. The comment letter promotes having a "calculation engagement" and recommends consistency between SSVS1 and USPAP.

For more information, visit **fvs.aicpa.org**

77 PERCENT

ABVs who think the ABV Credential provides them with more recognition from clients and/or peers.

Source: AICPA research

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