NEW HAMPSHIRE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

CONNECTION

Keeping It Real With Our Students

NHSCPA Young Professional Committee Members Give Presentation at Pinkerton Academy

This past month, NHSCPA Young Professional Committee Chair, Judy Kajen and YP member Sean McKay, gave an inspirational educational presentation to business students at Pinkerton Academy. Over 60 students participated in the morning session and learned firsthand from young practitioners what "Life As a CPA" is really all about.

The students' interest and pointed observations were made clear by the thoughtful questions and high level understanding of the many opportunities the Accounting profession can offer as a career path.

Darlene Watkins, MBA, Accounting Program Instructor/Business Teacher followed up after the program to state, *"I want to take a moment to thank you all once again for braving the weather and sharing your experiences with my students. I have received lots of positive feedback from my Accounting 2 students. I appreciate this partnership and am very motivated to continue the goal of promoting the accounting profession in the state of NH and across the country."*

We sincerely thank Darlene Watkins, MBA, Accounting Program Instructor/ Business Teacher and the faculty and staff of Pinkerton Academy for helping us launch this mutually beneficial initiative.

NH Society of CPAs is excited to continue this important outreach and we are looking forward to growing this program with our Young Professionals, to include partnering with the NH Bureau of Career Development to support career and technical education (CTE) systems across the state. If you are interested in participating or becoming a member of the NHSCPA Young Professional's Committee, please contact Maura Coakley at mcoakley@nhscpa.org

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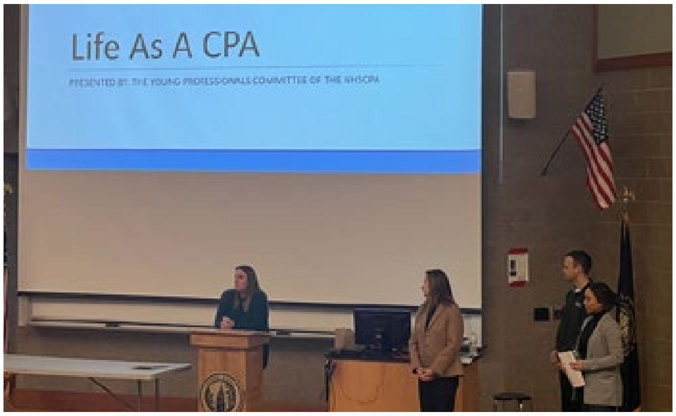

NHSCPA CONNECTION

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Kevin Kennedy CPA, CFE, ABV of Malone & Kennedy, PLLC, Karen Lascelle, CPA, CVA, CFE, Director/Shareholder of Plodzick & Sanderson, P.A., Robin Abbott, CEO, Michelle McVetty, CPA and Partner of Cohos Advisors and Kory Reynolds, CPA, Senior Manager of Baker Newman Noyes, presented to the New Hampshire House Ways and Means Committee in our capital city of Concord NH. Our group appreciated the opportunity to share their expert industry knowledge and help educate legislators on current NH and Federal tax laws.

From the **President**

Dear Society Members,

This has certainly been a year for the books. I am so grateful to have been a part of the growth of the Society as we emerged from the COVID shutdowns. My year as President has truly gone by very quickly. This has been an incredible year of growth and development for the Society and I want to first and foremost thank Robin Abbott, CEO, for her leadership and dedication throughout the year. I would also like to thank our Board of Directors and our Executive Committee for the support over the past year. Lastly, I would be remiss without thanking my partners at Plodzik & Sanderson, PA for their support of the Society and the work that we do as Board Members. On top of all of the “normal” items that the Society typically accomplishes throughout a year, these are the unique things that we were able to accomplish with Robin’s leadership and dedication:

- Transitioning back to live conferences – It has been a transition to go from a pre-COVID to post-COVID world and it was wonderful to see so many faces at the events we held in person this year.
- Connections with joint New England Societies and creation of New England Consortium – We are working with other Societies to see how we might best partner to help bring even bigger and better events to our membership
- Revised events – including a successful live annual meeting event after years of being virtual, the Emerging Leaders, Golf Tournament and visit and discussion with Anoop Mehta, Chair of the American Institute of CPAs (AICPA)
- New partnerships opportunities with the Bankers Association
- Partnership with Franklin Pierce University giving our membership another benefit of joining the Society
- Development of Pinkerton High School Pilot program – This was an incredible opportunity that we can develop and foster into the future
- Investment Committee creation and oversight – We cannot function as a Society without fiscal management and responsibility and the creation of this committee will help to ensure that our funds are well invested
- Continued AICPA stewardship – Jason Beiswenger, Vice President, and myself were both very impressed with Robin’s drive and representation at the AICPA Council meetings!
- Facilitation and creation of 2023-25 Strategic Plan
- New logo and website launch–The logo and website look wonderful and are a great testament to our Society!

I wish the best to Jason Beiswenger, CPA, of Wipfli as he rolls into the position of President over the next few months. It will be exciting to see where we go as a Society and I look forward to continuing to support the Society and its members well into the future.

Thank you, Karen

Greetings from NHSCPA

Here we grow again! While it's never an easy task for me to sit and write about our efforts and the work we are doing at the Society, this time is much easier. For many of you that have worked with me in the past, you know we strive to do the very best we can to support our members and create opportunities for innovation, advancement, and purpose. This upcoming year's efforts represent those perfectly.

As our Board President letter wonderfully highlights, we have made some incredible gains with reinvigorating our services post Covid to once again become an effective proponent of the accounting profession. This year, we plan to expand those initiatives and focus on what we all know is critical to our future success: our student population and industry pipeline. As I like to describe it, this will be our "Year of the Student."

Our YP Committee, led by Chair Judy Katjen, has created an incredible program presenting to high school business classes and technology centers. We have known for some time that reaching students as early as high school is the space to be in, and proactively implementing student presentations is key to this achievement.

Our Financial Careers Committee, led by Matt Sawyer, will also be implementing new opportunities to engage with college students, creating exam study groups, firm internships opportunities, and community outreach. There will be more on this to come so stay tuned.

As always, our legislative work led by Kevin Kennedy and newly elected Co-Chair Michelle McVetty is leading the charge of advocacy while helping to educate our newly elected legislators. By creating an informational presentation to both the House of Representatives and Senate this January, we strive to remain an integral part of industry education while not promoting specific legislation. That our CPA Society members are often asked to educate legislators is a testament to our knowledge, skill, and reputation.

I am inspired not only by the dedication of these hard-working individuals who give their time to promote the profession, but in the effectiveness and respected reputation of our members.

Lastly, I'd like to welcome our newest employee, Maura Coakley. Maura comes to us as a recent graduate of SNHU with an undergraduate degree in Hospitality and Master's degree in Finance. I must say, this was the first time I ever hired an individual by a Zoom interview, but Maura's effervescent personality and drive to suceed stood out. She has done a great job ramping up her "CPA knowledge" and is excited to be with us. Please say hello and welcome Maura next time you see her.

As always, I finish my thoughts by thanking our sponsors who allow us to do this amazing work, our volunteers including board of directors and committee members who selflessly offer their time and talent to our organization, and our society members for continuously supporting us as we navigate through another busy tax season ahead.

With continuous gratitude,

Robin Abbott, CEO
NH Society of CPAs

Maura Coakley

Hello, my name is Maura Coakley. I am thrilled to have recently joined the New Hampshire Society of CPAs as an Administrative and Events Coordinator.

I am originally from Yorktown Heights, New York but came to New Hampshire to attend Southern New Hampshire University. While at SNHU, I received my bachelor's degree in Hospitality Business and was part of the Cross Country and Track teams. Due to Covid-19 and extended opportunities available to students, I was fortunate enough to return and achieve my master's in finance degree while continuing to participate in track and field.

Following my graduation in 2022, I moved back to New York and began working in a healthcare setting providing insurance billing services. Although I learned a great deal and enjoyed the challenges, I sought more interactive experiences that would broaden my customer service skillset and build my event planning interests. Finding this job really was exactly what I was looking to achieve professionally and being able to move back to New Hampshire was a nice bonus.

The Society is a great blend of my work interests and personal life. My grandfather was a CPA for many years and went onto becoming a CFO at IBM. Having my grandfather call me every so often to ask about CPE, or even his interest in following the Society on Linkedin to learn about all the amazing things we're doing, is something that makes me extremely motivated and proud.

I am eager for my future with the Society, and I am grateful to have a mentor and boss like Robin as well as the incredible volunteers on our board and committees to help lead the way. Feel free to reach out to me at mcoakley@nhscpa.org if there is anything I can to assist you in the future.

A Primer on Accountants and Attorneys Working Together on the Sale of a Client's Business

Anthony Delyani

In the relatively small-dollar sale of a closely-held business (for these purposes, a sale with total consideration between $2 million and $10 million), a relationship that is often not fully exploited for the client's benefit is the relationship between the seller's accountant and attorney. Too often, accountants and attorneys operate in their separate silos (with all due respect to my brethren in my profession, my experience is that attorneys are more guilty of this than are accountants). The purposes of this article are to provide an overview of the sale process and to discuss areas where accountants and attorneys can work together during that process to deliver value to the client.

Often, the first formal step in the sales process is the drafting by the seller's attorney of a Non-Disclosure Agreement (NDA) for presentation to a prospective purchaser. The attorney will draft the NDA broadly in order to prohibit the purchaser from making unauthorized disclosures of any information it receives from the seller. Because NDAs address the seller's confidential and proprietary information in general terms rather than on a specific, item-by-item basis, the attorney will in many cases not confer with the seller's accountant at the NDA stage. This can be a missed opportunity. First and foremost, the attorney needs to have a general understanding of the types of accounting and financial information that are likely to be provided, and whether there might be particular problem areas. The accountant likely has more experience with the client in those areas, and therefore can contribute to that understanding. Second, at the NDA stage negotiations are less intense, and the parties' positions less entrenched, than they will become later. This period of relative calm provides an excellent opportunity for the accountant and the attorney to discuss their overall understanding of the transaction, as well as their goals and expectations of outcomes for the client.

In addition to exchanging general information about the sale, the accountant and the attorney should treat the early stages of a transaction as an opportunity to become acquainted (or better acquainted, for those who have worked together before), to understand areas in which each other's familiarity or experience with the client might be limited, and to develop a level of trust and personal camaraderie. I recommend that these discussions take place by phone or video meeting rather than by email, which is inherently less personal and more prone to errors and misinterpretations. First-time sellers- who in my experience comprise the majority of sellers in this price range – are at just the beginning of a sometimes bewildering, and often frustrating and anxiety-provoking, journey. The typical successful business owner has grown accustomed to having a command of facts, and is confident in his or her ability to make appropriate decisions based on those facts. A sale will often take him or her outside the scope of his or her knowledge and experience, which is unsettling. It also places a premium on having an accountant and an attorney who work well together to provide consistent guidance and perspective through the process.

After the parties sign an NDA, the next step is usually the negotiation of a Letter of Intent (LOI), most often drafted by the purchaser's attorney. The main substantive provisions of an LOI, such as whether the sale will be of equity interests or assets, purchase price, payment terms, and restrictions on the seller's post-sale competitive activities are generally non-binding. Often, secondary provisions, such as identifying a period of exclusive negotiations, agreeing to keep the terms of the LOI confidential, and which state's law will govern the LOI, are binding. Although its most important provisions will be non-binding, the LOI is valuable in that it provides the parties with a useful roadmap for them to follow. It also provides the accountant and attorney with a useful guide to negotiating on the client's behalf.

The execution of an LOI is usually followed by a due diligence request, whereby the purchaser's attorney asks the seller's attorney for a full range of soul-baring information, including accounting, tax, and financial information, about the seller and its business. In some transactions, that request will come in the form of a due diligence checklist or other formal document identifying an exhaustive list of information to be compiled and provided by the seller. The attorney, working with the accountant in relevant instances, will then create detailed disclosure schedules. Those schedules are then appended to the sales agreement, with the seller certifying as to their accuracy and completeness. In other transactions, the purchaser's attorney will initially deliver a sales agreement that includes seller's representations and warranties that identify information to be included in disclosure schedules. In either case, the attorney should inform the accountant about what tax and financial information is to be provided and the representations the seller will be required to make. The attorney and the accountant should work together to ensure that the information to be provided is accurate and comprehensive, thus minimizing the risk of the client making an unintentionally inaccurate representation that results in potential liability.

Many sales agreements will include a post-closing purchase price adjustment, often referred to as a working capital adjustment, to calculate the closing day value of items on the seller's balance sheet that regularly change in the ordinary course of business (e.g., cash, inventory, receivables, payables, etc.). A working capital adjustment accounts for the fact that the initial purchase price was based on financial information that becomes outdated during the period leading up to the closing date. Using closing date numbers, shortly post-closing the purchase price is recalculated as of the closing date, and payment is then made by one party to the other based on interim-period changes. It is essential that the accountant and the attorney discuss which balance sheet items should be included in the calculation of working capital, and how that calculation will affect the sales proceeds ultimately payable to the client.

Early on in the course of a transaction, the accountant and the attorney should discuss whether any tax elections advantageous to the seller are available, as well as their potential effect on the purchaser. They should then provide the seller with the information he or she will need to make the most informed decision possible about whether to make elections and how to respond to any resistance from the purchaser. With respect to tax elections, as in virtually all aspects of the sale, the seller should be encouraged to take a walk in the purchaser's shoes. Playing a zero sum game is likely to result in higher transaction costs for the seller with little or no corresponding benefit.

While some sales involve the initial signing of a sales agreement followed by due diligence and the satisfaction of various contingencies, at the conclusion of which the transaction is closed, in my experience sales are more often of the "sign and close" variety. In a sign and close, nothing is signed after the NDA and LOI are in place until the closing, at which time all sales and other agreements are signed and various supporting documents are exchanged. The sign and close model might come as a surprise to a first-time seller, especially one with experience in real estate transactions, which more often follow the two-step model. It is therefore incumbent on the accountant and the attorney to prepare the seller for a quick exit shortly after agreement to the terms of all transaction documents has been reached.

An area in which a seller's accountant will play a vital role is the allocation of the purchase price in an asset sale or a stock sale in which the purchaser wishes to make an election to step up its basis in acquired assets. A purchaser generally will (to the extent permitted under the Internal Revenue Code) want to allocate as much of the purchase price as possible to those assets that can be depreciated most quickly. Based on the seller's specific tax situation, which the accountant is likely to know far better than the attorney, that allocation might be disadvantageous to the seller. Therefore, the accountant, attorney, and client should collectively determine the allocation most beneficial to the client and discuss how hard the attorney should negotiate the issue with the purchaser's attorney.

The sale of a closely-held business is frequently a confusing and stressful experience for the seller. Working together, the seller's accountant and attorney can ease that stress and provide guidance to bring about a successful outcome. The accountant and the attorney who work collaboratively will bring about the best results for their clients, and might even enjoy themselves more in the process.

Anthony Delyani is Director, Corporate Department at McLane Middleton

Integrating ESG Into Your Business Strategy

By Timothy P. Hedley, PhD, CPA, CFF, CFE, Executive in Residence – Fordham University

(Reprinted with permission from the Connecticut Society of CPAs, CTCPA)

ESG stands for environmental, social, and governance, and is often used interchangeably with sustainability, corporate responsibility (CR), corporate social responsibility (CSR), and triple bottom line.

Fundamentally, sustainable business practices consider the future effects of business policies and activities. These practices are related to various risks, from climate change to employee health and safety to fraud and corruption. Although ESG concepts have been part of business discussions for many years, the effects of climate change and the COVID-19 pandemic have accelerated the ESG imperative and the need for organizations to adopt an ESG strategy. We will consider in this article some of the reasons to consider integrating ESG into your business strategy as well as briefly cover some of the pitfalls.

Long-Term Value Creation

ESG focuses on developing a long-term strategy that aligns with long-term financial returns. In a recent report entitled "Five Ways That ESG Creates Value," McKinsey and Company found that "paying attention to environmental, social, and governance (ESG) concerns do not compromise returns – rather, the opposite." After reviewing more than 2,000 studies on the effect of ESG on equity returns, McKinsey concluded that 63% had positive results and only 8% had negative consequences.

Further, organizations increase long-term value by taking advantage of lower energy consumption and efficient resource use cost reductions. For example, in its 2022 Global Impact Report, 3M announced that its Pollution Prevention Pays program saved more than $2.34 billion since the program's inception in 1975.

The Harvard Business Review (September-October 2020) found that sustainable business practices can help organizations gain better access to resources due to better government and community relations, which could lead to more growth opportunities.

Risk Mitigation, Opportunities for Growth, and Competitive Advantage

ESG factors can have material impacts on companies and have caused significant declines in valuation. Some headline events that have direct relevance to ESG include the Enron accounting scandal (governance), VW's emission scandal, which was a fraud driven by cultural and ethical lapses (governance), and BP's Deepwater Horizon rig explosion (environmental), which cost the company more than $65 billion in damages and losses.

The National Council on Occupational Safety and Health placed Amazon on its "Dirty Dozen" list of the most dangerous employers in the country (social). Specifically, Amazon made the list for such workplace issues as employees left without resources or income after on-the-job injuries, workplace fatalities, and suicide attempts. Amazon's ongoing workplace concerns are a continuing source of bad publicity and reputational damage.

Companies face numerous ESG risks related to climate change; the duty of care; working and safety conditions; respect for human rights; corruption practices; compliance with laws, regulations, and policies; litigation risks; reputational risks; and increased competition among other risks.

In a study by Loyola Marymount University, in all 12 industries examined, the group of ESG-listed companies showed lower stock return volatility than the reference companies – on average, by 28.67%. Understanding your ESG-risk profile and addressing the material issues can help maintain valuations, save your reputation, and decrease market volatility. It is plain that companies that fail to invest in ESG risk significant monetary losses as well as losing customers and talent to competitors who have invested in ESG issues.

Stakeholders Care

PwC's "2021 Consumer Intelligence Series Survey on ESG" found that 83% of consumers think companies should be actively shaping ESG best practices and that 76% of consumers said they would discontinue relations with companies that treat employees, communities, and the environment poorly.

PwC also found that 57% of consumers say that companies should do more to advance environmental issues. In comparison, 48% want companies to show more progress on social issues, and 54% expect more attention to governance issues. The PwC finding suggests that consumers and employees want to be associated with brands that have a positive impact on the world.

Changes in Demand for Sustainability Information

Stakeholders (those with a direct or indirect interest in an organization) require transparent and accurate sustainability reporting. The needs of these

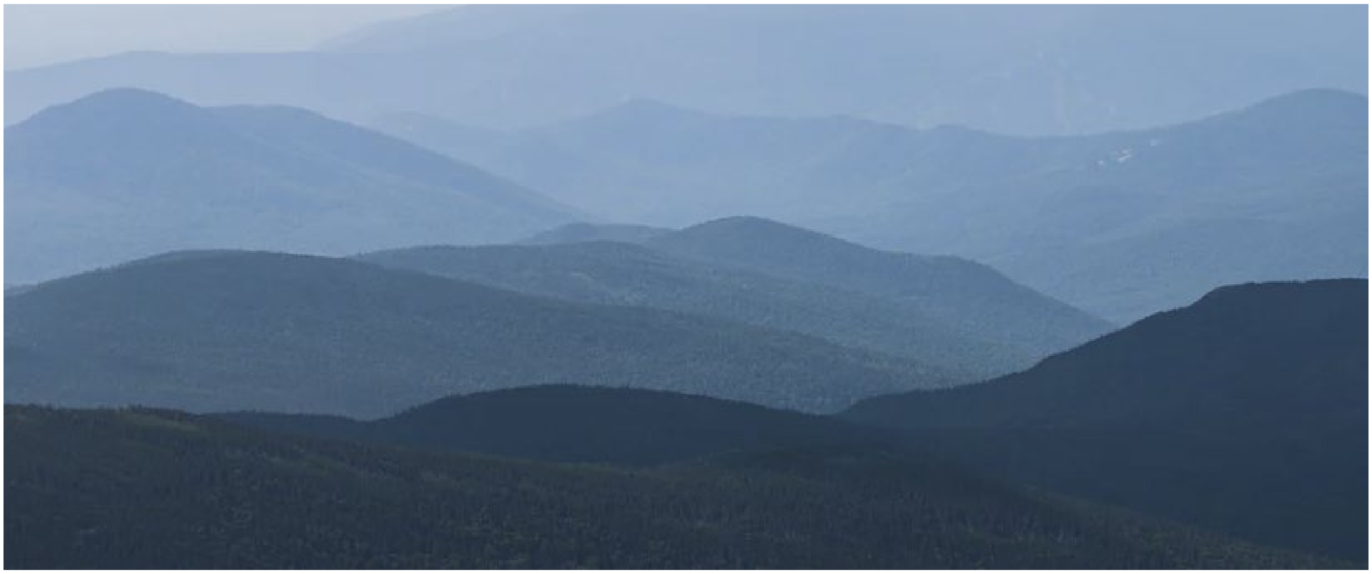
stakeholders can vary. For example, stakeholders may be concerned with reducing pollution and greenhouse gases, fair wages, workplace equality, diversity and inclusion, affordability and access to products, and responsible citizenship.

Investors, in particular, expect an organization to disclose its sustainability performance. In an EY "Climate Change and Sustainability Services (CCaSS) Institutional Investor Survey," 98% of institutional investors use ESG factors when considering investment decisions. The same survey found that from 2018 to 2020, the percentage of investors conducting a structured evaluation of non-financial disclosures rose from 32% to 73%.

Globally, governments are making climate-risk reporting mandatory. As the climate crisis worsens, increased legislation requiring more rigorous non-financial reporting is the response worldwide. For example, Thai law requires information on ESG practices to be included in annual reports, and Hong Kong's climate reporting plan is set to begin in 2025.

The European Council this summer announced that the new corporate sustainability reporting directive amends the 2014 non-financial reporting directive. It introduces more detailed reporting requirements and ensures that large companies are required to report on sustainability issues such as environmental rights, social rights, human rights, and governance factors.

In May, the Securities and Exchange Commission



proposed amendments to rules and reporting forms to "include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics."

Take Ownership of Your Organization's ESG Story

With the growth of third-party ESG data aggregators and scorers, your ESG story will be told. Each ESG data provider has developed a methodology to compile scores and aggregate and weigh ESG factors. It is best to get in front of this and tell your own story because the scorers tell it for you.

There are some caveats. For instance, be careful of simply supplying boilerplate information. Boilerplate can be vague and abstract and lead scorers to the wrong conclusions. Depending on the nature of your internal systems, there may be a lack of reliable ESG-related information, but the problem may not be as big as it first appears. Seventy-four percent of Sustainability Accounting Standards Board (SASB) topics are currently addressed in SEC filings.

Greenwashing is also a problem that may leave your ESG efforts for naught. Greenwashing is when an organization spends more resources marketing itself as environmentally friendly than it does to minimize its environmental impact. Greenwashing is a dishonest marketing tactic; too often, stakeholders can see past the hype.

Finally, there is the joint problem of lack of consistency and objectivity. Recently sustainability reporting standards, frameworks, and initiatives have boomed; however, they have done little to promote consistent and comparable decision-useful ESG information. The governance and control over ESG-relevant data are often poor, as is the nature of third-party assurance. This can lead to selective reporting that can easily slip into greenwashing.

The Bottom Line

The ESG train has left the station. Addressing the salient ESG risks your organization faces and reporting on your progress to address those can provide significant opportunities for growth and business resilience. These opportunities may include resource efficiency, cost reduction, innovation, the ability to capitalize on shifting consumer and investor demands, and even reduced government scrutiny.

Timothy P. Hedley, PhD, CPA, CFF, CFE is an executive-in-residence at the Gabelli School of Business at Fordham University, responsible for the ESG literacy programs and initiatives, and an adjunct accounting faculty member. He is Chair-elect of the CTCPA and founding chair of the ESG Committee. Tim is also a board member of the Center for Professional Accounting Practices. He is a retired partner from a Big Four accounting firm, where he served as the global lead partner for fraud risk management services.

An Update on the Future of Accounting Education

A Pessimistic Outlook Calls for Major Changes

By Mark C. Dawkins, PhD, CPA, CMA, CGMA and Michael Dugan, DBA

Reprinted with permission of the CPA Journal, a publication of the New York State Society of CPA's, 2023

IN BRIEF

The future of accounting education has been a topic of concern for the profession's leaders for years in the light of demographic shifts, competition for talent, and declining enrollments. The authors, following up a previous article on the subject, take another look at trends in enrollment, hiring, and sitting for the CPA exam. The authors fear that without major changes—more flexibility in education and licensing, higher salaries, and greater work/life balance—these trends will continue in a negative direction and imperil the future of the profession.

Two years ago, the authors collaborated on "The Future of Accounting Education: In-Demand Skills, Workplace Readiness, the 150-Hour Requirement, MAcc Programs, and the CPA Exam" (Mark C. Dawkins, Michael Dugan, Steven Mezzio, and Jerry E. Trapnell, The CPA Journal, September 2020, (https://bit.ly/3Qz873H). The article discussed how changing educational requirements for CPA exam eligibility have led to doubts about the future of accounting education. Specifically, the article questioned whether the original intent of the 150-hour requirement remained valid given declining enrollments in Master of Accountancy (MAcc) programs. It also discussed how the skills required of entry-level accountants are changing rapidly and are expected to continue to evolve as the use of technology in accounting increases.

This update extends the prior article by examining recent trends in:

1) overall undergraduate enrollments at public colleges and universities,

2) accounting major enrollments,

3) accounting hiring, and

4) the CPA exam. The implications of these trends for undergraduate accounting programs and the accounting profession as a whole are assessed.

TRENDS IN UNDERGRADUATE ENROLLMENTS AT PUBLIC COLLEGES AND UNIVERSITIES

The most recent numbers available from a May 26, 2022, report from the National Student Clearinghouse Research Center [National Student Clearinghouse Research Center, Current Term Enrollment Estimates, Fall 2021 (Table 3), January 13, 2022, https://bit.ly/3qonYb1] indicate that undergraduate enrollment declined 4.7% from spring 2021–spring 2022, which follows a 4.9% decline from spring 2020–spring 2021. Thus, the enrollment of undergraduate students has now fallen 9.4% in two years, or nearly 1.4 million students since the COVID-19 pandemic started (i.e., spring 2020–spring 2022), and 2.6 million students over the past decade.

This spring 2020–spring 2022 undergraduate enrollment decline of 9.4% is the largest in 50 years; the worst two-year period previously was a 3.3% decline during 2011–2013 when colleges and universities had just experienced all-time enrollment highs during the Great Recession (C. Burt, "Down 3.2% this Fall, College Enrollment Numbers may Reach 50-Year Low," Universitybusiness.com, October 26, 2021, https://bit.ly/3qmWum5, 2021).

According to projections by the Western Interstate Commission for Higher Education (WICHE), the number of high school graduates across the country will peak with the Class of 2025 at 3.93 million students. If these 2025 projections are realized, it will represent growth of 4% above the 3.77 million high school graduates in the Class of 2019 (R. Seltzer, "More High School Graduates Through 2025, but Pool Still Shrinks Afterward: Birth Dearth Approaches," Inside Higher Ed, Dec. 15, 2020, https://bit.ly/3qM7fyu).

But within five years, the factors pushing toward larger graduating class sizes are not expected to be sufficient to counteract the effects of declining birth rates. After 2025, the WICHE projections show graduating classes declining over the next 12 years, primarily because of lower birth rates from families having fewer children during the Great Recession (Seltzer 2020).

According to a recent report and CDC data (J. Marcus, "Colleges Face Reckoning as Plummeting Birthrate Worsens Enrollment Declines," The Hechinger Report, May 22, 2021, the number of births in 2020 declined by 4% or 142,000, to the lowest point since 1979. And the provisional number of births for the United States in 2021 was 3,659,289, up 1% from 2020 and the first increase in the number of births since 2014. Thus, even fewer students are likely to be entering colleges and universities 18 years from now.

In 2037, the U.S. high school graduating class is projected to be about the same size as it was in 2014, a total of 3.52 million students. Florida and Texas are the only two states expected to have larger high school graduating classes in 2037 as compared to 2019 (Seltzer 2020).

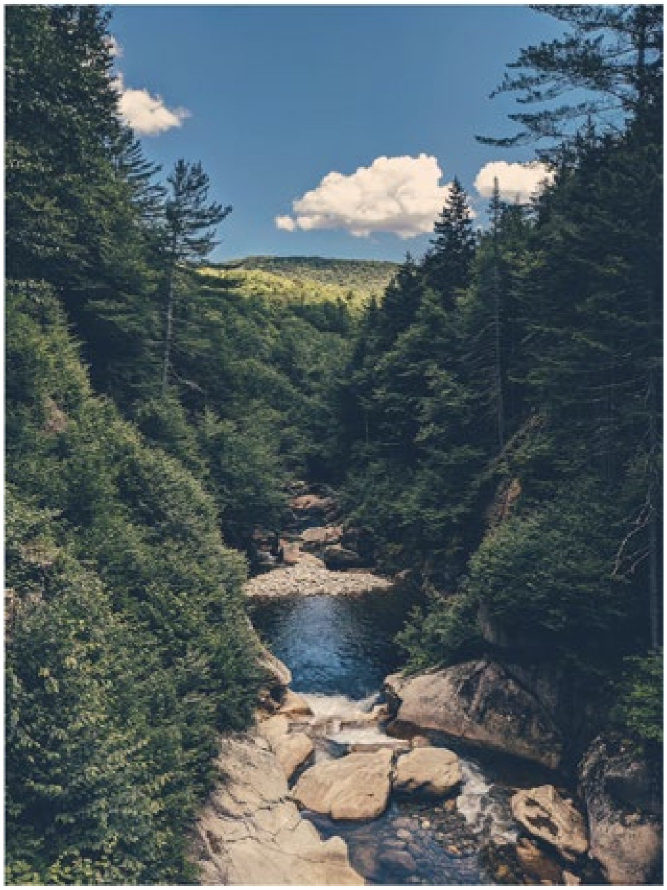
High school graduating classes are also expected to diversify significantly in the coming years, with growing proportions of Hispanic, multiracial, and Asian/Pacific Islander students. In fact, the first public high school graduating class that is no longer white non-Hispanic majority is projected to come by the Class of 2022 (Seltzer 2020). Exhibit 1 shows the projected demographic changes in high school graduating classes.

To summarize the university enrollment trends data, high school graduating class size will peak in 2025 and return to approximately 2014 levels by 2037. In addition, high school graduating classes are expected to diversify significantly in the coming years due to growing proportions of Hispanic, multiracial, and Asian/Pacific Islander students.

TRENDS IN UNDERGRADUATE ACCOUNTING MAJOR ENROLLMENTS

In the Illinois CPA Society's 2021 "A CPA Pipeline Report—Decoding the Decline," ICPAS President/CEO Todd Shapiro states: "We are witnessing a nationwide decline in not just new CPAs, but also accounting program enrollments."

The 2019 AICPA Trends report (Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits, 2019) provides accounting enrollment statistical projections and respondent expectations based upon university responses for the 2017/18 academic year and from responses for the



2018 calendar year (the 2021 AICPA Trends report does not include these data). Projected bachelor's, master's, and PhD accounting enrollments were down 4%, 6%, and 23% in 2018 compared with 2016, respectively, and the number of new CPA exam candidates hit a 10-year low.

The declining trends in accounting program enrollments should be of interest and concern to the PCAOB, SEC, FASB, GASB, and other leading authorities.

Even though overall accounting student enrollment decreased in 2018 as compared to 2016, racial/ethnic diversity increased in the 2017/18 academic year, with universities reporting increases in Hispanic or Latino accounting enrollees of 3 and 8 percentage points at the bachelor's and master's levels, respectively (AICPA 2019). Thus, recruiting more diverse students will be increasingly important going forward, particularly during the next 15 years. As discussed below, however, recruiting students is not the only issue.

In a September 2019 article, Alex Gabbin stated: "At the ground level, something has gone wrong with student perceptions about the value of an accounting education. Enrollment in James Madison University's

(JMU) School of Accounting over the past four years, for example, has dropped 34% in the intermediate accounting courses … This is a stunning decrease for JMU's accounting program" ("Warning Signs about the Future Supply of Accounting Graduates," The CPA Journal, September 2019, pp. 10–11, 2019, http://bit.ly/2pT8Vud).

Gabbin believes JMU's experience over the past several years "is not an anomaly to be dismissed; instead, it is an early warning that something significant has changed, perhaps long-term." Anecdotally, the authors are aware of significant accounting enrollment declines at R1 and other private and public universities, with accounting majors at some private universities down between 35% and 50% since 2016. Our September 2020 CPA Journal article discussed declining MAcc enrollments and the implications for accounting graduate programs.

In his article, Gabbin asks the following four relevant questions (our responses follow):

Is the profession properly acknowledging differences in the generation of students now entering college? We believe the profession is increasingly aware of differences in new college students relative to past students (e.g., use of technology, affinity for social media).

Are other professions becoming more attractive to top-tier students? We believe the answer is yes, particularly with respect to data analytics, supply chain, logistics, finance, and MIS/computer science. Each represents a four-year degree leading to a job paying $15,000–$30,000 more than a job requiring a five-year accounting degree. This implies that accounting salaries need to significantly increase for accounting degrees to compete with these high-demand business degrees.

Are there structural barriers to earning a CPA license that have become onerous? We believe the answer is yes. An Accounting Today survey of practitioners (D. Hood, "Is It Too Hard to Become a CPA? Practitioners Speak Out," Accounting Today, September 9, 2021, https://bit.ly/3DeNkzE) yielded the following suggestions:

- Drop the 150-hour requirement
- Extend the 18-month testing window (perhaps to four years)
- Increase salaries
- Reduce work hours
- Allow CPA exam candidates to qualify for the exam by "reading" or apprenticing under another CPA.

Is the compensation package offered in public accounting sufficiently attractive to compensate for the increased demands being placed on new hires? We believe the answer is no, and as noted in the second question above, salaries need to significantly increase for accounting degrees to compete with data analytics, supply chain, logistics, finance, and MIS/computer science degrees.

The declining trends in accounting program enrollments should be of interest and concern to the PCAOB, SEC, FASB, GASB, and other leading authorities. These organizations, particularly the regulatory ones, have a vested interest in the work of CPAs, and the declining enrollment trends present a serious threat to the profession's role of providing assurance to the public and markets. It is critically important that the public continues to have confidence in financial reporting, internal controls reporting, and the data supporting business transactions.

TRENDS IN UNDERGRADUATE ACCOUNTING HIRING

The 2021 and 2019 AICPA Trends reports ("Trends in the Supply of Accounting Graduates and the Demand for Public Accounting Recruits," 2021; AICPA 2019) provide statistical projections and respondent expectations based upon government Integrated Postsecondary Education Data Systems (IPEDS) data and university responses for the 2019/20 and 2017/18 academic years, respectively, and from firm responses for the 2020 and 2018 calendar years. According to the 2021 AICPA Trends report, "Accounting graduates trended downward in the 2019/2020 academic year, with decreases of 2.8% and 8.4% at the bachelor's and master's levels, respectively." According to the 2019 AICPA Trends report, "projected accounting graduates trended downward in the 2017/18 academic year, with decreases of 4% at both the bachelor's and master's levels and overall."

The 2021 AICPA Trends report said that new hires assigned to audit-related services increased 11.5 percentage points from 2018. Per the 2019 AICPA Trends report, in 2018 there was a 4-percentage point increase in new hires assigned to audit-related services, and a 4-percentage point decrease in new graduates assigned to taxation.

In 2020, CPAs firms' hiring of new accounting graduates decreased 10%, which followed an 11% decrease from 2016 to 2018. Across the last two AICPA Trends reports, the percentage of all new graduate hires by CPA firms who were non-accounting hires increased 11.7% from 2018 to 2020, representing 42.7% of all hires by accounting firms in 2020. This follows an 11% increase in non-accounting hires from 2016 to 2018, representing 31% of all hires by CPA firms in 2018. In the authors' opinion, this trend in CPA firms hiring more non-accounting graduates represents a very significant challenge to accounting programs.

Yvonne Hinson, the AICPA's academic in residence when the 2019 AICPA Trends report was released, noted in the report that "the gap in skills required in the profession, especially as it relates to data analysis and technology needs, is being met with non-accounting graduates." But what exactly is meant by this skills gap?

It is difficult to effect programmatic and curriculum changes at many institutions because of faculty inertia and the length of the approval process to make such changes.

A 2021 Journal of Accountancy article (C. Vien, "Wanted: More systems and analytics training for accounting students," Journal of Accountancy, March 12, 2021, https://bit.ly/3QGrNTs) reported the following from an AICPA-National Association of State Boards of Accountancy (NASBA) gap analysis survey: Accounting departments should update their curricula to meet the demands of practice since there are "significant gaps between what practice is demanding and what students are learning in accounting programs."

The AICPA-NASBA survey asked whether accounting departments taught the following topics:

- Data analytics (64% said yes)
- IT audit (63%)

- IT risks and controls (43%)
- IT governance (41%)
- Predictive analytics (40%)
- Cybersecurity (40%)
- Digital acumen (23%)
- Systems and Organization Control (SOC) engagements (23%).

Carl Mayes, the AICPA's associate director for CPA quality and evolution, said that the AICPA-NASBA survey's findings dovetail with what the CPA Evolution team has learned that employers need from accounting graduates. "The firms are demanding skills in data analytics and cybersecurity and IT audit and these other areas," he said. "Many graduates coming out of accounting programs don't have those skills, so they have to look elsewhere for that talent." The takeaway for department heads according to Mayes is not that they need to have a separate course on each of the eight topics covered in the gap analysis, only that they should assess their curricula and see which topics they might need to cover more thoroughly (Vien 2021).

Furthermore, it is difficult to effect programmatic and curriculum changes at many institutions because of faculty inertia and the length of the approval process to make such changes. For example, in New York State, program and curriculum change proposals go through a highly detailed and time-consuming review process. New York is also considering some additional changes in its CPA licensing educational requirements that might provide even more of a deterrent for students to major in accounting.

In order to appeal to high school and college students, the perceptions of the CPA must change from the traditional accounting, auditing, and tax preparation functions to today's role as strategic business advisors or a potential path to entrepreneurship.

CPA EXAM TRENDS

The 2021 AICPA Trends report found that the number of CPA exam candidates decreased 17% between 2019 and 2020 and increased 6% between 2020 and 2021. In addition, the number of CPA exam candidates who passed their fourth section of the exam decreased 11% between 2019 and 2020 after a 2% decline between 2018 and 2019. Also, the number of successful candidates decreased 5.5% between 2020 and 2021.

According to the 2019 AICPA Trends report, 2018 saw the lowest number of candidates sitting for the Uniform CPA Examination in 10 years. The AICPA stated: "We believe that for CPAs to continue to serve the marketplace, they must incorporate new and different skill sets and that it is incumbent upon the profession to take steps to cultivate these rapidly changing skills in accounting graduates and newly licensed CPAs."

In the ICPAS 2021 "A CPA Pipeline Report—Decoding the Decline" (https://bit.ly/3QDieVi), President & CEO Todd Shapiro states: "A stagnating CPA pipeline is a threat. It's an issue that will only get worse and grow more troubling without action" (Shapiro 2021). He originally issued this warning in a 2016 Insight Special Feature, "Pipeline Disruption: The Search for Solutions to the Weakening Supply of CPAs" ("Pipeline Disruption: The Search for Solutions to the Weakening Supply of CPAs," ICPAS, 2016, https://bit.ly/3L5olAN), and notes that "five years later, the issue has grown worse and more troubling."

Shapiro further states: "Compounding the CPA pipeline's troubling outlook is the waning presence of CPAs at the most visible and influential level of corporate finance—the CFO. In "Why You Don't Need to Be an Accountant to Be a CFO," (https://on.wsj.

com/3UpvGPV), the Wall Street Journal's Mark Maurer emphasizes that "at the 1,000 largest U.S. public companies, the portion of CFOs who are certified public accountants fell to about 36% last year, according to data from organizational consulting firm Korn Ferry. That is the lowest figure in the six years Korn Ferry has been collecting the data, down from 46% in 2014." Clearly, corporate America does not think of CPAs as "strategic."

Shapiro summarizes: "We steadfastly believe the CPA credential and the CPA profession are in a race for relevance, and the time to act is now."

To act, the ICPAS developed a survey targeted toward accounting students, graduates, and professionals younger than age 35 (CPAs and non-CPAs) to gain insight into: 1) what is driving the decline in individuals pursuing the CPA credential, and 2) why so many accounting students and young professionals either never take, or do not finish, the CPA exam.

Responses from individuals who do not plan to become CPAs were as follows:

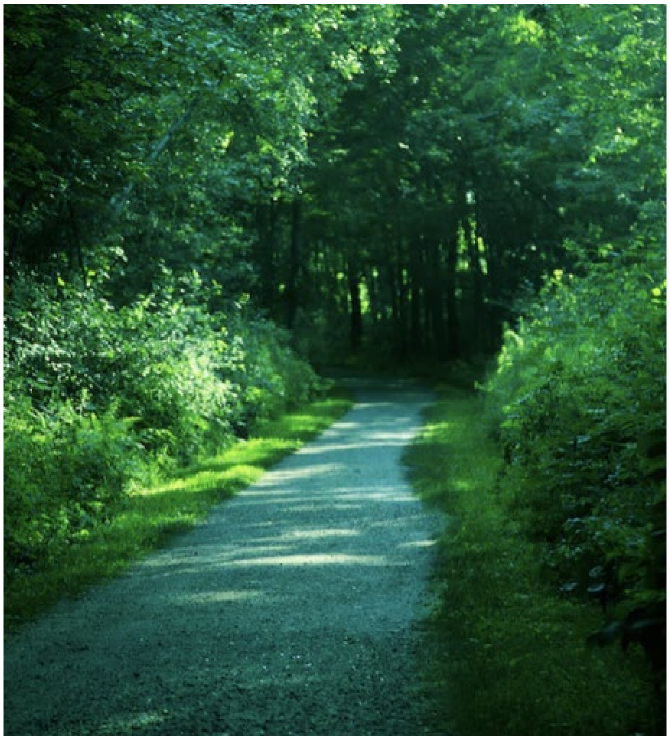
- Not seeing value or relevance to their careers (32%),
- Not seeing the return on investment (28%),
- Their employers or prospective employers do not require or support it (28%), and
- Other credentials or specialties are more valuable to their careers (28%).

Responses from individuals in the process or planning to become CPAs, and individuals unsure about getting the CPA, were as follows:

- Time commitment needed to study for and pass the CPA exam—
- workload time commitment (63%)
- personal time commitment (41%)
- Fear of failure (51%, students)
- Difficulty of the CPA exam content (54%, students)

The following were misconceptions about barriers to the CPA exam that this survey found were not validated or were unsubstantiated:

- Costs associated with obtaining the additional credit hours to meet the educational or licensing requirements (ranked lower than anticipated on the survey)



- Costs preparing for and taking the CPA exam (ranked lower than anticipated on the survey)
- Credential saturation and the pursuit of trending credentials are driving the decline of new CPAs.

When questioned about the CPA brand or how they viewed a CPA, all survey respondents most associated the words "accounting, auditing, and tax preparation" with the CPA credential. The survey results concluded: "This indicates respondents have a narrow view of what CPAs do and a limited perception of the value CPAs bring to clients and companies as trusted and strategic business advisors." A 2022 student survey conducted by the Center for Audit Quality (CAQ) confirmed this narrow view of CPAs and the need for perceptions of CPAs to change from accounting, auditing, and tax preparation to strategic business advisors or as a potential path to entrepreneurship in order to appeal to high school and college students ("Increasing Diversity in the Accounting Profession: Challenges and Opportunities," January 22, 2022).

RECOMMENDATIONS FOR THE FUTURE

Given the pace of technological changes in the accounting profession, the need to maintain the relevance of an accounting degree has never been more critical. Fewer than half of all accounting graduates ever sit for the CPA exam—and even fewer eventually pass it. The authors believe this is a major problem. Accounting programs and CPA firms must actively recruit increasingly diverse high school students while also recruiting from a declining white student population. In addition, accounting programs must update and modernize their curricula to incorporate much-needed skills, the missing skills that are driving accounting firms to hire more than 40% non-accountants. One potential constraint on updating curricula is the need for accounting programs to ensure they have the necessary faculty to successfully teach a modernized curriculum. In addition, in order to appeal to high school and college students, the perceptions of the CPA must change from the traditional accounting, auditing, and tax preparation functions to today's role as strategic business advisors or a potential path to entrepreneurship.

Given the pace of technological changes in the accounting profession, the need to maintain the relevance of an accounting degree has never been more critical.

The authors recommend that the AICPA, NASBA, state societies, standard setters (e.g., FASB, GASB), regulatory agencies (e.g., SEC, PCAOB), public accounting firms, and colleges and universities take immediate actions to make careers in accounting more appealing to high school and college students by considering the following major changes:

- Drop the 150-hour requirement for CPA eligibility.
- Extend the 18-month CPA testing window (perhaps to three to four years).
- Increase starting salaries to compete with other fields including data analytics, supply chain, logistics, finance, and MIS/computer science.
- Provide work/life balance by reducing work hours.
- Allow CPA exam candidates to qualify for the exam by "reading" or apprenticing under another CPA.

The authors fear that, without these major changes to the profession, accounting enrollments will continue to decline at both the undergraduate and graduate levels, thus jeopardizing the sustainability of many accounting programs. In turn, this outlook will adversely impact the quality and quantity of new entrants to the profession, which may lead to issues with the integrity of the auditing process and the financial reporting system itself.

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Michael T. Dugan, *, DBA (retired) was the Peter S. Knox III Distinguished Chair of Accounting in the Hull College of Business at Augusta University, Augusta, Ga.*

Important 2022 Tax Ramifications for Taxpayers with R & D Costs

Reprinted Courtesy Tax Point Advisors

Because of the law change derived from the **Tax Cuts and Job Act of 2018 (TCJA)** requiring all IRC Section 174 costs to be capitalized, taxpayers must ensure that they are both compliant with the new law and also take appropriate actions to minimize their increased 2022 tax burden. Unless Congress acts to repeal or delay this new requirement via new legislation or a tax extender bill, this change effects 2022 taxes.

What is more relevant to the taxpayer is that this requirement is unrelated in any manner whatsoever to the IRC Section 41 R & D tax credit. It is important to note that Section 174 covers any and all research costs, regardless if the taxpayer files the accompanying R & D tax credit. Therefore any taxpayer with Section 174 costs MUST capitalize and amortize these costs starting with their 2022 filing.

As you know, the **TCJA** requires all 2022 IRC Section 174 R & D expenses to be capitalized and amortized over a period of not less than 60 months. Broadly stated, a Section 174 expense is research and experimental (R & E) cost incurred with the connection of research costs in the experimental or laboratory sense, intended to discover information that would eliminate technical uncertainty concerning the development or improvement of a product or process.

Previously Section 174 contained an election allowing the taxpayer to either capitalize the Section 174 R & E amounts or expense the full amount in the year incurred. But under **TCJA**, this is no longer an election and instead, requires all taxpayers to capitalize and amortize these R & E costs. Therefore this new requirement will clearly drive up the taxpayer's taxable income and consequently, tax liability dramatically.

Potentially there could be a huge logistics issue for the taxpayer finding and accounting for those Section 174 costs. For many taxpayers who do not already file for the R & D tax credit could well be lost in the sea of analysis of determining what a 174 cost resembles.

Fortunately for the taxpayer who has previously filed the R & D tax credit under Section 41 then this process should not be as daunting. Here we would suggest the taxpayer begin with identifying those qualifying Section 41 R & D costs as at the very least, a good starting point. But because of the expansive definition of a 174 cost as compared to what is counted towards the R & D tax credit, the taxpayer will still be facing a much more involved analysis of their costs.

To mitigate against the looming tax burden facing the taxpayer who now must capitalize potentially millions of dollars of Section 174 costs (that they previously expensed), the two action steps the taxpayer must consider immediately is:

- Evaluating their fourth quarter estimated tax payments (state and federal) and
- Filing for the R & D tax credit.

While the first point is a bit obvious, the second is more subtle. Here the reasoning is, since the taxpayer now must affirmatively and actively identify the R & D costs under Section 174, then they should consider actively pursuing the Section 41 R & D tax credit as a means of helping mitigate the higher taxable burden.

Please contact Tax Point Advisors if you want to learn more about the implications of the **TCJA** and any questions you or your client may have about identifying the Section 174 costs, as well as the intricacies of R & D tax credit and how it may help your client's 2022 filing.

STAY CONNECTED

Update Your Profile

An accurate membership record helps the NHSCPA maintain the highest level of customer service and ensures the accuracy of mailings and online news. You can update your record any-time by logging into your NHSCPA profile at www.nhscpa.org. Click on the "Members" tab and "My Profile"

NHCPA Society Board Legislative Update

January 4, 2023

The 2023/2024 NH General Court has convened. Both the House and Senate met on Wednesday, January 3rd on what is called convening day. They also met together in a joint session to hear the election results of the Secretary of State election.

Each body also approved all new amendments to the House and Senate rules. So, it's official, the and the biennium is underway. The bodies will meet again on the 5th for the inauguration of Chris Sununu.

Hearings will begin next week. The House will meet Monday–Friday as they will use double rooms for meetings due still to COVID concerns. It looks like the Senate will continue to meet on Tuesday.

Thursday with a few exceptions.

To date, 1056 titles have been filed by House and Senate members. 58 have been withdrawn. That still leaves us with over 1000 bills as the Senate have confidential titles and we have no idea how many there are of these. So, it's going to be busy as usual.

What we have seen so far that may be of interest to the Society are:

HB 15
Reduces the BET for tax years ending on or after 2024.

HB 100
Changes the effective date of the I/D repeal to 2024.

HB 121
Repeals the water's edge combined group provisions for the BPT

HB 133
Repeals the communications services tax

HB145
No NH business shall be required to collect sales taxes for a foreign jurisdiction unless mandated by Congress or New Hampshire law.

HB 192
Repeals the phase out of the interest and dividends tax and changes the rates and exemptions.
There is more to come in the next few weeks.

The Society will do a presentation of Nh taxes and their implications for taxpayers the House Ways and Means Committee on January 10 at 1:30. The presenting team is Kevin Kennedy, Karen Lascelle, Michelle McVetty, and Kory Reynolds.

It will be an interesting biennium as we have a very tight numbers in the House (only a majority by 2 as of now for the Republicans out of 399 members and still one election has not been decided). It will all depend on who shows up whether a bill passes or fails in the House. The Senate should be more predictable at they are a 14-10 Republican majority.


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- An interview with program coordinator

GRADUATE TUITION AND FEES

Tuition rates and fees are subject to change

- $700 per credit hour plus applicable student fee
- Wiley CPA Review program (SNHU pricing $275 per part for 2 sections or $1,100 for full program)

HOW TO APPLY

All of the following items must be received before your application can be processed:

1. Completed application
   https://www.docusign.net/Member/PowerFormSigning.aspx?PowerFormId=de7e819b-2f7c-4fb4-ba09-fd2a22111cde
2. Undergraduate transcript
3. Résumé
4. $40 application fee

RETURN COMPLETED ITEMS TO:

Office of Graduate Admissions
Julie Callahan, Director
2500 North River Road
Manchester, NH 03106

PROGRAM CONTACT:

Professor Lisa Gerrish, MBA, CPA
l.gerrish@snhu.edu

The Master of Science in Professional Accountancy (MS.PAC) program is intended for students interested in pursuing a career in public accounting.

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ACC 680x	International Accounting
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ACC 685	Accounting for Nonprofit Entities
ACC 550	Cost Accounting
ACC 645	Advanced Auditing
ACC 730	Financial Reporting Review Course
ACC 700x	Seminar in Accounting Topics
ACC 702	Advanced Topics in Financial Reporting II
ACC 660x	Controllership
ACC 720	Auditing and Attestation Review Course
ACC 696	Situational Ethics in Accounting

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IN THE NEWS

PRESS RELEASE

January 3, 2023 (New York City, NY) – Marcum LLP today announced that Melanson, P.C. of Merrimack, New Hampshire, merged into Marcum, effective January 1.

The firm's 13 partners, 100 associates, and four offices in Maine, Massachusetts, and New Hampshire become part of Marcum's New England region. They join Marcum's eight established New England offices.

Terms of the deal were not disclosed.

Founded in 1976, Melanson was a regional public accounting firm serving both individuals and businesses, with specializations in the government and nonprofit sectors, as well as managed accounting services. The firm routinely earned the highest rating in peer reviews and was ranked a Regional Leader by Accounting Today and a top 300 firm by Inside Public Accounting.

"The Melanson team is highly regarded for their leadership, commitment to superior client service, and dedication to the highest industry standards. They ran a highly respected and accomplished firm, and we warmly welcome them to Marcum," said Jeffrey M. Weiner, Marcum's chairman & chief executive officer.

"Melanson grew over more than 40 years by providing clients with exceptional financial advice and services while fostering a challenging and rewarding environment for our employees. We've always believed that you can't have one without the other, and this is what makes our future with Marcum so bright. We share an absolute commitment to individual and collective success that will benefit our clients and our people right out of the starting gate," said Scott G. Toothaker, Melanson's managing principal and now Marcum's office managing partner in New Hampshire.

"The entire Melanson team strongly complements Marcum's industry strengths in the government and nonprofit sectors, while expanding our New England presence. They will be a key asset to our clients and our team as we continue to grow in this region," said Anthony Scillia, Marcum's New England regional managing partner.

Allan D. Koltin, CEO of Koltin Consulting Group, who advised both firms on the combination, commented, "Marcum continues to have success with their geographic strategy of finding best-in-class regional leaders to join their firm. Melanson was one of the preeminent firms in New England, and their combination with Marcum should produce great growth and long-term value for both."

About Marcum LLP

Marcum LLP is a top-ranked national accounting and advisory firm dedicated to helping entrepreneurial, middle-market companies and high net worth individuals achieve their goals. Marcum's industry-focused practices offer deep insight and specialized services to privately held and publicly registered companies, and nonprofit and social sector organizations. The Firm also provides a full complement of technology, wealth management, and executive search and staffing services. Headquartered in New York City, Marcum has offices in major business markets across the U.S. and select international locations.

REMINDERS

Save the Dates

- **Tuesday May 9**

  NHSCPA Inauguration and Annual Meeting

- **Monday, September 25**

  NHSCPA and NH Bankers' Women's Golf Tournament

From the NH Board of Accountancy:

- Notify the Board Office when information has changed such as address, email,etc. per administrative rule Ac 404.01
- The Board does not keep track of CPE credits; that is up to the licensee.
- Licensee must retain documentation of completing CPE for no less than four years from the date of renewal.
- Licensees must earn a minimum of 20 hours of CPE by June 30th each year.
- Licensees can find information on acceptable CPE within the Board's administrative rules located on the Board's website at https://www.oplc.nh.gov/board-accountancy-laws-and-rules.

Join us for a joint CPE Conference

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The New Hampshire, Maine, and Connecticut CPA societies are founding the New England CPA Consortium. The Consortium's mission is to advance NE CPAs' ESG literacy by raising awareness of corporate social responsibility, environmental stewardship, health and safety, organizational governance, and sustainability. If you are interested in learning more about ESG or want to join in the discussion of the current state of practice, becoming a member of the Consortium is a great place to start. To kick off our new joint effort with Connecticut and Maine, we are hosting an ESG-focused CPE event in Portsmouth on June 8th. We have secured highly regarded ESG practitioners and thought leaders to discuss the current state of ESG and the path forward. Please join us for the event. If you are interested in joining the Consortium or attending the ESG event, please contact Robin Abbott at rabbott@nhscpa.org.

GET PUBLISHED IN THE NHSCPA CONNECTION

If you have expertise in a particular subject and a willingness to share your knowledge with others, consider writing an article for the NHSCPA Connection. Features typically run between 1,000 and 1,500 words and cover current events, news within the profession and special interest topics. Get published by contacting Maura Coakley at mcoakley@nhscpa.org

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