

Annual Report of the Budget and Finance Committee

William C. Berlocher, Secretary-Treasurer, Chair

Bradley R. Smith, Senior Trustee

Edward H. Moody, Jr., Junior Trustee

Joel H. Berg, Freshman Trustee

John S. Rutkauskas, Executive Director

The Budget and Finance Committee met on two occasions during the past year. Those meetings occurred on September 27, 2006 in Chicago, Illinois and March 23, 2007 in Washington, D.C. The minutes of the September meeting are included in the report of the Budget and Finance Committee and the minutes of the March meeting will be presented to the Board of Trustees at the Annual Meeting in San Antonio.

Minutes of the Regular Meeting of the AAPD Budget and Finance Committee

Date: Thursday, September 27th, 2006

Place: AAPD Headquarters, Chicago, IL

Presiding Officer: AAPD Secretary Treasurer, Dr. William C. Berlocher

Members Present: Drs. Beverly Largent, Philip H. Hunke, Keith R. Morley, Bradley R. Smith, Edward H. Moody, Jr., Joel H. Berg and John S. Rutkauskas

Staff Present: Margitta Winkler, Director – Business Services and Nisha L. Gandhi, Business & Financial Associate

Guests: Drs. H. Pitts Hinson, Mr. Kenneth Zubeck, Senior VP- North Star Trust Company, Mr. Larry Martin, CPA-Martin & Martin, and Dr. Shahrzad Sami, AAPD Foundation Sam Harris Fellow.

Secretary Treasurer, Dr. Berlocher called the meeting to order at 8:05 am.

Adoption of Agenda

The agenda was modified with the addition of the following 2 items: Dr. Burt Edelstein's proposal to the committee and a discussion on the AAPD's CE courses and their benefits to members. The agenda was adopted as amended.

Approval of Minutes of the March 31st, 2006 AAPD Budget & Finance Committee Meeting

The minutes were approved as presented.

Economic Overview & Investments

Mr. Kenneth Zubeck, Senior Vice President and Chief Investment Officer, North Star Trust Company began his Economic Forecast presentation by stating some key areas of concern that exist in the market during this third (calendar year) quarter. Amongst these were rising energy prices, interest rate increases, high personal debt, the volatile international political environment etc. He stated that in the year 2007 we could be hearing about a “recession” due to these reasons. The GDP is currently growing at 3%, and might slow down to 2.25% in early 2007.

Keeping within the limitations of the board approved asset allocation model, the equity holdings are currently at 46%, fixed income at 48% and 6% as cash and cash equivalents. Since the start of the Academy’s fiscal year (July 1, 2006), we have seen a great influx of cash for dues payments. Currently we hold almost \$7 million in assets, maintaining \$300,000 in cash to meet AAPD Operating needs. Dr. Hunke informed Mr. Zubeck that we will need approximately \$600,000 to meet renovation costs for the AAPD’s new facilities within the next 90 days. Mr. Zubeck took note that he must maintain high cash reserves to meet this need.

Mr. Zubeck went on to explain the various holdings the AAPD has. The mutual funds invested have no commission costs or administrative charges; 78% of the bonds held are AA or better; the fixed assets, with the current yield of 5%, brings safety, stability and a good income stream to the portfolio; temporary cash reserves are invested in North Side Community bank’s Premium Money Market Accounts that are collateralized by US Treasury bills providing a current yield of 4.9%.

A comparison of AAPD Investment performance over the last 3-5 years shows that whenever the stock market has moved lower, the AAPD tends to out perform the market. For the most part, our annual returns have been in line with the Lipper Large Cap Core and S&P 500Index performance.

Dr. Stewart asked Mr. Zubeck what could be expected if the US were to face another 911, to which Mr. Zubeck assured the Committee the American economy is very strong and investors will look at the market as an opportunity. No long term negatives will be expected.

Motion: *To reaffirm the current Asset Allocation for the upcoming fiscal year as:*

- *Equity holdings:* 40-65%
- *Bonds:* 30-50%
- *Cash Equivalents:* 6%

This motion was unanimously accepted with note that changes could always be made, if necessary, during the January 2007 Board meeting.

Fiscal Year 2005-06 Audit Results

Mr. Larry Martin, CPA - Martin & Martin LLC, reported that the audit for year ending June 30, 2006 ended well and was a very well organized session. The audit was given a

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clean opinion with the statements that there had been no changes in accounting policies for the year, no disagreements with management and no difficulties were faced in the overall operations. He clarified that expenses for the AAPD Headquarters 17th floor construction will appear on the balance sheet with depreciation remaining at 3-5 years for IT equipment, 10 years for furniture and lease term for the actual leasing space. At the Committee's request Mr. Martin said that he would get a schedule together on the breakdown of the expenses and depreciation related to the renovation project.

In the discussion that followed, he highlighted that the interest and dividend income for the year rose to \$216,554 which was actual cash in the bank. Furthermore, he explained that the net operating loss carry-forward for the year was \$17,599 which could be applied to any UBIT or taxable portions of any future years' revenue such as advertising income. At the end of the discussion, Dr. Rutkauskas commended Ms. Winkler and Ms. Gandhi for a job well done.

Motion: *To accept and move the audit for the Fiscal Year 2005-06 as presented.*

This motion was unanimously accepted

Review of Membership Statistics

Dr. Rutkauskas gave an overview of the membership activity since the start of the fiscal year. With July through August being AAPD's largest income generating period, we have taken in almost \$600,000 in dues deposits. He mentioned that despite a slight increase in dues this year, we had not received even one complaint from members. Statistics show a growth in the Active membership category while affiliate, associate and international categories remain flat but steady. Student memberships are also on the rise. There has also been an infusion of pre-doctoral members into the Post-doctoral student membership program that reflects well for the profession.

It was mentioned that though the affiliate membership numbers are fairly low, Dr. Nick Rogers, AAPD Affiliate Trustee, has been doing a great job. Discussion suggested that an emotional tie to the AAPD needs to be established to help the Academy retain members in the Affiliate category. Mr. Litch mentioned that all efforts are being made to increase Affiliate membership, for example, Ms. Wester, Membership & Marketing Manager will be sending a follow-up letter to all attendees of the AGD meeting, which she just attended.

A need was also felt to try and increase AAPD's reach internationally and recruit more international members. A good time to target this effort would be at the AAPD Annual Session in Hawaii. Dr. Hunke mentioned that he would like to invite the IAPD president to the Washington DC meeting. Furthermore, Dr. Morley mentioned that when he attends the IAPD meeting in Hong Kong next year, he will encourage their members to come to our Annual Session.

FY 2006-07 Budget Adjustments

Dr. Rutkauskas started with an update of the AAPD Headquarters expansion project underway, and thanked the committee for their unanimous approval of the adjustments he had presented. All aspects of the move have been arranged and are expected to work seamlessly.

Ms. Catherine Mills, Meetings Director, came in to provide a broad overview of the 2007 AAPD Annual Session in San Antonio, with a request for a few changes in the budget numbers for the meeting. She proposed a move of the meeting registration process to a company called Experient. She explained that this move would help streamline the entire registration process by tying together registration and housing, would allow auxiliaries to register under their respective doctors and assist in reducing hotel attrition expenses. Many other dental groups such as the ADA and the AGD use Experient's registration services for their meetings. Also in order to offset the expenses for this, registration fees would not be raised by any more than \$10 a registrant. The Budget and Finance Committee felt that this was a good idea and agreed to the budget adjustments necessary to accommodate this project.

Dr. Rutkauskas and Dr. Berlocher presented the following budget adjustments to the Committee for their approval:

Income:

- Annual Session - increase by \$130,289
- Course #4 - increase by \$15,000
- Course #7 - increase by \$8,162
- Perinatal Grant -\$200,000

Expenses:

- Course #3 - increase by \$300
- Course #4 - increase by \$15,000
- Course #5 - increase by \$1,400
- Course #8 - increase by \$580
- Perinatal Grant - \$200,000
- Annual Session - increase by \$105,285
- ADEA - increase by \$2,700
- Headquarters Renovation fund - increase by \$154,606

Net loss after these adjustments - \$686,485

Motion: *To approve the budget adjustments as presented*

The motion was approved unanimously

New Business

1. A copy of the proposal in the form of a 1 page letter, submitted by Dr. Burt Edelstein seeking support in the amount of \$10,000 to \$15,000 for a study to determine whether

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pediatric dental residents at Children's Hospital of Boston could provide fluoride, ART and counseling services to children with ECC, was passed to members of the committee. The Budget and Finance Committee members felt that more details need to be provided for any funding approval. The decision was made to bring up this proposal at the Board of Trustees meeting for their input and direction.

2. Discussion on the Continuing Education courses currently provided by the AAPD was lead by Dr. Hunke. He mentioned that this was one of the fastest growing areas within the AAPD, most in demand by the membership, and would need to be evaluated regularly. Dr. Rutkauskas asked the Committee for direction on whether they saw value in comparing CE net revenue data between multiple years. The Committee requested Mr. Larry Martin to segregate the CE courses from their sequential numbers and have them be shown clearly by name in the audit reports submitted by them in a comparative format.

There being no further business, the meeting was adjourned at 11:00am.

Respectfully submitted,

William C. Berlocher, Chair

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