

NORTH CAROLINA STATE
BOARD OF BARBER EXAMINERS

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2014 AND 2013



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NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS

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NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS

Management's Discussion and Analysis

For The Fiscal Year Ended June 30, 2014

The following is a discussion and analysis of the North Carolina State Board of Barber Examiners' (the "Board") financial statements for the fiscal year ended June 30, 2014. The following financial statements and footnotes comprise our complete set of financial information. The Management's Discussion and Analysis identifies significant transactions that have financial impact and highlights favorable and unfavorable trends. Comparative data for the current year and the previous years are presented in the analysis.

Financial Highlights

The operating revenues of the Board decreased by approximately \$64,000, or 7.7%, primarily due to operating revenue sources and activities essentially outside the control of the Board. The Board's revenue streams are largely unpredictable as the registrant population continues to wait to renew licenses closer to the renewal deadline year after year. In fact, many registrants go two to four years without renewing licenses and subsequently renew for all past years at once when one desires to re-enter the occupation. Furthermore, the Board continues to rely on somewhat unpredictable sources of revenue such as late fees, legal fee reimbursements, fines and penalties for operating revenue. As stated in the prior year MD&A, the Board is progressively communicating more effectively with registrants regarding regulatory compliance. As a result, violations, civil penalties and late renewals have decreased since last year resulting in approximately \$71,400 less in revenue associated with these sources. The number of exams given for apprentice and registered licenses has decreased approximately 11% from last year. Ultimately, this decrease equates to fewer newly registered and apprentice barbers and less revenue from these sources over the next twelve months. However, student permits are up by 50% over last year, so the outlook is optimistic regarding an increase in exams and newly licensed apprentice and registered barbers in eighteen to twenty-four months from now.

The operating expenses of the Board increased by approximately \$ 39,000, or 4.5%, primarily from planned expenses associated with investments in new computers, software and technology to prepare for the future needs of its registrants and the general public. The Board invested approximately \$62,000 in initial implementation costs in fiscal year ending June 30, 2013 and \$30,000 in annual maintenance and service costs in fiscal year ending June 30, 2014 for its new computer system. The new system replaces an antiquated Access database system and will provide more efficient, accurate and accessible information for Board staff, registrants and the public at large. Depreciation increased by approximately \$11,600, primarily due to the depreciation of the new \$62,000 computer system which was capitalized and placed into service in the current year. Unforeseen expenditures in fiscal year ending June 30, 2014 included an increase of approximately \$16,000 in outside legal fees and \$11,000 in an ongoing court case and worker's compensation claim, respectively. The Board initiated the Barber School Audit Program in January 2014. The outreach has been well received and is achieving desired results. However, staff travel expenses have increased approximately 17% largely to support this program.

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2014

Overview of the Basic Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of the following components: 1) Statements of Net Position, 2) Statements of Revenues, Expenses and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to Financial Statements. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Position present the current and noncurrent positions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Position present information on how the Board's net position changed as a result of the year's operations.

The Statements of Cash Flows present information on how the Board's cash changed as a result of the year's activity.

The following presents condensed financial information on the operations of the Board as of and for the year ended June 30:

	2014	2013	2012
Current assets	\$ 407,436	\$ 549,074	\$ 527,557
Capital assets - net of depreciation	77,523	84,845	34,471
Total assets	484,959	633,919	562,028
Current liabilities	333,118	361,144	262,776
Noncurrent liabilities	41,285	32,345	32,635
Total liabilities	374,403	393,489	295,411
Investment in capital assets	77,523	84,845	34,471
Unrestricted	33,033	155,585	232,146
Total net position	\$ 110,556	\$ 240,430	\$ 266,617
Operating revenues	\$ 768,736	\$ 832,878	\$ 806,224
Operating expenses	900,404	861,484	700,163
Operating income (loss)	(131,668)	(28,606)	106,061
Non-operating revenues	1,794	2,419	3,269
Changes in net position	\$ (129,874)	\$ (26,187)	\$ 109,330

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS
Management's Discussion and Analysis
For The Fiscal Year Ended June 30, 2014

Events Affecting Future Operations

The Board is financially stretched to its limits. In addition, Board staffing needs are greater than the number currently employed. The Board has authorized an additional Administrative Assistant position and this position must be filled to maintain an appropriate level of service; however, revenue is insufficient at this time to fund the position. The Board has not had a statutory fee increase in over ten years. Meanwhile, operating expenses have naturally continued to increase. The Board voted to seek a fee increase at its April 2014 meeting. Board staff has identified legislators in both the Senate and House of Representatives to sponsor a bill in the 2015 long session to obtain the increase. The Board currently only has two months of operating revenue in reserve and the minimum reserve recommended is six months of operating revenue. Without a fee increase, the Board will not be able to sustain its current level of service and operations going forward.

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives and expends. If you have any questions about this report or need additional information, contact the North Carolina State Board of Barber Examiners, 5809 Departure Drive, Suite 102, Raleigh, NC 27616-1858.

Independent Auditor's Report

Members of the Board
North Carolina State Board of Barber Examiners
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the North Carolina State Board of Barber Examiners (the "Board"), an enterprise fund of the State of North Carolina, which comprise the statements of net position as of June 30, 2014 and 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Barber Examiners as of June 30, 2014 and 2013, and its changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, these financial statements are presented only for the North Carolina State Board of Barber Examiners and do not purport to and do not present fairly the financial position of the State of North Carolina as of June 30, 2014 and 2013, nor the changes in its financial position and its cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 1 – 3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bernard Robinson & Company, L.L.P.

Raleigh, North Carolina
October 13, 2014

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS**Statements of Net Position****June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS:		
Current assets:		
Cash - State Treasurer	\$ 405,084	\$ 546,722
Prepaid expenses	2,352	2,352
Total current assets	<u>407,436</u>	<u>549,074</u>
Capital assets - net of depreciation	<u>77,523</u>	<u>84,845</u>
Total assets	<u>484,959</u>	<u>633,919</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	24,832	42,691
Due to employees	4,085	2,762
Unearned revenue	304,201	315,691
Total current liabilities	<u>333,118</u>	<u>361,144</u>
Noncurrent liabilities:		
Accrued vacation	<u>41,285</u>	<u>32,345</u>
Total noncurrent liabilities	<u>41,285</u>	<u>32,345</u>
Total liabilities	<u>374,403</u>	<u>393,489</u>
NET POSITION:		
Investment in capital assets	77,523	84,845
Unrestricted	<u>33,033</u>	<u>155,585</u>
Total net position	<u>\$ 110,556</u>	<u>\$ 240,430</u>

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2014 and 2013

	2014	2013
Operating revenues:		
Registered certificates	\$ 283,572	\$ 283,235
Apprentice certificates	39,720	39,500
Instructor certificates	10,965	7,650
Apprentice exam fees	68,525	69,865
Registered exam fees	31,630	35,470
Instructor exam fees	10,890	8,250
Shop permits	117,610	124,840
Student permits	28,875	27,585
School permits	5,200	3,380
Inspection fees	29,060	26,960
Late fees	77,985	86,590
Fines and penalties	15,400	42,709
Legal fees reimbursed	35,549	71,050
Miscellaneous	13,755	5,794
Total operating revenues	768,736	832,878
Operating expenses:		
Salaries and wages	396,614	411,912
Payroll taxes	28,963	30,484
Retirement contributions	56,949	58,656
Medical insurance contributions	42,979	46,059
Board members' per diem	3,800	4,500
Travel - board members	3,644	2,425
Travel - staff	63,511	54,240
Other contracted services	31,883	27,861
Office rent	67,461	62,116
Telephone	12,285	12,744
Exam	10,719	7,125
Depreciation	16,776	5,201
Equipment rental and maintenance	12,008	10,414
Office supplies	24,103	24,736
Printing	6,069	7,184
Postage	10,650	14,366
Insurance and bonding	7,436	6,413
Legal services	27,354	11,436
Accounting and auditing	6,700	6,500
Computer services	28,022	10,437
Seminar and educational materials	4,810	1,314
Civil penalties remitted to State Treasurer	16,102	35,059
Miscellaneous	21,566	10,302
Total operating expenses	900,404	861,484
Operating loss	(131,668)	(28,606)
Non-operating revenues:		
Interest income	1,794	2,419
Total non-operating revenues	1,794	2,419
Changes in net position	(129,874)	(26,187)
Net position - beginning of year	240,430	266,617
Net position - end of year	\$ 110,556	\$ 240,430

See Notes to Financial Statements

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS**Statements of Cash Flows****Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from fees	\$ 757,246	\$ 902,091
Cash payments for operating expenses	(504,873)	(417,468)
Cash payments to employees for services	(386,351)	(412,302)
Net cash provided by (used in) operating activities	<u>(133,978)</u>	<u>72,321</u>
Cash flows from investing activities:		
Purchase of capital assets	(9,454)	(55,575)
Interest	1,794	2,419
Net cash used in investing activities	<u>(7,660)</u>	<u>(53,156)</u>
Increase (decrease) in cash	(141,638)	19,165
Cash - beginning of year	546,722	527,557
Cash - end of year	<u>\$ 405,084</u>	<u>\$ 546,722</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$ (131,668)	\$ (28,606)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	16,776	5,201
Changes in assets and liabilities:		
Prepaid expenses	-	(2,352)
Accounts payable	(17,859)	26,903
Due to employees	1,323	(100)
Accrued vacation	8,940	(290)
Unearned revenue	(11,490)	71,565
Total adjustments	<u>(2,310)</u>	<u>100,927</u>
Net cash provided by (used in) investing activities	<u>\$ (133,978)</u>	<u>\$ 72,321</u>
Supplemental disclosures of noncash investing, capital, and financing activities:		
Capital asset write-offs	<u>\$ 27,782</u>	<u>\$ -</u>

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS

Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The North Carolina State Board of Barber Examiners (the "Board") is an independent State agency. It is an occupational licensing board authorized by Chapter 86A of the *North Carolina General Statutes*. The five Board members are appointed by the Governor of the State of North Carolina. The Board is entitled to the services of the Attorney General of North Carolina.

The Board's function is to maintain minimum standards for services provided by barbers, barber apprentices and barber schools. The Board's operations are funded primarily through license fees, license examination fees and other income.

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. The accompanying financial statements present all funds and activities for which the Board is responsible.

For financial reporting purposes, the Board is a nonmajor enterprise fund of the primary government of the State of North Carolina and is reported as such in the State's Comprehensive Annual Financial Report (CAFR). These financial statements for the Board are separate and apart from those of the State of North Carolina and do not present the financial position of the State nor changes in the State's financial position and cash flows.

The accompanying financial statements present all funds and activities for which the Board is responsible.

Basis of Presentation

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by Governmental Accounting Standards Board (GASB).

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The basic financial statements of the Board have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when a liability has been incurred, regardless of the timing of the cash flows. Fees received for the various licenses are deemed earned when the license period begins.

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS
Notes to Financial Statements

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Board classifies its revenues and expenses as operating or non-operating in the accompanying Statements of Revenues, Expenses, and Changes in Net Position. Operating revenues and expenses generally result from providing services that are necessary to the Board's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions and consist primarily of license renewal fees. Operating expenses are all expense transactions other than those related to capital and noncapital financing or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Non-operating revenues and expenses include activities that have characteristics of non-exchange transactions and consist primarily of investment activities.

Cash - State Treasurer

This classification consists of funds deposited by the Board with the cash accounts of the North Carolina State Treasurer. Because these funds are immediately available for expenditure, they are considered a cash equivalent.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. The Board capitalizes assets that have a cost of \$1,000 or greater at the date of acquisition and an expected useful life in excess of one year. Depreciation is computed using the straight-line method over the following useful lives:

Equipment, furniture and software 3 - 10 years

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the books. Any gain or loss on disposition is reflected in non-operating revenue or expense for the period.

Unearned Revenues

Licenses are renewed for a period of one year. License applications, renewal fees, and exam fees received in advance are deferred and recognized as revenue in the period to which they relate.

Accrued Vacation

The vacation policy of the Board provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned.

Net Position

The Board's net position is classified as follows:

Invested in Capital Assets - This represents the Board's total investment in capital assets, net of accumulated depreciation.

Unrestricted - This represents assets with no external restriction as to use or purpose. Unrestricted net assets can be employed for any purpose designated by the governing board, as distinguished from funds restricted externally for specific purposes.

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS**Notes to Financial Statements**

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NOTE 2 - DEPOSITS - CUSTODIAL CREDIT RISK**Cash - State Treasurer**

Deposits include cash on deposit with the State Treasurer. It is the State Treasurer's policy and practice for deposits not covered by federal depository insurance to be covered by collateral held by the State of North Carolina's agent in the name of the State.

NOTE 3 - CAPITAL ASSETS

Capital assets are comprised of the following:

	Cost 6/30/13	Additions	Disposals	Cost 6/30/14	Accum. Depreciation	Net Amount
Equipment/ furniture/ software	\$ 218,099	\$ 9,454	\$ 27,782	\$ 199,771	\$ 122,248	\$ 77,523
	<u>\$ 218,099</u>	<u>\$ 9,454</u>	<u>\$ 27,782</u>	<u>\$ 199,771</u>	<u>\$ 122,248</u>	<u>\$ 77,523</u>
	Cost 6/30/12	Additions	Disposals	Cost 6/30/13	Accum. Depreciation	Net Amount
Furniture/ equipment	\$ 172,529	\$ 55,575	\$ 10,005	\$ 218,099	\$ 133,254	\$ 84,845
	<u>\$ 172,529</u>	<u>\$ 55,575</u>	<u>\$ 10,005</u>	<u>\$ 218,099</u>	<u>\$ 133,254</u>	<u>\$ 84,845</u>

NOTE 4 - ACCRUED VACATION

Accrued vacation consisted of the following:

	2014	2013
Beginning accrued vacation	\$ 32,345	\$ 32,635
Vacation earned	27,820	27,754
Vacation used	(18,880)	(28,044)
Ending accrued vacation	<u>\$ 41,285</u>	<u>\$ 32,345</u>

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS

Notes to Financial Statements

NOTE 5 - RETIREMENT PLAN

On October 1, 2000, the Board's employees became eligible to participate in the Teachers' and State Employees' Retirement System of North Carolina (System), which is a multiple-employer, cost-sharing defined benefit pension plan administered by the North Carolina State Treasurer. Benefit and contribution provisions for the System are established by the North Carolina General Statutes 135-5 and 135-8 and may be amended only by the North Carolina General Assembly. Employer and member contribution rates are set each year by the North Carolina General Assembly based on annual actuarial valuations.

After five years of creditable service (10 years if became a member on or after August 1, 2011), members of the System qualify for a vested deferred benefit. Employees who retire on or after age 65 and complete 5 years of membership service (10 years if became a member on or after August 1, 2011), reach age 60 within 25 years of membership service, or complete 30 years of creditable service receive a retirement allowance of 1.82% of an average final compensation (based on the 4 consecutive years that produce the highest average) multiplied by the number of years of creditable service. Employees may retire with reduced benefits if they reach age 50 with 20 years of creditable service or reach age 60 with 5 years of creditable service (10 years if became a member on or after August 1, 2011).

Plan members are required to contribute 6% of their annual covered salary. The Board is required to contribute at an actuarially determined rate. The Board's pension contributions were \$56,949 and \$58,656 for the years ended June 30, 2014 and 2013, respectively, based on the actuarially determined rates of 14.69% and 14.23%, respectively, of the annual covered payroll. Employee contributions were \$22,764 and \$24,145 for the years ended June 30, 2014 and 2013, respectively, based on 6% of annual base salary.

The System's financial information is included in the State of North Carolina Comprehensive Annual Financial Report. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page www.osc.state.nc.us and clicking on Financial Reports, or calling the State Controller's Financial Reporting Section at (919) 981-5454.

NOTE 6 - OPERATING LEASES

The Board entered into a seven-year lease agreement for office facilities in May 2003, effective September 1, 2003, which provided the option to renew for two additional five-year periods. On September 24, 2010, the Board opted to renew the lease for five years from November 1, 2010, to October 31, 2015. The lease rates for the first five-year renewal are subject to the Consumer Price Index increase not to exceed 1.5%.

In September 2013, the Board entered into a lease agreement for a new copier which calls for 60 monthly payments of approximately \$576. Under the agreement, the new leasing company paid the Board the balance under the old copier lease of \$6,422 to be applied to the remaining payments of approximately \$400 per month under the old lease which expires in December 2014.

Total rent expense under operating leases charged to operations was \$67,471 and \$62,116 for the years ended June 30, 2014 and 2013, respectively.

NORTH CAROLINA STATE BOARD OF BARBER EXAMINERS
Notes to Financial Statements

NOTE 6 - OPERATING LEASES (Continued)

The following is a schedule of future minimum rental payments under the leases at June 30, 2014:

<u>Years Ending June 30:</u>	
2015	\$ 64,501
2016	26,202
2017	6,911
2018	6,911
2019	1,728
	<u>\$ 106,253</u>

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of Board members are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's public officers' and employees' liability insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, workers' compensation and employers' liability.

NOTE 8 - CONTINGENT LIABILITIES

The Board is involved in a number of disciplinary hearings throughout the year which arise in the ordinary course of its operations. In the opinion of management, the results of such actions during the years under audit do not materially affect the financial position of the Board at year-end.

During the year ended June 30, 2014 the Board paid workers' compensation claims of approximately \$20,000 related to a claim made by a former employee. As of June 30, 2014, management estimates potential future claims related to this case to be approximately between \$10,000 and \$20,000. Such amounts have not been accrued as a liability in the Statement of Net Position as of June 30, 2014.

NOTE 9 - RELATED PARTY TRANSACTION

The Board pays fees to a family member of its staff related to janitorial services which amounted to \$4,200 for the fiscal years ended June 30, 2014 and 2013.

NOTE 10 - SUBSEQUENT EVENTS

Management of the Board evaluated subsequent events through October 13, 2014, which is the date the financial statements were available to be issued. Management discovered no subsequent events which should be disclosed.

The audit was conducted in approximately 50 hours at a cost of \$6,900.