

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2013**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Notes to financial statements	6 - 10
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	11
SUPPLEMENTARY INFORMATION	
Schedule of annual conference revenues and expenses	12

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Association of Small Business Development Centers

We have audited the accompanying financial statements of the Association of Small Business Development Centers (a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 financial statements.

**INDEPENDENT AUDITOR'S REPORT
(Continued)**

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 financial statements referred to above present fairly, in all material respects, the financial position of the Association of Small Business Development Centers as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Murray & Cavanaugh, P.C., CPAs

March 10, 2014

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013**

ASSETS		
Cash and cash equivalents		\$ 1,052,519
Investment in bank certificate of deposit, maturing in 2014		200,000
Investments in marketable securities - at fair value		1,678,903
Accrued interest on certificates of deposit		600
Accounts receivable		
Accreditation program fees	\$ 22,957	
Dues from member	4,629	
Other	10,484	
Allowance for uncollectible accounts	<u>(5,000)</u>	33,070
Accrued accreditation program fees		33,142
Prepaid expenses and deposit		54,092
Workshop materials on hand		12,975
Property and equipment, net of accumulated depreciation of \$29,527		<u>3,497</u>
Total Assets		<u><u>\$ 3,068,798</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		\$ 23,432
Payroll taxes payable		6,692
Accrued unused employee leave		22,831
Deferred revenue		<u>79,660</u>
Total Liabilities		\$ 132,615
Net Assets		
Unrestricted		
Board designated contingency reserve (note 11)	\$ 692,908	
Undesignated	<u>2,243,275</u>	<u>2,936,183</u>
Total Liabilities and Net Assets		<u><u>\$ 3,068,798</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Changes in Unrestricted Net Assets

Revenues and Gains

Revenues		
Membership dues	\$ 443,191	
Annual conference registration, sponsor, exhibitor and other fees	1,047,155	
Spring meeting registration fees	24,420	
Accreditation program fees from U.S. Small Business Administration	114,094	
Special services program fees	11,537	
Other	13,757	
Total Revenues	<u>\$ 1,654,154</u>	
Investment return	144,501	
Total Revenues and Gains		<u>\$ 1,798,655</u>

Expenses

Salaries, payroll taxes and benefits	\$ 623,343	
Awards, recognition, premiums and gifts	20,167	
Bank and credit card processing fees	38,086	
Contracted services - conferences and meetings	151,688	
Contracted services - other	22,978	
Food and beverage - conferences and meetings	361,491	
Impact assessment	19,667	
Insurance	12,900	
Investment management fees	15,181	
Marketing and promotion	78,049	
Office supplies and equipment expenses	30,802	
Postage and delivery	9,331	
Printing, design and copy	50,186	
Professional fees	41,035	
Rent of office	13,343	
Telephone / communications	30,294	
Travel and lodging	171,433	
Website	29,151	
Various other	36,551	
Total Expenses		<u>1,755,676</u>

Increase in Unrestricted Net Assets \$ 42,979

Net Assets - Beginning of year	<u>2,893,204</u>
Net Assets - End of year	<u><u>\$ 2,936,183</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Cash Flows From Operating Activities

Membership dues collected	\$ 438,562	
Conferences and meetings fees collected net of refunds	1,152,230	
Accreditation program revenue collected	98,222	
Special services program revenue collected	35,912	
Other collections	12,532	
Interest and dividends received	52,499	
Cash paid to employees and suppliers	<u>(1,764,261)</u>	
Net Cash Provided By Operating Activities		\$ 25,696

Cash Flows From Investing Activities

Proceeds from sales of marketable securities	\$ 398,674	
Redemption of bank certificate of deposit	200,000	
Investments in marketable securities including reinvested dividends	<u>(444,591)</u>	
Net Cash Used In Investing Activities		<u>154,083</u>

Net Increase in Cash and Cash Equivalents \$ 179,779

Cash and Cash Equivalents

Beginning of year	<u>872,740</u>
End of year	<u><u>\$ 1,052,519</u></u>

**Reconciliation of Change in Net Assets to Net
Cash Provided By Operating Activities**

Increase in net assets	\$ 42,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,472
Net realized and unrealized gains on investments	(92,585)
(Increase) decrease in:	
Accounts receivable and accrued revenue	2,722
Other assets	670
Increase (decrease) in:	
Accounts payable and accrued expenses	(9,222)
Deferred revenue	<u>79,660</u>
Net Cash Provided By Operating Activities	<u><u>\$ 25,696</u></u>

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS**

1. Organization and Nature of Activities

The Association of Small Business Development Centers (ASBDC) was incorporated in the state of Maine in 1979 for the purpose of providing a medium for communication among participating colleges, universities and state agencies and their respective directors, and to provide a forum through which the directors can express their views on small business development to public and private organizations. Through ASBDC's various programs they are dedicated to expanding the role of the national network of Small Business Development Centers (SBDC) in order to contribute to the growth of the state, regional and national economies.

The Association's membership consists of host institutions of small business development centers across the United States. The ability of members to satisfy their obligations for dues to the Association depends, in part, on state and Federal funding of the individual programs. The Association's revenues come from member dues, corporate and federal grants, and conferences.

2. Summary of Significant Accounting Policies

Basis of Accounting - The financial statements have been prepared using the accrual basis of accounting where revenue is recognized in the period in which it is earned, not when received, and expenses are recorded when incurred, not when paid. Revenue from dues is recognized in the period of membership, which ends on a calendar year basis for all members. Costs of serving members through the Association are expensed as incurred.

Accounts Receivable -Accounts receivable are reported net of a valuation allowance for probable uncollectible amounts. The allowance is estimated by management from historical performance and projection of trends. Generally, receivables are considered delinquent if not received within 60 days of the billing date. No interest is charged on accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventory of Materials - Workshop materials on hand are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

Property and Equipment - Property and equipment are valued at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. It is the Association's policy to capitalize acquisitions of property and equipment costing over \$500. Lesser amounts are expensed.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS**

2. Summary of Significant Accounting Policies – continued

Income Tax Status – The Association is a not-for-profit organization that is exempt from federal and Virginia income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Association is liable for income taxes on any net unrelated business income. There was no unrelated business income for the year 2013.

The Association's Form 990, *Return of Organizations Exempt from Income Tax*, for the years 2010 through 2013 are subject to federal and state income tax examinations.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Association considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Allocated Costs – Salaries, payroll taxes, and employee benefits have been allocated to program services and management and general based on relative level of effort.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. Investments in Marketable Securities

Investments in marketable securities are stated at fair value as measured using quoted closing prices in publicly-traded securities markets and consist of equity and bond mutual funds as follows at December 31, 2013:

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Mutual Funds			
Columbia Acorn Fund	2,301.734	\$ 70,432	\$ 85,901
Thornburg International Value Fund	2,666.408	69,420	85,485
Vanguard Index Trust 500 Portfolio	4,042.993	543,507	688,764
Bond Mutual Funds			
Blackrock High Yield Bond Fund	10,094.907	80,495	82,879
Harbor Bond Fund	27,330.773	334,075	326,603
Templeton Global Bond Fund	6,339.023	75,866	82,978
Western Asset Core Plus Portfolio	29,159.361	309,292	326,293
		<u>\$ 1,483,087</u>	<u>\$ 1,678,903</u>

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS**

4. Investment Return

The following summarizes investment returns and their classification in the statement of activities for the year.

Interest income - certificates of deposit	\$ 3,116
Dividend income - marketable securities	48,800
Net realized and unrealized gains on marketable securities	<u>92,585</u>
	<u>\$ 144,501</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2013

Office furniture and equipment	\$ 18,424
Computer equipment	<u>14,600</u>
	\$ 33,024
Less: accumulated depreciation	<u>29,527</u>
	<u>\$ 3,497</u>

Depreciation expense for the year amounted to \$1,472.

6. Functional Expenses

Functional expenses are expenses classified according to the purpose for which they are incurred. The Association's functional expenses are the following:

Program services	\$ 1,283,122
Management and general	<u>472,554</u>
Total	<u>\$ 1,755,676</u>

7. Pension Plan

The Association maintains a 401(k) pension plan for all eligible employees meeting the minimum length of service qualification. The Association's matching contributions expense amounted to \$14,006 for the year. The plan is managed by RCM&D, Inc., a professional plan administrator.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS**

8. Lease Agreement

The Association leases office space located at 8990 Burke Lake Road in Burke, Virginia under an operating lease expiring November 30, 2019. For 2013 rent under the lease amounted to \$13,343. The following are the future minimum lease payments required under the lease as of December 31, 2013

Year 2014	\$	13,743
2015		14,155
2016		14,580
2017		15,017
2018		15,468
2019		14,568
		\$ 87,531

9. Concentrations of Credit Risk

The Association maintains its deposits of cash and cash equivalents and investments in bank certificates of deposit at several banks and an investment institution. Accounts at each bank are generally insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013 uninsured balances approximated \$567,000.

The Association's major source of revenue is derived from dues and conference fees paid by its membership. The membership is made up of small business development centers which depend, in part, on state and federal funding.

10. Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2013 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments in marketable securities		
Mutual funds	\$ 1,678,903	\$ 1,678,903

The Association recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2013.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
NOTES TO FINANCIAL STATEMENTS**

11. Board Designated Contingency Reserve

All net assets are unrestricted, but the board of directors and membership in March, 2002 established a long-term reserve fund funded by a three year dues surcharge of 0.0015%. In 2005 the dues surcharge expired. That reserve, pursuant to the by-laws (as amended in 2009) requires a two-thirds board vote of approval before the funds may be used. Additions to the contingency reserve were made in the years 2003 through 2006.

12. Commitments

The Association has future commitments in the form of hotel contracts for the Association's annual conference through 2018 and its spring meeting through 2014. These contracts contain various standard penalty clauses related to minimum room nights, cancellations and minimum food and beverage expenditures. Those clauses could pose future liability. The extent of this potential liability cannot be accurately assessed due to factors including the availability of federal funding, program restrictions, etc.

13. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 10, 2014, the date that the financial statements were available to be issued.

Murray & Cavanaugh, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
Association of Small Business Development Centers

We have audited the financial statements of the Association of Small Business Development Centers as of and for the year ended December 31, 2013, and have issued our report thereon dated March 10, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of annual conference revenues and expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Murray & Cavanaugh, P.C., CPAs

March 10, 2014

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Included in the Statement of Activities are the following revenues and expenses related to the annual conference:

Conference revenues		
Registration, sponsor, exhibitor, and other fees		\$ 1,047,155
Conference expenses		
Salaries, payroll taxes and benefits - allocated	\$ 277,422	
Awards, recognition, premiums and gifts	18,995	
Bank and credit card processing fees	34,557	
Contracted services and speaker fees	149,792	
Food and beverage	320,084	
Insurance	6,202	
Marketing and promotion	67,723	
Office supplies and equipment expenses	7,669	
Postage and delivery	8,319	
Printing, design and copy	31,147	
Telephone / communications	10,037	
Travel and lodging	52,188	
Various other	7,839	991,974
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Excess of Conference Revenues over Expenses		<u>\$ 55,181</u>