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ASSOCIATION OF SMALL BUSINESS DEVELOPMENT
CENTERS

FINANCIAL STATEMENTS

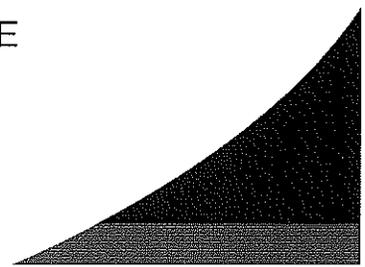
AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2014

MATTHEWS, CARTER & BOYCE

RESPECT. CONFIDENCE. TRUST.



ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

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MATTHEWS, CARTER & BOYCE
CPAs • ADVISORS

Independent Auditors' Report

To the Board of Directors of the
Association of Small Business Development Centers
Burke, Virginia

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, 2014, and the related statements of activities and cash flows for the years 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.

Auditors' 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 auditors' 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 auditors consider 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.

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, 2014, 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.

Fairfax, Virginia
May 26, 2015

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$ 969,974
Investment in bank certificate of deposit	600,000
Accrued interest on certificates of deposit	790
Accounts receivable, net	82,290
Accrued accreditation program fees	1,003
Prepaid expenses and deposits, current portion	47,472
Workshop materials on hand	11,025

Total Current Assets \$ 1,712,554

PREPAID EXPENSES AND DEPOSITS, non-current portion \$ 15,160

PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$30,931 \$ 2,092

INVESTMENTS IN MARKETABLE SECURITIES - at fair value \$ 1,279,259

TOTAL ASSETS \$ 3,009,065

LIABILITIES AND NET ASSETS

LIABILITIES

Current Liabilities

Accounts payable	\$ 8,116
Accrued unused employee leave	22,300
Deferred revenue	2,047

Total Current Liabilities \$ 32,463

NET ASSETS

Unrestricted

Board designated contingency reserve	\$ 692,908
Undesignated	2,283,694

Total Net Assets \$ 2,976,602

TOTAL LIABILITIES AND NET ASSETS \$ 3,009,065

See accompanying notes to the financial statements.

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES AND GAINS

Revenues	
Membership dues	\$ 476,879
Annual conference registration, sponsor, exhibitor and other fees	1,159,931
Spring meeting registration fees	32,762
Accreditation program fees from U.S. Small Business Administration	129,580
Special services program fees	169,910
Other	3,859
	<hr/>
Total Revenues	\$ 1,972,921
Investment return	103,985
Total Revenues and Gains	<hr/> <u>\$ 2,076,906</u>

EXPENSES

Salaries, payroll taxes and benefits	\$ 617,931
Awards, recognition, premiums and gifts	34,573
Bank and credit card processing fees	40,672
Contracted services - conferences and meetings	219,250
Contracted services - other	68,340
Food and beverage - conferences and meetings	420,415
Impact assessment	19,724
Insurance	14,485
Investment management fees	13,681
Marketing and promotion	9,712
Office supplies and equipment	23,086
Postage and delivery	9,903
Printing, design and copying	61,548
Professional fees	24,635
Boots to Business Modules	54,210
Rent	13,743
Telephone/communications	21,651
Travel and lodging	254,425
Website	27,400
Various other	87,103
	<hr/>
Total Expenses	<hr/> <u>\$ 2,036,487</u>

INCREASE IN NET ASSETS \$ 40,419

NET ASSETS - BEGINNING OF YEAR 2,936,183

NET ASSETS - END OF YEAR \$ 2,976,602

See accompanying notes to the financial statements.

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Membership dues collected	\$ 481,508
Conferences and meetings fees collected net of refunds	1,115,080
Accreditation program revenue collected	123,815
Special services program revenue collected	153,965
Other collections	3,859
Interest and dividends received	44,953
Cash paid to employees	(625,154)
Cash paid to suppliers	(1,439,057)
Net Cash Used in Operating Activities	<u>\$ (141,031)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of marketable securities	\$ 500,000
Purchases of bank certificates of deposit	(1,000,000)
Redemption of bank certificates of deposit	600,000
Investments in marketable securities including reinvested dividends	(41,514)
Net Cash Provided by Investing Activities	<u>\$ 58,486</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS

\$ (82,545)

CASH AND CASH EQUIVALENTS

Beginning of year	<u>1,052,519</u>
End of year	<u>\$ 969,974</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Increase in net assets	\$ 40,419
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	1,405
Net realized and unrealized gains on investments	(58,842)
(Increase) decrease in:	
Accounts receivable and accrued revenue	(49,220)
Other assets	25,359
Increase (decrease) in:	
Accounts payable and accrued expenses	(22,539)
Deferred revenue	(77,613)
Net Cash Used In Operating Activities	<u>\$ (141,031)</u>

See accompanying notes to the financial statements.

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Note 1. Organization and Nature of Activities

The Association of Small Business Development Centers (ASBDC or the Association) 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 view on small business development to public and private organizations. ASBDC is currently located in Burke, Virginia. Through ASBDC's various programs it is 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.

Note 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.

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 or property and equipment costing over \$500. Lesser amounts are expensed.

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 2014.

The Association's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2014, 2013, 2012, and 2011 are subject to federal and state income tax examination. None is currently under examination.

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Note 2. Summary of Significant Accounting Policies (Concluded)

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 flow, 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.

Note 3. Investments in Marketable Securities

The Association values its investments in accordance with “The Fair Value Measurement Topic” of FASB ASC 820. FASB ASC 820 establishes a consistent definition of fair value and a hierarchy that encourages and is based on the use of observable inputs, but allows for unobservable inputs when observable inputs do not exist. Inputs are classified into one of three categories:

- Level 1 – Inputs to the valuation methodology are quoted in an active market.
- Level 2 – Inputs to the valuation methodology are inputs other than quoted prices in an active market that are observable.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

All of the Association’s investments are valued using Level 1 inputs. 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, 2014:

	Shares	Cost	Fair Value
Equity Mutual Funds			
Cambiar International Equity Fund	2,273.967	\$ 56,788	\$ 52,324
Delaware Inv. Small Cap Fund	1,117.455	62,105	61,515
Vanguard Index Trust 500 Portfolio	2,942.342	416,313	558,721
Bond Mutual Funds			
Blackrock High Yield Bond Fund	7,714.440	61,792	60,790
Harbor Bond Fund	19,821.600	246,538	239,049
Templeton Global Bond Fund	4,778.691	60,163	59,304
Western Asset Core Plus Portfolio	21,267.694	234,062	247,556
		<u>\$ 1,137,761</u>	<u>\$ 1,279,259</u>

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Note 3. Investments in Marketable Securities (Concluded)

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, 2014 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	\$ 1,279,259	\$ 1,279,259

The Association recognizes transfers of assets into and out of levels as of the date an event or changes in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2014.

The following summarizes investment return as shown in the statement of activities for the year.

Interest and dividends	\$ 45,142
Net realized and unrealized gains on marketable securities	<u>58,843</u>
	<u>\$ 103,985</u>

Note 4. Property and Equipment

Property and equipment consisted of the following at December 31, 2014:

Office furniture and equipment	\$ 18,424
Computer equipment	<u>14,599</u>
	\$ 33,023
Less, accumulated depreciation	<u>(30,931)</u>
	<u>\$ 2,092</u>

Depreciation expense for the year amounted to \$1,405.

Note 5. Functional Expenses

Functional expenses are classified according to the purpose for which they are incurred. Costs that can be identified with a particular program or support function are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services and to management and general based upon management's best estimates. The Association's functional expenses are the following;

Program services	\$ 1,575,556
Management and general	<u>460,931</u>
Total	<u>\$ 2,036,487</u>

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

Note 6. 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 \$15,031 for the year. The plan is administered by RCM&D, Inc. a professional plan administrator.

Note 7. Lease Agreement

The Association leases office space located in Burke, Virginia under an operating lease expiring November 30, 2019. For 2014, rent under the lease amounted to \$13,743. The Association also leases a copier under a 60 month lease. The following are the future minimum payments required under the lease as of December 31, 2014:

2015	\$	19,139
2016		19,563
2017		20,001
2018		20,451
2019		19,551
Thereafter		-
	\$	<u>98,705</u>

Note 8. Concentrations of Credit Risk

The Association places its deposits of cash and cash equivalents and investments in bank certificates of deposit at several banks and an investment institution. At times, such deposits may be excess of the FDIC insurance limit.

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.

Note 9. Board Designated Contingency Reserve

All net assets are unrestricted, but the board of directors and membership in March 2001 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.

Note 10. Commitments

The Association has future commitments in the form of hotel contracts for the Association's annual conference through 2018 and for 2021 and 2022, and for its spring meeting through 2017. 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.

Note 11. Subsequent Events

The Association has evaluated subsequent events through May 26, 2015, the date that the financial statements were available to be issued. The Association determined there are no subsequent events to report.



MATTHEWS, CARTER & BOYCE
CPAs • ADVISORS

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
Association of Small Business Development Centers
Burke, Virginia

We have audited the financial statements of the Association of Small Business Development Centers as of and for the year ended December 31, 2014, and have issued our report thereon dated May 26, 2015, 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.

Fairfax, Virginia
May 26, 2015

ASSOCIATION OF SMALL BUSINESS DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

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		\$ 1,159,931
Conference expenses		
Salaries, payroll taxes and benefits - allocated	\$ 239,412	
Awards, recognition, premiums and gifts	32,598	
Bank and credit card processing fees	36,847	
Contracted services and speaker fees	265,307	
Food and beverage	362,881	
Insurance	4,120	
Marketing and promotion	3,936	
Office supplies and equipment	6,015	
Postage and delivery	7,640	
Printing, design and copying	67,253	
Telephone/communications	292	
Travel and lodging	53,779	
Various other	31,658	
	<u>1,111,738</u>	
Excess of Conference Revenues over Expenses		<u>\$ 48,193</u>

See accountants' report on additional information.