

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

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*Members  
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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 statement of financial position of the Association of Small Business Development Centers (a nonprofit organization) as of December 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the overall accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Murray & Cavanaugh, P.C., CPAs*

May 31, 2002

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2001**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 419,847
Accounts receivable		
Insurance claim for conference cancellation	\$ 345,913	
U.S. government - SBDC certification program	63,341	
PBS project assessment	66,350	
Membership dues and other	<u>275,784</u>	751,388
Prepaid expenses and deposit		2,185
Property and equipment, net of accumulated depreciation of \$26,551		<u>3,454</u>
<b>Total Assets</b>		<u><u>\$ 1,176,874</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable		
Cancelled conference fees held	\$ 479,998	
Other	<u>37,743</u>	\$ 517,741
Deferred revenue		
Membership dues	\$ 366,761	
Special membership assessment for future PBS project	<u>105,350</u>	<u>472,111</u>
<b>Total Liabilities</b>		\$ 989,852
<b>Net Assets</b>		
Unrestricted		<u>187,022</u>
<b>Total Liabilities and Net Assets</b>		<u><u>\$ 1,176,874</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenue</b>			
Membership dues	\$ 364,788	\$ -	\$ 364,788
Spring conference and meeting fees	32,961	-	32,961
Insurance reimbursement for cancelled fall conference	345,913	-	345,913
Federal SBDC certification program revenue	-	111,373	111,373
Non-federal program and other revenue	14,247	-	14,247
Interest	5,279	-	5,279
Net assets released from restrictions	139,799	(139,799)	-
<b>Total Support and Revenue</b>	<u>\$ 902,987</u>	<u>\$ (28,426)</u>	<u>\$ 874,561</u>
<b>Expenses</b>			
Personnel costs	\$ 389,886	\$ -	\$ 389,886
Legislative counsel	105,798	-	105,798
Awards, recognition and premiums	17,928	-	17,928
Contracted services	58,827	-	58,827
Dues and subscriptions	11,843	-	11,843
Marketing	22,924	-	22,924
Office supplies and equipment expenses	21,124	-	21,124
Postage and delivery	14,457	-	14,457
Printing, design and copy	33,069	-	33,069
Professional fees and audit	25,609	-	25,609
Seminars and meetings	34,907	-	34,907
Telephone	20,710	-	20,710
Travel	118,277	-	118,277
Website maintenance and development	11,464	-	11,464
Miscellaneous other	38,482	-	38,482
<b>Total Expenses</b>	<u>\$ 925,305</u>	<u>\$ -</u>	<u>\$ 925,305</u>
<b>Change in Net Assets</b>	\$ (22,318)	\$ (28,426)	\$ (50,744)
<b>Net Assets - Beginning of year</b>	<u>209,340</u>	<u>28,426</u>	<u>237,766</u>
<b>Net Assets - End of year</b>	<u>\$ 187,022</u>	<u>\$ -</u>	<u>\$ 187,022</u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

**Cash Flows From Operating Activities**

Membership dues received	\$ 383,746
Federal SBDC certification program revenue received	143,960
Conferences and meetings fees collected	602,731
PBS project special assessments received	39,000
Miscellaneous other receipts	12,499
Interest received	5,279
Cash paid to employees and suppliers	<u>(928,963)</u>

Net Cash Provided From Operating Activities \$ 258,252

**Net Increase in Cash and Cash Equivalents** \$ 258,252

**Cash and Cash Equivalents**

Beginning of year	<u>161,595</u>
End of year	<u><u>\$ 419,847</u></u>

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

Change in net assets	\$ (50,744)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,555
(Increase) decrease in:	
Accounts receivable	(288,398)
Other assets	1,001
Increase (decrease) in:	
Accounts payable and accrued expenses	469,036
Deferred revenue	<u>122,802</u>
Net Cash Provided By Operating Activities	<u><u>\$ 258,252</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 1977 for the purpose of providing a medium for communication among participating universities and their 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 directors 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 support comes 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.

Revenue arising from programs with corporate sponsors and the U.S. government are recognized to the extent of allowable expenditures and proportional fee or indirect costs incurred. Receivables are recognized to the extent that costs which are eligible for reimbursement have been incurred and not received

**Recognition of Donor Restricted Revenue** - Support and revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted revenues are reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished) temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**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 seven years.

**Income Tax Status** - The Association is a not-for-profit organization that is exempt from federal income taxes under Section 501 (c) (6) of the Internal Revenue Code, except for the excess of revenue over expenses, if any, of unrelated business income.

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

**2. Summary of Significant Accounting Policies - continued**

**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.

**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. Insurance Claim for Fall Conference Cancellation**

The Association holds two conferences each year to promote education and networking among state Small Business Development Centers and to provide a forum for the discussion of issues affecting small businesses. The Association's fall 2001 conference was scheduled to begin on September 12, 2001 in Dallas, Texas. Due to the terrorists activities on September 11<sup>th</sup> and resulting inability of most of the attendees, registrants, exhibitors and sponsors to travel to the conference site, the conference was cancelled.

The Association maintained cancellation insurance coverage for the conference and filed a claim for reimbursement of lost revenue and costs incurred. The insurer approved the claim for \$345,913 and payment was received in May, 2002. The claim is shown as a receivable in Exhibit A as of December 31, 2001.

**4. Property and Equipment**

Property and equipment consisted of the following at December 31, 2001:

Office furniture and equipment	\$ 17,864
Computer equipment	<u>12,141</u>
	\$ 30,005
Less: accumulated depreciation	<u>26,551</u>
	<u><u>\$ 3,454</u></u>

Depreciation expense for the year amounted to \$4,555.



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

**5. Cancelled Conference Fees Held**

Fees collected in advance of the cancelled fall conference (see note 3) were primarily from attendee, sponsor and exhibitor registrations. As of December 31, 2001 \$479,998 of these fees were still held and included in liabilities shown in Exhibit A. The Association's management has requested the registrants allow the fees to be held and applied against their attendance fees for the 2002 conference, but that requests for refunds would be honored.

**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 \$6,860 for the year.

**7. Lease Agreement**

The Association entered into a lease agreement in November, 2000 with Bank of America, N.A. for office space at 8990 Burke Lake Road in Burke, Virginia. The lease term began December 1, 2000 and ends November 30, 2003. For 2001 rent under the lease amounted to \$6,025. Future lease payments due under the lease are \$6,327 for 2002 and \$6,072 for 2003.

**8. Concentrations of Credit Risk**

The Association maintains its cash balances at two financial institutions which at times may exceed federally insured limits. At December 31, 2001 uninsured balances approximated \$260,000. The Association's management believes it is not exposed to any significant credit risk.

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 who depend, in part, on state and federal funding.