

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2002**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER, 2002**

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# Murray & Cavanaugh, P.C.

*Certified Public Accountants*

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*Members*  
*American Institution of CPAs*  
*Virginia Society of CPAs*

## 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, 2002, 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, 2002, 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 29, 2003

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2002**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 350,861
Accounts receivable	
Membership dues	\$ 517,051
U.S. government - SBDC certification program	137,388
Other	25,272
Allowance for doubtful accounts	<u>(3,800)</u>
Prepaid expenses and deposit	2,776
Property and equipment, net of accumulated depreciation of \$29,156	<u>2,014</u>
<b>Total Assets</b>	<b><u><u>\$ 1,031,562</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 58,609
Conference fees held from cancelled 2001 annual conference	14,627
Deferred revenue - 2003 membership dues billed to members in 2002	<u>492,990</u>
<b>Total Liabilities</b>	<b>\$ 566,226</b>
<b>Net Assets</b>	
Unrestricted	<u>465,336</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,031,562</u></u></b>

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Other Support</b>			
Membership dues	\$ 500,003	\$ -	\$ 500,003
Annual conference revenue	701,105		701,105
Other conference and meeting revenue	27,215		27,215
Federal SBDC certification program revenue	-	136,282	136,282
PBS project revenue from members	107,350		107,350
Interest and dividends	4,795		4,795
Other	5,021		5,021
Net assets released from restrictions	136,282	(136,282)	-
<b>Total Support and Revenue</b>	<b>\$ 1,481,771</b>	<b>\$ -</b>	<b>\$ 1,481,771</b>
<b>Expenses</b>			
Salaries, payroll taxes and benefits	\$ 368,933	\$ -	\$ 368,933
Bank and credit card processing fees	7,553	-	7,553
Contracted services	138,386	-	138,386
Dues and subscriptions	10,370	-	10,370
Food and beverage - conferences and meetings	271,281	-	271,281
Impact assessment	11,223	-	11,223
Insurance	7,234	-	7,234
Marketing and promotion	6,439	-	6,439
Office supplies and equipment expenses	24,995	-	24,995
Postage and delivery	11,182	-	11,182
Printing, design and copy	33,046	-	33,046
Production costs - PBS project	99,713	-	99,713
Professional fees	43,525	-	43,525
Rent of office	6,329	-	6,329
Telephone	13,878	-	13,878
Travel, lodging and exhibit hall	120,733	-	120,733
Website maintenance and development	9,087	-	9,087
Miscellaneous other	19,550	-	19,550
<b>Total Expenses</b>	<b>\$ 1,203,457</b>	<b>\$ -</b>	<b>\$ 1,203,457</b>
<b>Increase in Net Assets</b>	<b>\$ 278,314</b>	<b>\$ -</b>	<b>\$ 278,314</b>
<b>Net Assets - Beginning of year</b>	<b>187,022</b>	<b>-</b>	<b>187,022</b>
<b>Net Assets - End of year</b>	<b>\$ 465,336</b>	<b>\$ -</b>	<b>\$ 465,336</b>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**Cash Flows From Operating Activities**

Membership dues received	\$ 374,005
Conferences and meetings fees collected net of refunds and credits to members for 2001 cancelled conference	243,980
Insurance claim proceeds received for cancelled conference	345,913
Federal SBDC certification program revenue received	62,235
PBS project revenue received	68,350
Interest and dividends received	4,795
Miscellaneous other receipts	3,971
Cash paid to employees and suppliers	<u>(1,171,070)</u>
Net Cash Used By Operating Activities	<u>\$ (67,821)</u>

**Cash Flows From Investing Activities**

Equipment acquired	<u>\$ (1,165)</u>
Net Cash Used By Investing Activities	<u>\$ (1,165)</u>

**Net Decrease in Cash and Cash Equivalents** \$ (68,986)

**Cash and Cash Equivalents**

Beginning of year	419,847
End of year	<u><u>\$ 350,861</u></u>

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

Increase in net assets	\$ 278,314
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,605
(Increase) decrease in:	
Accounts receivable	75,477
Other assets	(591)
Increase (decrease) in:	
Accounts payable and accrued expenses	20,866
Conference fees held	(465,371)
Deferred revenue	<u>20,879</u>
Net Cash Used By Operating Activities	<u><u>\$ (67,821)</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. Property and Equipment**

Property and equipment consisted of the following at December 31, 2002:

Office furniture and equipment	\$ 17,864
Computer equipment	<u>13,306</u>
	\$ 31,170
Less: accumulated depreciation	<u>29,156</u>
	<u><u>\$ 2,014</u></u>

Depreciation expense for the year amounted to \$2,605.

**4. Cancelled Conference Fees Held**

The Association holds an annual conference 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 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.

Fees collected in advance of the cancelled 2001 annual conference were primarily from attendee, sponsor and exhibitor registrations. In 2001 the Association's management had 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. As of December 31, 2002 \$14,627 of these fees were still held and included in liabilities shown in Exhibit A.



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

**5. 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 \$5,207 for the year.

**6. 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 2002 rent under the lease amounted to \$6,329. Future lease payments due under the lease are \$6,072 for 2003.

**7. 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, 2002 uninsured balances approximated \$233,000. 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.

# Murray & Cavanaugh, P.C.

*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

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

Our report on our audit of the basic financial statements of the Association of Small Business Development Centers for the year ended December 31, 2002 appears on page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules I and II on page 9 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

May 29, 2003

**SCHEDULE I**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
SCHEDULE OF ANNUAL CONFERENCE EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

Included in the expenses shown in the Statement of Activities (Exhibit B) are the following expenses related to the annual conference:

Salaries, payroll taxes and benefits - allocated	\$ 92,372
Contracted services	132,532
Food and beverage	253,558
Insurance	3,357
Marketing and promotion	3,487
Office supplies and equipment expenses	3,468
Postage and delivery	4,785
Printing, design and copy	26,457
Telephone	1,948
Travel, lodging and exhibit hall	26,955
Website expenses	1,840
Miscellaneous other	<u>7,766</u>
Total	<u><u>\$ 558,525</u></u>

**SCHEDULE II**

**SCHEDULE OF PBS PROJECT EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

Included in the expenses shown in the Statement of Activities (Exhibit B) are the following expenses related to the PBS project:

Production costs	\$ 99,713
Telephone	99
Travel	<u>2,296</u>
Total	<u><u>\$ 102,108</u></u>