

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2003**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER, 2003

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INDEPENDENT AUDITOR'S REPORT

Members
American Institution of CPAs
Virginia Society of CPAs

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, 2003, 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, 2003, 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 27, 2004

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2003**

ASSETS		
Cash and cash equivalents		\$ 583,419
Short-term investment in certificate of deposit due 6/24/04 including interest credited of \$203		71,503
Accounts receivable		
Membership dues	\$ 534,333	
U.S. government - SBDC certification program	95,874	
Other	27,304	
Allowance for doubtful accounts	<u>(5,000)</u>	652,511
Prepaid expenses and deposit		9,483
Property and equipment, net of accumulated depreciation of \$31,067		<u>7,945</u>
Total Assets		<u><u>\$ 1,324,861</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses		\$ 40,210
Deferred revenue - 2004 membership dues billed to members in 2003		<u>532,833</u>
Total Liabilities		\$ 573,043
Net Assets		
Unrestricted		
Board designated contingency reserve	\$ 71,300	
Undesignated	<u>680,518</u>	<u>751,818</u>
Total Liabilities and Net Assets		<u><u>\$ 1,324,861</u></u>

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Membership dues	\$ 523,803	\$ -	\$ 523,803
Annual conference revenue	631,138	-	631,138
Spring conference revenue	24,572	-	24,572
Projects and initiatives revenue	101,663	-	101,663
Federal SBDC certification program revenue	-	125,172	125,172
Interest and dividends	1,895	-	1,895
Other	4,567	-	4,567
Net assets released from restrictions	125,172	(125,172)	-
Total Support and Revenue	<u>\$ 1,412,810</u>	<u>\$ -</u>	<u>\$ 1,412,810</u>
Expenses			
Salaries, payroll taxes and benefits	\$ 423,252	\$ -	\$ 423,252
Awards, recognition, premiums and gifts	14,363	-	14,363
Bad debts	18,791	-	18,791
Bank and credit card processing fees	17,324	-	17,324
Contracted services - conferences and meetings	130,437	-	130,437
Contracted services - other	78,384	-	78,384
Dues and subscriptions	8,234	-	8,234
Exhibit hall	6,185	-	6,185
Food and beverage - conferences and meetings	182,685	-	182,685
Insurance	9,183	-	9,183
Office supplies and equipment expenses	23,730	-	23,730
Postage and delivery	9,977	-	9,977
Printing, design and copy	29,422	-	29,422
Professional fees	42,861	-	42,861
Rent of office	6,895	-	6,895
Telephone	16,851	-	16,851
Travel	88,415	-	88,415
Website maintenance and development	10,448	-	10,448
Various other	8,891	-	8,891
Total Expenses	<u>\$ 1,126,328</u>	<u>\$ -</u>	<u>\$ 1,126,328</u>
Increase in Net Assets	\$ 286,482	\$ -	\$ 286,482
Net Assets - Beginning of year	<u>465,336</u>	<u>-</u>	<u>465,336</u>
Net Assets - End of year	<u>\$ 751,818</u>	<u>\$ -</u>	<u>\$ 751,818</u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Cash Flows From Operating Activities

Membership dues collected	\$ 532,171
Conferences and meetings fees collected net of refunds and credits to members	651,095
Projects and initiatives revenue collected	85,663
Federal SBDC certification program revenue collected	166,686
Interest and dividends received	1,895
Miscellaneous other receipts	3,807
Cash paid to employees and suppliers	(1,129,414)
Net Cash Provided By Operating Activities	<u>\$ 311,903</u>

Cash Flows From Investing Activities

Purchase of property and equipment	\$ (7,842)
Investment in certificate of deposit including credited interest	(71,503)
Net Cash Used By Investing Activities	<u>\$ (79,345)</u>

Net Increase in Cash and Cash Equivalents \$ 232,558

Cash and Cash Equivalents

Beginning of year	350,861
End of year	<u>\$ 583,419</u>

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

Increase in net assets	\$ 286,482
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	1,911
(Increase) decrease in:	
Accounts receivable	23,400
Other assets	(6,707)
Increase (decrease) in:	
Accounts payable and accrued expenses	(18,399)
Conference fees held	(14,627)
Deferred revenue	39,843
Net Cash Provided By Operating Activities	<u>\$ 311,903</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 ten years. It is the Association's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

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.

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. Property and Equipment

Property and equipment consisted of the following at December 31, 2003:

Office furniture and equipment	\$ 20,262
Computer equipment	18,750
	<hr/>
	\$ 39,012
Less: accumulated depreciation	31,067
	<hr/>
	<u>\$ 7,945</u>

Depreciation expense for the year amounted to \$1,911.

4. 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 \$8,631 for the year.

5. Lease Agreement

The Association leases office space located at 8990 Burke Lake Road in Burke, Virginia under an operating lease expiring November 30, 2006. For 2003 rent under the lease amounted to \$6,895. The following are the future minimum lease payments required under the lease as of December 31, 2003:

Year	2004	\$ 10,226
	2005	10,532
	2006	9,919

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

6. 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, 2003 uninsured balances (including the certificate of deposit) approximated \$455,000. 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.

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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, 2003 appears on page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedule I on page 9 is presented for the purpose of additional analysis and is 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 27, 2004

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003**

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

Revenue	
Annual conference registration, exhibitor, and and sponsor fees	<u>\$ 631,138</u>
Expenses	
Salaries, payroll taxes and benefits - allocated	\$ 97,201
Awards, recognition, premiums and gifts	13,617
Bad debts	1,972
Bank and credit card processing fees	13,973
Contracted services	129,533
Exhibit hall	6,185
Food and beverage	161,656
Insurance	5,379
Office supplies and equipment expenses	2,700
Postage and delivery	4,328
Printing, design and copy	23,182
Telephone	3,940
Travel	16,297
Website expenses	1,568
Various other	3,677
	<u>\$ 485,208</u>
Excess of Revenue over Expenses	<u><u>\$ 145,930</u></u>