

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2004**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2004**

**TABLE OF CONTENTS**

	<b>Page</b>
INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Statement of financial position - Exhibit A	2
Statement of activities- Exhibit B	3
Statement of cash flows - Exhibit C	4
Notes to financial statements	5 - 7
INDEPENDENT AUDITOR’S REPORT ON ADDITIONAL INFORMATION	8
ADDITIONAL INFORMATION	
Schedule of annual conference revenues and expenses – Schedule I	9

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*Certified Public Accountants*

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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, 2004, 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, 2004, 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*

February 11, 2005

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2004**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 824,034
Short-term investments in certificates of deposit maturing in 2005		218,158
Accounts receivable		
Membership dues for 2005 billed in 2004	\$ 500,940	
U.S. Small Business Admin.		
SBDC certification program fees	70,073	
SBA economic impact study project	6,703	
Other	18,624	
Allowance for doubtful accounts	<u>(5,000)</u>	591,340
Prepaid expenses and deposit		12,535
Property and equipment, net of accumulated depreciation of \$28,905		<u>8,463</u>
<b>Total Assets</b>		<u><u>\$ 1,654,530</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses		\$ 18,787
Deferred revenue - 2005 membership dues billed to members in 2004		<u>549,191</u>
<b>Total Liabilities</b>		\$ 567,978
<b>Net Assets</b>		
Unrestricted		
Board designated contingency reserve	\$ 214,541	
Undesignated	<u>872,011</u>	<u>1,086,552</u>
<b>Total Liabilities and Net Assets</b>		<u><u>\$ 1,654,530</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Changes in Unrestricted Net Assets**

**Revenue and Other Support**

Membership dues	\$	532,773	
Annual conference revenue		874,466	
Spring conference revenue		19,157	
Projects and initiatives revenue		25,000	
Federal SBDC certification program revenue		137,747	
Interest and dividends		3,989	
Other		3,502	
<b>Total Revenue and Other Support</b>		<b>1,596,634</b>	<b>\$ 1,596,634</b>

**Expenses**

Salaries, payroll taxes and benefits	\$	405,534	
Awards, recognition, premiums and gifts		18,360	
Bad debts		6,125	
Bank and credit card processing fees		13,205	
Contracted services - conferences and meetings		160,739	
Contracted services - other		8,304	
Dues and subscriptions		8,830	
Exhibits		5,393	
Food and beverage - conferences and meetings		311,619	
Impact assessment		16,735	
Insurance		8,886	
Office supplies and equipment expenses		24,191	
Postage and delivery		13,719	
Printing, design and copy		40,526	
Professional fees		28,980	
Rent of office		10,226	
Telephone		12,816	
Travel		117,549	
Website maintenance and development		23,038	
Various other		27,125	
<b>Total Expenses</b>		<b>1,261,900</b>	<b>1,261,900</b>

**Increase in Unrestricted Net Assets** **\$ 334,734**

**Net Assets - Beginning of year** **751,818**

**Net Assets - End of year** **\$ 1,086,552**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Cash Flows From Operating Activities**

Membership dues collected	\$ 581,024	
Conferences and meetings fees collected net of refunds and credits to members	886,058	
Projects and initiatives revenue collected	34,297	
Federal SBDC certification program revenue collected	163,548	
Interest and dividends received	3,442	
Miscellaneous other receipts	3,502	
Cash paid to employees and suppliers	<u>(1,281,616)</u>	
Net Cash Provided By Operating Activities		\$ 390,255

**Cash Flows From Investing Activities**

Purchase of property and equipment	\$ (3,532)	
Investments in certificates of deposit including reinvested interest	<u>(146,108)</u>	
Net Cash Used By Investing Activities		<u>(149,640)</u>

**Net Increase in Cash and Cash Equivalents** \$ 240,615

**Cash and Cash Equivalents**

Beginning of year	<u>583,419</u>
End of year	<u><u>\$ 824,034</u></u>

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

Increase in net assets	\$ 334,734
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,014
(Increase) decrease in:	
Accounts receivable	61,171
Other assets	(3,599)
Increase (decrease) in:	
Accounts payable and accrued expenses	(21,423)
Deferred revenue	<u>16,358</u>
Net Cash Provided By Operating Activities	<u><u>\$ 390,255</u></u>

See accompanying notes to financial statements.

**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.

**Accounts Receivable** – Accounts receivable is recorded net of an allowance for expected losses. The allowance is estimated from historical performance and projection of trends. The Association considers accounts uncollectible when all collection efforts have been used. Generally, receivables are considered delinquent if not received within 60 days of the billing date.

**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.

**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.

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

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

**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, 2004:

Office furniture and equipment	\$ 23,032
Computer equipment	14,336
	<u>\$ 37,368</u>
Less: accumulated depreciation	28,905
	<u><u>\$ 8,463</u></u>

Depreciation expense for the year amounted to \$3,014.

**4. 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	\$ 940,001
Management and general	321,899
Total	<u><u>\$ 1,261,900</u></u>

**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 \$9,082 for the year.



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

**6. 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 2004 rent under the lease amounted to \$10,226. The following are the future minimum lease payments required under the lease as of December 31, 2004:

Year	2005	\$	10,532
	2006		9,919

**7. Concentrations of Credit Risk**

The Association maintains its cash balances at several financial institutions which at times may exceed federally insured limits. At December 31, 2004 uninsured balances (including the certificates of deposit) approximated \$742,000. 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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# 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, 2004 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*

February 11, 2005

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

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>\$ 874,466</u>
Expenses	
Salaries, payroll taxes and benefits - allocated	\$ 98,781
Awards, recognition, premiums and gifts	16,578
Bad debts	4,625
Bank and credit card processing fees	11,798
Contracted services and speaker fees	155,384
Exhibits	5,393
Food and beverage	291,952
Insurance	5,077
Office supplies and equipment expenses	3,190
Postage and delivery	7,272
Printing, design and copy	33,376
Telephone	2,811
Travel	24,457
Website expenses	4,378
Various other	6,909
	<u>\$ 671,981</u>
Excess of Revenue over Expenses	<u><u>\$ 202,485</u></u>