

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2005**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

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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, 2005, 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, 2005, 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 6, 2006

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2005**

ASSETS		
Cash and cash equivalents		\$ 473,316
Investments - at fair value		
Certificates of deposits maturing in 2006	\$ 225,142	
Mutual funds	496,677	721,819
	<hr/>	
Accounts receivable		
U.S. Small Business Admin. - SBDC certification program fees	\$ 89,859	
Univ. of Mississippi Foundation - disaster loan	75,000	
Other	10,534	
Allowance for doubtful accounts	(5,000)	170,393
	<hr/>	
Prepaid expenses and deposit		9,254
Property and equipment, net of accumulated depreciation of \$32,755		5,419
Website redevelopment in progress		18,700
		<hr/>
Total Assets		\$ 1,398,901
		<hr/> <hr/>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		\$ 16,858
Accrued expenses		67
		<hr/>
Total Liabilities		\$ 16,925
Net Assets		
Unrestricted		
Board designated contingency reserve	\$ 381,908	
Undesignated	1,000,068	1,381,976
	<hr/>	<hr/>
Total Liabilities and Net Assets		\$ 1,398,901
		<hr/> <hr/>

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Changes in Unrestricted Net Assets

Revenues

Membership dues	\$	534,191	
Annual conference revenue		891,367	
Spring conference revenue		19,144	
Projects and initiatives revenue		15,000	
Federal SBDC certification program revenue		142,882	
Interest and dividends		19,270	
Other		3,770	
		3,770	
Total Revenues			\$ 1,625,624

Expenses and Losses

Expenses

Salaries, payroll taxes and benefits	\$	447,904	
Awards, recognition, premiums and gifts		29,258	
Bank and credit card processing fees		19,702	
Contracted services - conferences and meetings		149,200	
Contracted services - other		14,980	
Dues and subscriptions		8,253	
Exhibits		12,465	
Food and beverage - conferences and meetings		313,224	
Impact assessment		11,536	
Insurance		7,966	
Marketing and promotion		24,939	
Office supplies and equipment expenses		31,019	
Postage and delivery		10,664	
Printing, design and copy		22,233	
Professional fees		43,568	
Rent of office		10,526	
Telephone		11,703	
Travel		109,531	
Website		32,281	
Various other		16,641	
		16,641	
Total Expenses		\$ 1,327,593	
Net unrealized loss on investments		2,607	
		2,607	
Total Expenses and Losses			1,330,200

Increase in Unrestricted Net Assets **\$ 295,424**

Net Assets - Beginning of year **1,086,552**

Net Assets - End of year **\$ 1,381,976**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Cash Flows From Operating Activities

Membership dues collected	\$ 485,831	
Conferences and meetings fees collected net of refunds	918,885	
Projects and initiatives revenue collected	21,703	
Federal SBDC certification program revenue collected	123,096	
Interest and dividends received	19,270	
Miscellaneous other receipts	3,420	
Cash paid to employees and suppliers	<u>(1,322,149)</u>	
Net Cash Provided By Operating Activities		\$ 250,056

Cash Flows From Investing Activities

Purchase of equipment and website redevelopment	\$ (19,506)	
Investments in certificates of deposit including reinvested interest	(6,984)	
Investment in mutual funds including reinvested dividends	(499,284)	
Disaster assistance loan	<u>(75,000)</u>	
Net Cash Used By Investing Activities		<u>(600,774)</u>

Net Decrease in Cash and Cash Equivalents \$ (350,718)

Cash and Cash Equivalents

Beginning of year	<u>824,034</u>
End of year	<u><u>\$ 473,316</u></u>

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

Increase in net assets	\$ 295,424
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,850
Net unrealized loss on investments	2,607
(Increase) decrease in:	
Accounts receivable	495,947
Other assets	3,281
Increase (decrease) in:	
Accounts payable and accrued expenses	(1,862)
Deferred revenue	<u>(549,191)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 250,056</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 acquisitions of 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 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. Investments in Mutual Funds

Investments in mutual funds are stated at fair value and consist of equity and bond mutual funds as follows:

	<u>Quantity</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Funds			
Dodge and Cox Income Fund	11,917.234	\$ 150,266	\$ 149,442
Lord Abbett Small Cap Blend Fund	1,460.177	24,750	24,516
Thornburg International Value Fund	1,053.191	24,750	25,161
Vanguard Index Trust 500 Portfolio	851.921	99,509	97,903
Bond Funds			
Harbor Bond Fund	12,901.141	150,412	149,911
Neuberger Berman High Income Bond Fund	2,719.780	24,750	24,777
Templeton Global Bond Fund	2,421.586	24,847	24,967
		<u>\$ 499,284</u>	<u>\$ 496,677</u>

4. Loan to University of Mississippi Foundation

In response to the disaster from Hurricane Katrina in Mississippi and Louisiana, the Board of Directors of the Association made available short-term loans to SBDC's in those states to assist affected small businesses. The loans available were limited to \$75,000 for each state. In September, 2005 the Association disbursed \$75,000 to the University of Mississippi Foundation to facilitate assistance to that state. The loan to the University of Mississippi Foundation was repaid in January, 2006. As of December 31, 2005 no loans had been made for the state of Louisiana.

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

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2005:

Office furniture and equipment	\$ 23,032
Computer equipment	15,142
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	\$ 38,174
Less: accumulated depreciation	32,755
	<hr/>
	<u>\$ 5,419</u>

Depreciation expense for the year amounted to \$3,850.

6. 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	\$ 932,573
Management and general	395,020
	<hr/>
Total	<u>\$ 1,327,593</u>

7. 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 \$11,199 for the year.

8. 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 2005 rent under the lease amounted to \$10,532. Future minimum lease payments required under the lease as of December 31, 2005 are \$9,919 for the year 2006.

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

9. 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, 2005 uninsured balances (including the certificates of deposit) approximated \$398,000. 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, 2005 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 10 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 6, 2006

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005**

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>\$ 891,367</u>
Expenses	
Salaries, payroll taxes and benefits - allocated	\$ 109,769
Awards, recognition, premiums and gifts	24,814
Bank and credit card processing fees	16,843
Contracted services and speaker fees	147,474
Exhibits	12,465
Food and beverage	286,658
Insurance	3,757
Office supplies and equipment expenses	4,020
Postage and delivery	2,169
Printing, design and copy	15,648
Professional fees	750
Telephone	1,396
Travel	12,966
Website	14,176
Various other	6,582
	<u>\$ 659,487</u>
Excess of Revenue over Expenses	<u><u>\$ 231,880</u></u>