

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2006**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

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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, 2006, 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, 2006, 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 23, 2007

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2006**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 404,411
Investments		
Certificate of deposit maturing in 2007	\$ 154,852	
Mutual funds - at fair value	891,310	1,046,162
Accounts receivable		
Membership dues for 2007 billed in 2006	\$ 394,849	
U.S. Small Business Admin. - SBDC accreditation program fees	71,325	
Other	13,608	
Allowance for doubtful accounts	(5,000)	474,782
Prepaid expenses and deposit		14,197
Property and equipment, net of accumulated depreciation of \$31,172		4,593
<b>Total Assets</b>		<u><u>\$ 1,944,145</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses		\$ 33,552
Deferred revenue - 2007 membership dues billed to members in 2006		403,249
<b>Total Liabilities</b>		\$ 436,801
 <b>Net Assets</b>		
Unrestricted		
Board designated contingency reserve	\$ 692,908	
Undesignated	814,436	1,507,344
<b>Total Liabilities and Net Assets</b>		<u><u>\$ 1,944,145</u></u>

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Changes in Unrestricted Net Assets**

**Revenues and Gains**

Revenues		
Membership dues	\$ 403,249	
Annual conference revenue	998,829	
Spring conference revenue	21,454	
Accreditation program revenue	146,427	
Interest and dividends	41,742	
Other	552	
Total Revenues	\$ 1,612,253	
Net unrealized gain on investments	23,385	
<b>Total Revenues and Gains</b>	\$ 1,635,638	\$ 1,635,638

**Expenses**

Salaries, payroll taxes and benefits	\$ 461,183	
Awards, recognition, premiums and gifts	33,480	
Bank and credit card processing fees	20,126	
Contracted services - conferences and meetings	152,673	
Contracted services - other	87,189	
Dues and subscriptions	11,938	
Exhibits	9,174	
Food and beverage - conferences and meetings	321,536	
Impact assessment	12,092	
Insurance	10,093	
Investment management fees	6,304	
Marketing and promotion	8,164	
Office supplies and equipment expenses	26,140	
Postage and delivery	23,210	
Printing, design and copy	38,658	
Professional fees	35,500	
Rent of office	10,847	
Telephone	17,752	
Travel	151,504	
Website	52,907	
Various other	19,800	
<b>Total Expenses</b>	1,510,270	1,510,270

**Increase in Unrestricted Net Assets** \$ 125,368

**Net Assets - Beginning of year** 1,381,976

**Net Assets - End of year** \$ 1,507,344

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**Cash Flows From Operating Activities**

Membership dues collected	\$	411,649	
Conferences and meetings fees collected net of refunds		1,027,069	
Accreditation program revenue collected		164,961	
Interest and dividends received		41,742	
Miscellaneous other receipts		552	
Cash paid to employees and suppliers		<u>(1,487,135)</u>	
Net Cash Provided By Operating Activities			\$ 158,838

**Cash Flows From Investing Activities**

Proceeds from matured certificate of deposit	\$	76,308	
Investment in certificate of deposit - reinvested interest		(6,018)	
Investments in mutual funds including reinvested dividends		(371,248)	
Disaster assistance loan receivable collected		75,000	
Purchase of equipment		<u>(1,785)</u>	
Net Cash Used By Investing Activities			<u>(227,743)</u>

**Net Decrease in Cash and Cash Equivalents** \$ (68,905)

**Cash and Cash Equivalents**

Beginning of year		<u>473,316</u>	
End of year			<u><u>\$ 404,411</u></u>

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

Increase in net assets			\$ 125,368
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation		2,611	
Net unrealized gain on investments		(23,385)	
(Increase) decrease in:			
Accounts receivable		(379,389)	
Other assets		13,757	
Increase (decrease) in:			
Accounts payable and accrued expenses		16,627	
Deferred revenue		<u>403,249</u>	
Net Cash Provided By Operating Activities			<u><u>\$ 158,838</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 revenues come 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.

**Investments** – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**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. 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	12,365.850	\$ 155,817	\$ 155,439
Lord Abbett Small Cap Blend Fund	2,605.328	44,910	44,134
Thornburg International Value Fd., Cl. I	1,093.770	25,863	31,730
Thornburg International Value Fd. Cl. A	503.354	13,724	14,336
Vanguard Index Trust 500 Portfolio	1,381.806	164,809	180,450
Bond Funds			
Harbor Bond Fund	32,550.212	379,000	376,281
Neuberger Berman High Income Bond Fund	4,818.956	43,787	44,334
Templeton Global Bond Fund	4,036.721	42,638	44,606
		<u>\$ 870,548</u>	<u>\$ 891,310</u>

Dividends received in 2006 from these funds amounted to \$27,497 and all such dividends were reinvested. Net unrealized gains from the funds in 2006 amounted to \$23,385. Dividends and unrealized gains net of the investment management fees of \$6,304 was \$44,578.



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

**4. Property and Equipment**

Property and equipment consisted of the following at December 31, 2006:

Office furniture and equipment	\$ 24,817
Computer equipment	10,948
	<u>\$ 35,765</u>
Less: accumulated depreciation	31,172
	<u><u>\$ 4,593</u></u>

Depreciation expense for the year amounted to \$2,611.

**5. 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	\$ 1,090,001
Management and general	420,269
Total	<u><u>\$ 1,510,270</u></u>

**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 \$18,115 for the year.

**7. Lease Agreement**

The Association leases office space located at 8990 Burke Lake Road in Burke, Virginia under an operating lease expiring November 30, 2009. For 2006 rent under the lease amounted to \$10,874. The following are the future minimum lease payments required under the lease as of December 31, 2006:

Year	2007	\$ 11,480
	2008	11,509
	2009	10,839

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

**8. 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, 2006 uninsured balances (including the certificate of deposit) approximated \$308,000. 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, 2006 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 23, 2007

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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>\$ 998,829</u>
Expenses	
Salaries, payroll taxes and benefits - allocated	\$ 119,737
Awards, recognition, premiums and gifts	28,643
Bank and credit card processing fees	16,427
Contracted services and speaker fees	148,958
Exhibits	9,174
Food and beverage	291,204
Insurance	5,778
Office supplies and equipment expenses	5,080
Postage and delivery	6,853
Printing, design and copy	32,659
Telephone	6,935
Travel	25,644
Website	7,215
Various other	9,798
	<u>\$ 714,105</u>
Excess of Revenue over Expenses	<u><u>\$ 284,724</u></u>