

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2007**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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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, 2007, 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, 2007, 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 26, 2008

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2007**

ASSETS		
Cash and cash equivalents		\$ 702,988
Investments in mutual funds - at fair value		961,365
Accounts receivable		
U.S. Small Business Admin. - SBDC accreditation program fees	\$ 31,854	
Due from members for 2007 conference workshops and materials	31,119	
Other	27,501	
Allowance for uncollectible accounts	<u>(5,000)</u>	85,474
Prepaid expenses and deposit		25,064
Property and equipment, net of accumulated depreciation of \$33,715		<u>3,951</u>
Total Assets		<u><u>\$ 1,778,842</u></u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses		<u>\$ 16,696</u>
Total Liabilities		\$ 16,696
 Net Assets		
Unrestricted		
Board designated contingency reserve	\$ 692,908	
Undesignated	<u>1,069,238</u>	<u>1,762,146</u>
Total Liabilities and Net Assets		<u><u>\$ 1,778,842</u></u>

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Changes in Unrestricted Net Assets		
Revenues and Gains		
Revenues		
Membership dues	\$ 403,249	
Annual conference	1,078,327	
Spring conference	19,440	
Accreditation program		
Program fees from U.S. Small Business Admin.	129,904	
Certificate charges to members	900	
Interest and dividends	61,456	
Total Revenues	<u>\$ 1,693,276</u>	
Net realized and unrealized gains on investments	<u>22,913</u>	
Total Revenues and Gains		\$ 1,716,189
Expenses		
Salaries, payroll taxes and benefits	\$ 467,836	
Awards, recognition, premiums and gifts	28,330	
Bank and credit card processing fees	25,693	
Contracted services - conferences and meetings	126,372	
Contracted services - other	12,111	
Dues and subscriptions	8,193	
Exhibits	13,885	
Food and beverage - conferences and meetings	255,955	
Impact assessment	12,489	
Insurance	9,286	
Investment management fees	10,152	
Marketing and promotion	17,168	
Materials for conference workshops	97,732	
Office supplies and equipment expenses	33,891	
Postage and delivery	11,593	
Printing, design and copy	32,777	
Professional fees	53,536	
Rent of office	11,174	
Telephone	14,521	
Travel	184,841	
Website	31,177	
Various other	2,675	
Total Expenses		<u>1,461,387</u>
Increase in Unrestricted Net Assets		\$ 254,802
Net Assets - Beginning of year		<u>1,507,344</u>
Net Assets - End of year		<u><u>\$ 1,762,146</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Cash Flows From Operating Activities

Membership dues collected	\$ 394,849	
Conferences and meetings fees collected net of refunds	1,066,765	
Accreditation program revenue collected	170,275	
Interest and dividends received	61,456	
Cash paid to employees and suppliers	<u>(1,500,577)</u>	
Net Cash Provided By Operating Activities		\$ 192,768

Cash Flows From Investing Activities

Proceeds from matured certificate of deposit	\$ 154,852	
Proceeds from sales of mutual funds	163,831	
Investments in mutual funds including reinvested dividends	(210,973)	
Purchase of equipment	<u>(1,901)</u>	
Net Cash Provided By Investing Activities		<u>105,809</u>

Net Increase in Cash and Cash Equivalents \$ 298,577

Cash and Cash Equivalents

Beginning of year	404,411
End of year	<u><u>\$ 702,988</u></u>

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

Increase in net assets	\$ 254,802
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	2,543
Net realized and unrealized gain on investments	(22,913)
(Increase) decrease in:	
Accounts receivable	389,308
Other assets	(10,867)
Increase (decrease) in:	
Accounts payable and accrued expenses	(16,856)
Deferred revenue	<u>(403,249)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 192,768</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			
Lord Abbett Small Cap Blend Fund	2,981.190	\$ 50,830	\$ 48,444
Thornburg International Value Fd., Cl. I	1,200.215	29,415	40,675
Thornburg International Value Fd. Cl. A	551.425	15,293	18,307
Vanguard Index Trust 500 Portfolio	1,407.106	168,273	190,171
Bond Funds			
Harbor Bond Fund	34,138.421	397,442	406,589
Lehman Bros. High Income Bond Fund	5,191.135	47,172	45,007
Templeton Global Bond Fund	4,330.033	45,952	49,449
Western Asset Core Plus Portfolio	15,968.909	163,208	162,723
		<u>\$ 917,585</u>	<u>\$ 961,365</u>

Dividends received in 2007 from these funds amounted to \$49,443 and all such dividends were reinvested. Net realized and unrealized gains from the funds in 2007 amounted to \$22,913. Dividends and gains net of the investment management fees of \$10,152 was \$62,204.

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

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2007:

Office furniture and equipment	\$ 24,818
Computer equipment	12,848
	<u>\$ 37,666</u>
Less: accumulated depreciation	33,715
	<u><u>\$ 3,951</u></u>

Depreciation expense for the year amounted to \$2,543.

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	\$ 1,023,702
Management and general	437,685
Total	<u><u>\$ 1,461,387</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 \$18,414 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 2007 rent under the lease amounted to \$11,174. The following are the future minimum lease payments required under the lease as of December 31, 2007:

Year	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, 2007 uninsured balances approximated \$503,000. 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

Members
American Institution of CPAs
Virginia Society of CPAs

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, 2007 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 26, 2008

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2007**

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

Revenue	
Registration, exhibitor, sponsor and workshop fees	\$ 1,078,327
Expenses	
Salaries, payroll taxes and benefits - allocated	\$ 106,675
Awards, recognition, premiums and gifts	25,736
Bank and credit card processing fees	15,646
Contracted services and speaker fees	123,527
Exhibits	13,885
Food and beverage	230,947
Insurance	4,705
Materials for workshops	97,732
Office supplies and equipment expenses	8,278
Postage and delivery	7,577
Printing, design and copy	23,569
Telephone	5,724
Travel	39,581
Website	9,100
Various other	5,891
	<u>718,573</u>
Excess of Revenue over Expenses	<u>\$ 359,754</u>