

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2008**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS**

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**FOR THE YEAR ENDED DECEMBER 31, 2008**

**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 - 8       |
| INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION           | 9           |
| ADDITIONAL INFORMATION   |             |
| Schedule of annual conference revenues and expenses – Schedule I | 10          |

# Murray & Cavanaugh, P.C.

*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, 2008, 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 audit provides 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, 2008, 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 21, 2009

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2008**

| <b>ASSETS</b>   |                  |                            |
|---|------------------|----------------------------|
| Cash and cash equivalents   |                  | \$ 865,076                 |
| Investments in mutual funds - at fair value                         |                  | 833,637                    |
| Accounts receivable   |                  |                            |
| U.S. Small Business Admin. - SBDC accreditation                     |                  |                            |
| program fees  | \$ 63,038        |                            |
| Workshop materials charges  | 28,779           |                            |
| Other   | 25,332           |                            |
| Allowance for uncollectible accounts                                | <u>(5,000)</u>   | 112,149                    |
| Prepaid expenses and deposit  |                  | 15,094                     |
| Property and equipment, net of accumulated depreciation of \$35,903 |                  | <u>3,838</u>               |
| <b>Total Assets</b>   |                  | <u><u>\$ 1,829,794</u></u> |
| <br>  |                  |                            |
| <b>LIABILITIES AND NET ASSETS</b>                                   |                  |                            |
| <b>Liabilities</b>  |                  |                            |
| Accounts payable  |                  | \$ 23,874                  |
| Accrued employee leave  |                  | 41,806                     |
| Deferred revenue  |                  | <u>4,035</u>               |
| <b>Total Liabilities</b>  |                  | \$ 69,715                  |
| <br>  |                  |                            |
| <b>Net Assets</b>   |                  |                            |
| Unrestricted  |                  |                            |
| Board designated contingency reserve                                | \$ 692,908       |                            |
| Undesignated  | <u>1,067,171</u> | <u>1,760,079</u>           |
| <b>Total Liabilities and Net Assets</b>                             |                  | <u><u>\$ 1,829,794</u></u> |

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Changes in Unrestricted Net Assets**

**Revenues**

|   |    |               |                     |
|---|----|---------------|---------------------|
| Membership dues   | \$ | 426,137       |                     |
| Annual conference   |    | 1,113,943     |                     |
| Spring conference   |    | 22,275        |                     |
| Program fees from U.S. Small Business Admin.<br>for accreditation program |    | 183,363       |                     |
| Workshop materials  |    | 109,448       |                     |
| Counselor certification   |    | 8,780         |                     |
| Royalties and other   |    | 14,955        |                     |
| Interest and dividends  |    | 64,672        |                     |
| <b>Total Revenues</b>   |    | <b>64,672</b> | <b>\$ 1,943,573</b> |

**Expenses and Losses**

**Expenses**

|   |    |                     |                  |
|---|----|---------------------|------------------|
| Salaries, payroll taxes and benefits              | \$ | 584,428             |                  |
| Awards, recognition, premiums and gifts           |    | 23,090              |                  |
| Bank and credit card processing fees              |    | 41,413              |                  |
| Contracted services - conferences and meetings    |    | 164,865             |                  |
| Contracted services - other                       |    | 62,647              |                  |
| Exhibits  |    | 23,056              |                  |
| Food and beverage - conferences and meetings      |    | 359,096             |                  |
| Impact assessment                                 |    | 12,941              |                  |
| Insurance   |    | 11,405              |                  |
| Investment management fees                        |    | 10,237              |                  |
| Marketing and promotion                           |    | 12,238              |                  |
| Office supplies and equipment expenses            |    | 26,347              |                  |
| Postage and delivery                              |    | 12,388              |                  |
| Printing, design and copy                         |    | 27,234              |                  |
| Professional fees                                 |    | 53,494              |                  |
| Rent of office                                    |    | 11,509              |                  |
| Telephone   |    | 15,078              |                  |
| Travel  |    | 189,208             |                  |
| Workshop materials                                |    | 109,217             |                  |
| Various other                                     |    | 20,836              |                  |
| <b>Total Expenses</b>                             |    | <b>\$ 1,770,727</b> |                  |
| Net realized and unrealized losses on investments |    | 174,913             |                  |
| <b>Total Expenses and Losses</b>                  |    | <b>174,913</b>      | <b>1,945,640</b> |

**Decrease in Unrestricted Net Assets** **\$ (2,067)**

**Net Assets - Beginning of year** **1,762,146**

**Net Assets - End of year** **\$ 1,760,079**

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Cash Flows From Operating Activities**

|  |                    |            |
|--|--------------------|------------|
| Membership dues collected                              | \$ 426,137         |            |
| Conferences and meetings fees collected net of refunds | 1,165,820          |            |
| Accreditation program revenue collected                | 152,179            |            |
| Workshop material charges collected                    | 80,669             |            |
| Other collections                                      | 23,735             |            |
| Interest and dividends received                        | 64,672             |            |
| Cash paid to employees and suppliers                   | <u>(1,701,864)</u> |            |
| Net Cash Provided By Operating Activities              |                    | \$ 211,348 |

**Cash Flows From Investing Activities**

|  |                |                 |
|--|----------------|-----------------|
| Proceeds from sales of mutual funds                        | \$ 23,344      |                 |
| Investments in mutual funds including reinvested dividends | (70,529)       |                 |
| Purchase of equipment                                      | <u>(2,075)</u> |                 |
| Net Cash Used In Investing Activities                      |                | <u>(49,260)</u> |

**Net Increase in Cash and Cash Equivalents** \$ 162,088

**Cash and Cash Equivalents**

|                   |                          |
|-------------------|--------------------------|
| Beginning of year | <u>702,988</u>           |
| End of year       | <u><u>\$ 865,076</u></u> |

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

|   |                          |
|---|--------------------------|
| Decrease in net assets  | \$ (2,067)               |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                          |
| Depreciation  | 2,188                    |
| Net realized and unrealized loss on investments   | 174,913                  |
| (Increase) decrease in:   |                          |
| Accounts receivable   | (26,675)                 |
| Other assets  | 9,970                    |
| Increase (decrease) in:   |                          |
| Accounts payable and accrued expenses   | 48,984                   |
| Deferred revenue  | <u>4,035</u>             |
| Net Cash Provided By Operating Activities   | <u><u>\$ 211,348</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 as measured using quoted closing prices in publicly-traded securities markets (level 1 input) and consist of equity and bond mutual funds as follows:

|  | <u>Shares</u> | <u>Cost</u>       | <u>Fair Value</u> |
|--|---------------|-------------------|-------------------|
| <b>Equity Funds</b>                      |               |                   |                   |
| Lord Abbett Small Cap Blend Fund         | 2,908.682     | \$ 49,601         | \$ 31,501         |
| Thornburg International Value Fd., Cl. I | 1,536.193     | 39,980            | 29,864            |
| Vanguard Index Trust 500 Portfolio       | 1,536.002     | 183,804           | 127,626           |
| <b>Bond Funds</b>                        |               |                   |                   |
| Harbor Bond Fund                         | 37,183.703    | 432,307           | 420,176           |
| Neuberger Berman High Inc. Bond Fd.      | 5,803.460     | 51,931            | 37,432            |
| Templeton Global Bond Fund               | 4,378.087     | 46,681            | 48,903            |
| Western Asset Core Plus Portfolio        | 15,914.164    | 162,064           | 138,135           |
|  |               | <u>\$ 966,368</u> | <u>\$ 833,637</u> |

Dividends received in 2008 from these funds amounted to \$54,773 and all such dividends were reinvested. Net realized and unrealized losses from the funds in 2008 amounted to \$174,913 . Dividends and gains net of the investment management fees of \$10,237 was \$44,536.

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

**4. Property and Equipment**

Property and equipment consisted of the following at December 31, 2008:

|                                |                        |
|--------------------------------|------------------------|
| Office furniture and equipment | \$ 24,818              |
| Computer equipment             | <u>14,923</u>          |
|                                | \$ 39,741              |
| Less: accumulated depreciation | <u>35,903</u>          |
|                                | <u><u>\$ 3,838</u></u> |

Depreciation expense for the year amounted to \$2,188.

**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       | \$ 1,101,962               |
| Management and general | <u>668,765</u>             |
| Total                  | <u><u>\$ 1,770,727</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 \$18,252 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 2008 rent under the lease amounted to \$11,509. The following are the future minimum lease payments required under the lease as of December 31, 2008:

|           |           |
|-----------|-----------|
| Year 2009 | \$ 10,839 |
|-----------|-----------|

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

**8. Concentrations of Credit Risk**

The Association maintains its deposits of cash and cash equivalents at several banks and investment institutions which at times may exceed or may not be subject to federally insured limits. In October, 2008 the FDIC announced increased bank deposit insurance limits through December 31, 2009. At December 31, 2008 bank deposits exceeding the new FDIC insurance limits approximated \$106,000. In addition money market funds held at investment institutions that are not subject to FDIC insurance totaled approximately \$250,000 at December 31, 2008. Some portion of these funds may be guaranteed by the U.S. Treasury in a program ending April 30, 2009.

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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*Members*  
*American Institution of CPAs*  
*Virginia Society of CPAs*

## **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, 2008 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 21, 2009

**ASSOCIATION OF SMALL BUSINESS  
DEVELOPMENT CENTERS  
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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

|  |            |                   |
|--|------------|-------------------|
| Revenue  |            |                   |
| Registration, sponsor, exhibitor, and other fees |            | \$ 1,113,943      |
| Expenses   |            |                   |
| Salaries, payroll taxes and benefits - allocated | \$ 164,655 |                   |
| Awards, recognition, premiums and gifts          | 20,665     |                   |
| Bank and credit card processing fees             | 34,249     |                   |
| Contracted services and speaker fees             | 162,452    |                   |
| Exhibits   | 23,056     |                   |
| Food and beverage                                | 325,639    |                   |
| Insurance  | 6,721      |                   |
| Office supplies and equipment expenses           | 9,808      |                   |
| Postage and delivery                             | 5,914      |                   |
| Printing, design and copy                        | 21,435     |                   |
| Telephone  | 6,048      |                   |
| Travel   | 31,598     |                   |
| Various other                                    | 4,323      | 816,563           |
|  |            | <hr/>             |
| Excess of Revenue over Expenses                  |            | <u>\$ 297,380</u> |