

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

TABLE OF CONTENTS

	Page
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

1901 North Fort Myer Drive, Suite 1100
Arlington, Virginia 22209-1688
Telephone: 703.527.8012
Fax: 703.527.7306
Email: murcav@murraycavanaugh.com
Web: www.murraycavanaugh.com

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, 2010, 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, 2010, 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

March 1, 2011

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010**

ASSETS		
Cash and cash equivalents		\$ 1,169,616
Investments in mutual funds - at fair value		1,368,623
Accounts receivable		
Conference fees and cost reimbursements due	\$ 12,760	
Census Bureau AES program fees	21,811	
Other	6,160	
Allowance for uncollectible accounts	<u>(5,000)</u>	35,731
Accrued SBDC accreditation program fees		19,018
Prepaid expenses and deposit		23,273
Workshop materials on hand		31,800
Property and equipment, net of accumulated depreciation of \$32,406		<u>3,088</u>
Total Assets		<u><u>\$ 2,651,149</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		\$ 16,897
Accrued unused employee leave		24,830
Other accrued expenses		144
Deferred revenue		<u>8,500</u>
Total Liabilities		\$ 50,371
Net Assets		
Unrestricted		
Board designated contingency reserve	\$ 692,908	
Undesignated	<u>1,907,870</u>	<u>2,600,778</u>
Total Liabilities and Net Assets		<u><u>\$ 2,651,149</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Changes in Unrestricted Net Assets

Revenues and Gains

Revenues

Membership dues	\$ 456,750
Annual conference registration, sponsor, exhibitor and other fees	1,193,150
Spring meeting	23,781
Accreditation program fees from U.S. Small Business Administration	189,017
Census Bureau AES program fees	25,396
Workshop materials	29,403
Other	1,820
Interest and dividends	65,416
Total Revenues	<u>\$ 1,984,733</u>
Realized and unrealized gains on investments	67,912
Total Revenues and Gains	\$ 2,052,645

Expenses

Salaries, payroll taxes and benefits	\$ 509,799
Awards, recognition, premiums and gifts	35,357
Bank and credit card processing fees	41,550
Contracted services - conferences and meetings	189,919
Contracted services - other	73,034
Exhibits	9,676
Food and beverage - conferences and meetings	307,599
Impact assessment	11,341
Insurance	10,385
Investment management fees	11,786
Marketing and promotion	16,091
Office supplies and equipment expenses	25,061
Postage and delivery	13,381
Printing, design and copy	23,075
Professional fees	38,635
Rent of office	12,241
Telephone / communications	13,904
Travel	187,712
Workshop materials	27,999
Various other	28,502
Total Expenses	<u>1,587,047</u>

Increase in Unrestricted Net Assets

\$ 465,598

Net Assets - Beginning of year

2,135,180

Net Assets - End of year

\$ 2,600,778

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Cash Flows From Operating Activities

Membership dues collected	\$ 457,680	
Conferences and meetings fees collected net of refunds	1,308,801	
Accreditation program revenue collected	200,040	
Workshop material charges collected	55,025	
Other collections	5,405	
Interest and dividends received	65,416	
Cash paid to employees and suppliers	<u>(1,610,087)</u>	
Net Cash Provided By Operating Activities		\$ 482,280

Cash Flows From Investing Activities

Proceeds from sales of mutual funds	\$ 44,753	
Investments in mutual funds including reinvested dividends	<u>(342,881)</u>	
Net Cash Used In Investing Activities		<u>(298,128)</u>

Net Increase in Cash and Cash Equivalents \$ 184,152

Cash and Cash Equivalents

Beginning of year	<u>985,464</u>
End of year	<u><u>\$ 1,169,616</u></u>

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

Increase in net assets	\$ 465,598
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	1,685
Net realized and unrealized gains on investments	(67,912)
(Increase) decrease in:	
Accounts receivable and accrued revenue	95,529
Other assets	(7,690)
Increase (decrease) in:	
Accounts payable and accrued expenses	(13,430)
Deferred revenue	<u>8,500</u>
Net Cash Provided By Operating Activities	<u><u>\$ 482,280</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 1979 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 host institutions 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.

Inventory of Materials – Workshop materials on hand are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

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.

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

2. Summary of Significant Accounting Policies – continued

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.

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>
Equity Funds			
Columbia Acorn Fund	1,353.582	\$ 41,000	\$ 40,865
Lord Abbett Small Cap Blend Fund	2,340.013	28,900	35,779
Thornburg International Value Fund	2,565.390	65,132	73,473
Vanguard Index Trust 500 Portfolio	2,560.457	284,223	296,552
Bond Funds			
Harbor Bond Fund	37,828.982	451,022	457,731
Neuberger Berman High Inc. Bond Fd.	7,373.473	65,563	68,868
Templeton Global Bond Fund	4,974.186	56,453	67,450
Western Asset Core Plus Portfolio	30,417.940	308,352	327,905
		<u>\$ 1,300,645</u>	<u>\$ 1,368,623</u>

Dividends received in 2010 from these funds amounted to \$63,881 and all such dividends were reinvested. Net realized and unrealized gains from the funds in 2010 amounted to \$67,912.

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

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2010:

Office furniture and equipment	\$ 20,571
Computer equipment	<u>14,923</u>
	\$ 35,494
Less: accumulated depreciation	<u>32,406</u>
	<u>\$ 3,088</u>

Depreciation expense for the year amounted to \$1,685.

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	\$ 1,065,688
Management and general	<u>521,359</u>
Total	<u>\$ 1,587,047</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 \$10,768 for the year. The plan is managed by JZA Affinity, a professional plan administrator.

7. Lease Agreement

The Association leases office space located at 8990 Burke Lake Road in Burke, Virginia under an operating lease expiring November 30, 2019. For 2010 rent under the lease amounted to \$12,241. The following are the future minimum lease payments required under the lease as of December 31, 2010:

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

7. Lease Agreement - continued

Year 2011	\$ 12,577
2012	12,954
2013	13,343
2014	13,743
2015	14,155
Thereafter	<u>59,633</u>
	<u>\$ 126,405</u>

8. Concentrations of Credit Risk

The Association maintains its deposits of cash and cash equivalents at several banks and an investment institution. Accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2010 uninsured balances approximated \$692,000. In addition, money market funds held at an investment institution that are not subject to FDIC insurance approximated \$3,000 at December 31, 2010.

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.

9. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 1, 2011, the date that the financial statements were available to be issued.

Murray & Cavanaugh, P.C.

Certified Public Accountants

1901 North Fort Myer Drive, Suite 1100
Arlington, Virginia 22209-1688
Telephone: 703.527.8012
Fax: 703.527.7306
Email: murcav@murraycavanaugh.com
Web: www.murraycavanaugh.com

*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, 2010 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

March 1, 2011

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

Conference revenues		
Registration, sponsor, exhibitor, and other fees		\$ 1,193,150
Conference expenses		
Salaries, payroll taxes and benefits - allocated	\$ 156,123	
Awards, recognition, premiums and gifts	26,962	
Bank and credit card processing fees	36,184	
Contracted services and speaker fees	200,216	
Exhibits	9,676	
Food and beverage	264,473	
Insurance	3,729	
Office supplies and equipment expenses	6,606	
Postage and delivery	8,419	
Printing, design and copy	15,657	
Telephone / communications	5,005	
Travel	47,074	
Various other	2,508	782,632
Excess of Conference Revenues over Expenses		<u>\$ 410,518</u>