

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS**

FINANCIAL STATEMENTS

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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 financial statements of the Association of Small Business Development Centers (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Murray & Cavanaugh, P.C., CPAs

March 20, 2013

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012**

ASSETS		
Cash and cash equivalents		\$ 872,740
Investment in bank certificate of deposit, maturing in 2013		200,000
Investments in marketable securities - at fair value		1,540,402
Accrued interest on certificates of deposit		991
Accounts receivable		
Accreditation program fees	\$ 16,242	
Special services program fees	24,375	
Census Bureau AES program fees	21,811	
Other	8,129	
Allowance for uncollectible accounts	<u>(26,000)</u>	44,557
Accrued accreditation program fees		23,985
Prepaid expenses and deposit		44,337
Workshop materials on hand		23,400
Investments in bank certificates of deposit, maturing in 2014		200,000
Property and equipment, net of accumulated depreciation of \$28,055		<u>4,969</u>
Total Assets		<u><u>\$ 2,955,381</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		\$ 19,060
Payroll taxes payable		5,145
Accrued unused employee leave		<u>37,972</u>
Total Liabilities		\$ 62,177
Net Assets		
Unrestricted		
Board designated contingency reserve (note 11)	\$ 692,908	
Undesignated	<u>2,200,296</u>	<u>2,893,204</u>
Total Liabilities and Net Assets		<u><u>\$ 2,955,381</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Changes in Unrestricted Net Assets

Revenues and Gains

Revenues		
Membership dues	\$ 473,075	
Annual conference registration, sponsor, exhibitor and other fees	1,194,975	
Spring meeting registration fees	25,200	
Accreditation program fees from U.S. Small Business Administration	65,549	
Special services program fees	95,324	
Other	7,165	
Total Revenues	<u>\$ 1,861,288</u>	
Investment return	166,653	
Total Revenues and Gains		\$ 2,027,941

Expenses

Salaries, payroll taxes and benefits	\$ 637,080	
Awards, recognition, premiums and gifts	30,684	
Bad debts	21,000	
Bank and credit card processing fees	42,900	
Contracted services - conferences and meetings	148,822	
Contracted services - other	48,080	
Exhibits	9,302	
Food and beverage - conferences and meetings	403,627	
Impact assessment	23,009	
Insurance	15,966	
Investment management fees	14,381	
Marketing and promotion	98,763	
Office supplies and equipment expenses	22,666	
Postage and delivery	11,606	
Printing, design and copy	27,366	
Professional fees	20,966	
Rent of office	12,954	
Seminars and meetings	10,527	
Telephone / communications	33,086	
Travel and lodging	162,099	
Various other	33,669	
Total Expenses	<u>1,828,553</u>	1,828,553

Increase in Unrestricted Net Assets **\$ 199,388**

Net Assets - Beginning of year	<u>2,693,816</u>
Net Assets - End of year	<u><u>\$ 2,893,204</u></u>

See accompanying notes to financial statements.

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Cash Flows From Operating Activities

Membership dues collected	\$	473,075	
Conferences and meetings fees collected net of refunds		1,214,562	
Accreditation program revenue collected		154,121	
Special services program revenue collected		83,597	
Other collections		7,704	
Interest and dividends received		74,442	
Cash paid to employees and suppliers		<u>(1,821,119)</u>	
Net Cash Provided By Operating Activities	\$		186,382

Cash Flows From Investing Activities

Proceeds from sales of marketable securities	\$	84,688	
Redemption of bank certificate of deposit		200,000	
Investments in marketable securities including reinvested dividends		<u>(134,469)</u>	
Net Cash Used In Investing Activities			<u>150,219</u>

Net Increase in Cash and Cash Equivalents \$ 336,601

Cash and Cash Equivalents

Beginning of year		<u>536,139</u>	
End of year			<u><u>\$ 872,740</u></u>

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

Increase in net assets		\$	199,388
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation			1,519
Net realized and unrealized gains on investments			(93,500)
(Increase) decrease in:			
Accounts receivable and accrued revenue			104,265
Other assets			(13,293)
Increase (decrease) in:			
Accounts payable and accrued expenses			<u>(11,997)</u>
Net Cash Provided By Operating Activities			<u><u>\$ 186,382</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 colleges, universities and state agencies and their respective 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 are reported net of a valuation allowance for probable uncollectible amounts. The allowance is estimated by management from historical performance and projection of trends. Generally, receivables are considered delinquent if not received within 60 days of the billing date. No interest is charged on accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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.

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

2. Summary of Significant Accounting Policies – continued

Income Tax Status – The Association is a not-for-profit organization that is exempt from federal and Virginia income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Association is liable for income taxes on any net unrelated business income. There was no unrelated business income for the year 2012.

The Association's Form 990, *Return of Organizations Exempt from Income Tax*, for the years 2008 through 2012 are subject to federal and state income tax examinations.

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 Marketable Securities

Investments in marketable securities are stated at fair value as measured using quoted closing prices in publicly-traded securities markets and consist of equity and bond mutual funds as follows at December 31, 2012:

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Mutual Funds			
Columbia Acorn Fund	2,517.573	\$ 76,261	\$ 76,660
Thornburg International Value Fund	2,439.970	62,373	68,539
Vanguard Index Trust 500 Portfolio	2,407.469	266,868	316,269
Bond Mutual Funds			
Blackrock High Yield Bond Fund	8,360.146	66,301	67,634
Harbor Bond Fund	42,943.191	514,452	535,931
Templeton Global Bond Fund	5,885.728	68,412	78,516
Western Asset Core Plus Portfolio	34,006.286	348,092	396,853
		<u>\$ 1,402,759</u>	<u>\$ 1,540,402</u>

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

4. Investment Return

The following summarizes investment returns and their classification in the statement of activities for the year.

Interest income - certificates of deposit	\$ 4,685
Dividend income - marketable securities	68,468
Net realized and unrealized gains on marketable securities	<u>93,500</u>
	<u>\$ 166,653</u>

5. Property and Equipment

Property and equipment consisted of the following at December 31, 2012:

Office furniture and equipment	\$ 18,424
Computer equipment	<u>14,600</u>
	\$ 33,024
Less: accumulated depreciation	<u>28,055</u>
	<u>\$ 4,969</u>

Depreciation expense for the year amounted to \$1,519.

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	\$ 1,261,017
Management and general	<u>567,536</u>
Total	<u>\$ 1,828,553</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 \$13,375 for the year. The plan is managed by RCM&D, Inc., a professional plan administrator.

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

8. 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 2012 rent under the lease amounted to \$12,954. The following are the future minimum lease payments required under the lease as of December 31, 2012

Year 2013	\$ 13,343
2014	13,743
2015	14,155
2016	14,580
2017	15,017
Thereafter	30,036
	<u>\$ 100,874</u>

9. Concentrations of Credit Risk

The Association maintains its deposits of cash and cash equivalents and investments in bank certificates of deposit at several banks and an investment institution. Accounts at each bank are generally insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012 uninsured balances approximated \$365,000.

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 which depend, in part, on state and federal funding.

10. Fair Value Measurements

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2012 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments in marketable securities		
Mutual funds	<u>\$ 1,540,402</u>	<u>\$ 1,540,402</u>

The Association recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended December 31, 2012.

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

11. Board Designated Contingency Reserve

All net assets are unrestricted, but the board of directors and membership in March, 2002 established a long-term reserve fund funded by a three year dues surcharge of 0.0015%. In 2005 the dues surcharge expired. That reserve, pursuant to the by-laws (as amended in 2009) requires a two-thirds board vote of approval before the funds may be used. Additions to the contingency reserve were made in the years 2003 through 2006.

12. Commitments

The Association has future commitments in the form of hotel contracts for the Association's annual conference through 2018 and its spring meeting through 2014. These contracts contain various standard penalty clauses related to minimum room nights, cancellations and minimum food and beverage expenditures. Those clauses could pose future liability. The extent of this potential liability cannot be accurately assessed due to factors including the availability of federal funding, program restrictions, etc.

13. Date of Management's Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 20, 2013, the date that the financial statements were available to be issued.

Murray & Cavanaugh, P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of the
Association of Small Business Development Centers

We have audited the financial statements of the Association of Small Business Development Centers as of and for the year ended December 31, 2012, and our report thereon dated March 20, 2013, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of annual conference revenues and expenses on page 12 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Murray & Cavanaugh, P.C., CPAs

March 20, 2013

**ASSOCIATION OF SMALL BUSINESS
DEVELOPMENT CENTERS
SCHEDULE OF ANNUAL CONFERENCE REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

Conference revenues		
Registration, sponsor, exhibitor, and other fees		\$ 1,194,975
Conference expenses		
Salaries, payroll taxes and benefits - allocated	\$ 206,461	
Awards, recognition, premiums and gifts	28,880	
Bank and credit card processing fees	40,001	
Contracted services and speaker fees	140,129	
Exhibits	9,302	
Food and beverage	358,019	
Insurance	9,105	
Office supplies and equipment expenses	1,090	
Postage and delivery	8,435	
Printing, design and copy	21,548	
Seminars and meetings	10,378	
Telephone / communications	8,730	
Travel and lodging	62,789	
Various other	5,469	910,336
Excess of Conference Revenues over Expenses		<u><u>\$ 284,639</u></u>