

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

(a not-for-profit corporation)

REPORT ON AUDIT OF FINANCIAL STATEMENTS

for the year ended March 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
International Council for Small Business
Washington, D.C.

We have audited the accompanying financial statements of the International Council for Small Business (a nonprofit organization) which comprise the statement of financial position as of March 31, 2014, 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.

Auditors' 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 from 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 auditors' 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.

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 International Council for Small Business as of March 31, 2014 and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Alexandria, Virginia
June 10, 2014

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

STATEMENT OF FINANCIAL POSITION

March 31, 2014

ASSETS	
CURRENT ASSETS	
Cash	\$ 56,453
Accounts receivable, net	82,168
Prepaid expenses	<u>2,444</u>
TOTAL CURRENT ASSETS	<u>141,065</u>
OTHER	
Intangible - JSBM, net	<u>135,416</u>
TOTAL ASSETS	<u><u>\$ 276,481</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 66,420
Deferred income	
World Conference fees received in advance of event	7,500
JSBM	<u>56,746</u>
TOTAL CURRENT LIABILITIES	<u>130,666</u>
TOTAL LIABILITIES	<u>130,666</u>
NET ASSETS	
Unrestricted	115,045
Temporarily restricted	<u>30,770</u>
TOTAL NET ASSETS	<u>145,815</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 276,481</u></u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2014

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Membership	\$ 62,703	\$ -	\$ 62,703
Conference	55,594	-	55,594
Journal - JSBM	106,625	-	106,625
Special project	75,000	-	75,000
Other	25,200	-	25,200
Net assets released from restrictions satisfaction of program restrictions	2,000	(2,000)	-
TOTAL REVENUE	<u>327,122</u>	<u>(2,000)</u>	<u>325,122</u>
EXPENSES			
Program service	\$ 275,458	\$ -	\$ 275,458
General and administrative	94,758	-	94,758
TOTAL EXPENSES	<u>370,216</u>	<u>-</u>	<u>370,216</u>
CHANGE IN NET ASSETS	(43,094)	(2,000)	(45,094)
NET ASSETS, beginning of year	<u>158,139</u>	<u>32,770</u>	<u>190,909</u>
NET ASSETS, end of year	<u>\$ 115,045</u>	<u>\$ 30,770</u>	<u>\$ 145,815</u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from operations	
Revenue	\$ 316,284
Cash disbursed by operations	
Payments to vendors and suppliers	<u>335,738</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(19,454)</u>
NET DECREASE IN CASH	(19,454)
CASH, beginning of year	<u>75,907</u>
CASH, end of year	<u><u>\$ 56,453</u></u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014**

**RECONCILIATION OF CHANGE IN NET ASSETS TO
NET CASH USED BY OPERATING ACTIVITIES**

CHANGE IN NET ASSETS	<u>\$ (45,094)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES	
Amortization expense	<u>21,667</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Receivables	22,114
Prepaid expenses	<u>(2,444)</u>
	<u>19,670</u>
LIABILITIES	
Accounts payable	15,255
Deferred revenue	<u>(30,952)</u>
	<u>(15,697)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>3,973</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (19,454)</u></u>

See accompanying Independent Auditor's Report and Notes to the Financial Statements

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Description of Organization

Founded in 1955, the International Council for Small Business (ICSB) was the first international membership organization to promote the growth and development of small businesses worldwide. ICSB brings together educators, researchers, policy makers and practitioners from around the world to share knowledge and expertise in their respective fields.

Basis of Accounting

ICSB prepares its financial statements using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned rather than when collected, expenses are recognized when incurred rather than when paid, and capital acquisitions are recognized when the obligation is incurred rather than paid.

Cash and Cash Equivalents

Cash consists of a non-interest bearing checking accounts. There were no cash equivalents at the end of the year.

Accounts Receivable

Accounts receivable are reported at their outstanding balances billed. ICSB classifies all accounts receivable as current assets. ICSB provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable are considered past due after 30 days.

Property

Property is recorded at cost and depreciation is calculated on the straight-line method over estimated useful lives. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to five years.

Intangible Assets

ICSB amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives. JSBM publication ownership right is amortized over 15 years. Intangible assets are reviewed annually for impairment or when events or circumstances indicated their carrying amount may not be recoverable. No impairments were recorded for the year ended March 31, 2014.

See Independent Auditor's Report

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Deferred Revenue

Amounts received in advance for JSBM publication and future conferences are deferred and recognized in the year to which they apply.

Classes of Assets

In accordance with generally accepted accounting principles, net assets are classified into three categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets- Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

There were no permanently restricted net assets as of March 31, 2014.

Income Taxes

ICSB is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. However, income derived from activities unrelated to the Organizations's exempt purpose is taxable under the Code. ICSB had no unrelated business income for the year ended March 31, 2014.

ICSB's Forms 990, Return of Organization Exempt from Income Tax, that have been filed as of March 31, 2014, for fiscal years 2013, 2012, and 2011 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

Expenses are charged directly to programs based on specific identification. Indirect expenses have been allocated to programs and general and administrative expenses based on level of effort.

See Independent Auditor's Report

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

2. CASH

Cash at March 31, 2014 consisted of the following:

Checking	\$ 56,453
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The checking account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of March 31, 2014, all cash was covered by the FDIC.

3. ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2014 is as follows:

Accounts receivable	\$ 102,168
Allowance for doubtful accounts	(20,000)
	<u>\$ 82,168</u>

4. FURNITURE AND EQUIPMENT

Property and equipment and accumulated depreciation at March 31, 2014 and depreciation expense for the year then ended is as follows:

	Estimated Life	Cost	Accumulated Depreciation	Depreciation Expense
Computer equipment	3	<u>\$ 1,416</u>	<u>\$ 1,416</u>	<u>\$ -</u>

5. INTANGIBLE - JSBM

On July 9, 2005, ICSB purchased the ownership of the Journal for Small Business Management (JSBM) and the JSBM website www.jsbm.org from the West Virginia University College of Business and Economics for \$325,000. ICSB capitalized the purchase amount as an intangible asset and is amortizing it over 15 years.

JSBM purchase	\$ 325,000
Accumulated amortization	(189,584)
	<u>\$ 135,416</u>

Amortization expense for the year ended March 31, 2014 was \$21,667.

See Independent Auditor's Report

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

6. JOURNAL INCOME - JSBM

ICSB has entered into a publishing agreement with Wiley-Blackwell. Under this agreement, Wiley-Blackwell is responsible for publication of the journal 4 times a year. ICSB receives \$20,000 stipend, which is adjusted by the Consumer Price Index, and 30% of all non-member subscriptions revenue and non-subscription income after deducting costs for printing and shipping. Total journal income for the year ended March 31, 2014 was \$106,625.

In connection with the purchase of the ownership of JSBM publication in July 2005 as described in Note 5, ICSB received \$325,000 payment from Blackwell Publishing, Inc. In exchange for this payment, Blackwell Publishing, Inc. receives certain percentage of subscription revenue and royalty income on quarterly JSBM publications over a 10.5 year period. ICSB recognizes \$325,000 journal income over 10.5 years under the accrual method of accounting. ICSB recognized \$30,952 for the year ended March 31, 2014 which is included in the above journal income.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of March 31, 2014.

White Fellows Fund	\$ 23,169
WEC Committee Fund	7,601
	<u>\$ 30,770</u>

8. ADMINISTRATIVE SUPPORT AGREEMENT - GEORGE WASHINGTON UNIVERSITY

ICSB has an administrative support agreement with George Washington University (the University). Under this agreement, the University provides personnel including an Executive Director, Operations Manager and part-time work study student, office space and utilities, telecommunications and internet, and administrative supplies to ICSB. The current agreement expires on June 30, 2018. During the year ended March 31, 2014, ICSB paid the University \$140,892 for this support.

9. RELATED PARTY - ICSB FOUNDATION

For the year ended March 31, 2014, ICSB received \$25,200 from ICSB Foundation, an affiliate, for administrative services provided.

5. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 10, 2014, the date the financial statements were available to be issued.

See Independent Auditor's Report