

**INTERNATIONAL COUNCIL FOR  
SMALL BUSINESS**

**FINANCIAL STATEMENTS**

**YEAR ENDED MARCH 31, 2016**





**E. COHEN**

AND COMPANY, CPAs

Building Profitable Ideas

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
International Council for Small Business  
Washington, DC

We have audited the accompanying financial statements of International Council for Small Business (a nonprofit organization), which comprise the statement of financial position as of March 31, 2016, and the related statements of activities and changes in net assets 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 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 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.

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 International Council for Small Business as of March 31, 2016, 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.

*E. Cohen and Company CPAs*

February 15, 2017

**INTERNATIONAL COUNCIL FOR SMALL BUSINESS**

**YEAR ENDED MARCH 31, 2016**

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INTERNATIONAL COUNCIL FOR SMALL BUSINESS

STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2016

ASSETS

Current assets	
Cash	\$ 37,069
Accounts receivable, net	62,400
Due from affiliate	10,240
Prepaid expenses	<u>28,077</u>
<b>Total current assets</b>	137,786
Other assets	
Intangible - JSBM, net	<u>243,750</u>
<b>Total assets</b>	<u><u>\$ 381,536</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 52,306
Deferred revenue	<u>61,050</u>
<b>Total liabilities</b>	<u>113,356</u>
Net assets	
Unrestricted	146,931
Temporary restricted	<u>121,249</u>
<b>Total net assets</b>	<u>268,180</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 381,536</u></u>

**INTERNATIONAL COUNCIL FOR SMALL BUSINESS**

**STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support			
Special projects	\$ 70,352	\$ 200,000	\$ 270,352
Journal - JSBM	91,517	-	91,517
Membership	75,890	-	75,890
Conference	51,020	-	51,020
Contributions	17,136	-	17,136
Other	4,080	-	4,080
Net assets released from restrictions	108,521	(108,521)	-
<b>Total revenue and support</b>	<u>418,516</u>	<u>91,479</u>	<u>509,995</u>
Expenses			
Program expenses	315,261	-	315,261
General and administrative	112,975	-	112,975
<b>Total expenses</b>	<u>428,236</u>	<u>-</u>	<u>428,236</u>
<b>Changes in net assets</b>	<u>\$ (9,720)</u>	<u>\$ 91,479</u>	<u>\$ 81,759</u>

**INTERNATIONAL COUNCIL FOR SMALL BUSINESS**

**STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets, beginning of the year	\$ 173,072	\$ 29,770	\$ 202,842
Prior period adjustment	<u>(16,421)</u>	<u>-</u>	<u>(16,421)</u>
<b>Restated net assets, beginning of the year</b>	156,651	29,770	186,421
<b>Changes in net assets</b>	<u>(9,720)</u>	<u>91,479</u>	<u>81,759</u>
<b>Net assets, end of year</b>	<u>\$ 146,931</u>	<u>\$ 121,249</u>	<u>\$ 268,180</u>

INTERNATIONAL COUNCIL FOR SMALL BUSINESS

STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2016

Cash flows from operating activities	
Change in net assets	\$ 81,759
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in allowance for doubtful accounts	(27,000)
(Increase) decrease in assets:	
Accounts receivable	28,700
Due from affiliate	(10,240)
Prepaid expenses	(11,827)
Increase (decrease) in liabilities:	
Accounts payable	(57,150)
Deferred revenue	1,756
<b>Net cash provided by operating activities</b>	<u>5,998</u>
Net increase in cash	5,998
Cash, beginning of year	<u>31,071</u>
<b>Cash, end of year</b>	<u>\$ 37,069</u>

There were no non-cash investing or financing activities during the year  
ended March 31, 2016

## INTERNATIONAL COUNCIL FOR SMALL BUSINESS

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

#### 1. Organization and summary of significant accounting policies

##### **Organization**

Founded in 1955, 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.

ICSB has been determined to be exempt from federal income tax pursuant to Internal Revenue Code Section 501(c)(3).

##### **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to ICSB. Expenses are reported when costs are incurred. Net assets represent the cumulative balance of the operations of ICSB from inception. ICSB reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### **Revenue recognition**

Membership affiliate and chapter dues are billed at a standard rate on a quarterly basis. To be granted affiliate status there needs to be, at minimum a consistent 50 participants within the group. To be granted chapter status there needs to be at minimum a consistent 15 participants within the group. The billing rate for an affiliate and chapter is \$25 and \$65 per participant, respectively. For the current year, there were three chapters and fifteen affiliates.

Contributions and special project funding received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

## INTERNATIONAL COUNCIL FOR SMALL BUSINESS

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

#### 1. Organization and summary of significant accounting policies (continued)

##### **Cash and cash equivalents**

ICSB considers all highly liquid short-term debt instruments whose maturity dates do not extend past three months from the original date of purchase to be cash equivalents. As of March 31, 2016, ICSB did not hold any such investments.

##### **Accounts receivable and allowance for doubtful accounts**

Accounts receivable are recorded at the lower of cost or fair value. The risk of loss on the receivables is the balance due at the time of default. All receivables are unsecured. ICSB uses the allowance method to determine uncollectible contributions and other receivables. The allowance is based upon prior experience, management's analysis of specific promises made, and other historical factors that pertain to the receivables. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Accounts receivable and allowance for doubtful accounts are \$75,400 and \$13,000 respectively at March 31, 2016.

##### **Intangible assets**

In 2005, ICSB purchased the JSBM publication ownership rights. In accordance with generally accepted accounting principles, after January 1, 2010 the intangible asset is not amortized since it has an indefinite life. Instead, it is tested for impairment.

##### **Income taxes**

No provision has been made for income taxes, since ICSB has been determined to be exempt from income tax pursuant to Internal Revenue Code Section 501(c)(3) and there was no net unrelated business taxable income during the year.

ICSB follows FASB Accounting Standards Codification Section 740 which requires an assessment of uncertainty in income taxes and certain financial statement disclosures relating to unrecognized tax benefits. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and unrelated business income, if any. The Foundation has determined that it does not currently have any tax positions that it considers to be uncertain.

##### **Deferred revenue**

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

## INTERNATIONAL COUNCIL FOR SMALL BUSINESS

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

#### 1. Organization and summary of significant accounting policies (continued)

##### **Use of estimates**

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

##### **Functional allocation of expenses**

The costs of providing programs and other activities of ICSB have been summarized on a functional basis. Costs that can be identified with particular programs or support functions are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services and management and general based upon management's best estimates.

#### 2. 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](http://www.jsbm.org) from the West Virginia University College of Business and Economics for \$325,000. Before 2010, ICSB amortized the intangible using the straight-line method over a period of 15 years. After January 1, 2010, the intangible is not being amortized and is tested annually for impairment. No impairment was recorded for the year ended March 31, 2015. Accumulated amortization as of March 31, 2016 is \$81,250.

#### 3. Administrative support agreement

ICSB has an administrative support agreement with George Washington University (the University). Under this agreement, the University provides personnel including an Executive Director and Operations Manager, 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, 2016, ICSB paid the University \$142,450 for this support. ICSB is owed \$10,240 as of March 31, 2016 for unreimbursed program expenses paid on behalf of the University.

**INTERNATIONAL COUNCIL FOR SMALL BUSINESS**

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2016**

**4. Temporarily restricted net assets**

Temporarily restricted net assets include donor restricted funds and other funds, which are only available for program activities.

The temporarily restricted net assets as of March 31, 2016, are as follows:

Hyundai Committee Fund	\$ 91,479
White Fellows Fund	23,169
WEC Committee Fund	<u>6,601</u>
Total expenses	<u>\$ 121,249</u>

**5. Journal income – JSBM**

ICSB 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 a \$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.

In connection with the purchase of the ownership of JSBM publication in July 2005 as described in Note 2, ICSB received \$325,000 from Blackwell Publishing, Inc. In exchange for this payment, Blackwell Publishing, Inc. receives a certain percentage of subscription revenue and royalty income on quarterly JSBM publications over a 10.5 year period. ICSB recognized the full \$325,000 journal income over 10.5 years using a straight line basis. ICSB recognized \$25,794 for the year ended March 31, 2016 which is included in journal income.

**6. Income taxes**

ICSB has not recognized any cumulative adjustment relating to the adoption of FASB ASC Income Tax Topic, nor are there any unrecognized tax benefits to be disclosed as of March 31, 2016. Uncertainty in income taxes for a not-for-profit organization would include the status of its exemption from taxes, status of filings in local jurisdictions, and unrelated business income, if any. ICSB's information return filings for the years 2013-2015 remain subject to examination by the Internal Revenue Service. The federal and state returns for the year ended March 31, 2016, have not yet been filed.

## INTERNATIONAL COUNCIL FOR SMALL BUSINESS

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2016

#### **7. Prior period adjustment**

The prior period adjustment consists of two items resulting in a net adjustment of \$16,421, decreasing net assets for the year ended March 31, 2015.

ICSB reimbursed travel expenses during the year ending March 31, 2016 for travel which was incurred during the year ending March 31, 2015 totaling \$29,421. This prior period adjustment increases accounts payable and decreases net assets as of March 31, 2015 by \$29,421.

Maureen Joudrey was paid an advanced during the year ended March 31, 2015 which she repaid during the year ended March 31, 2016. The original advance was recorded as an expenses. The prior period adjustment increases prepaid expenses and net assets as of March 31, 2015 by \$13,000.

#### **8. Subsequent events**

Management of ICSB has evaluated events or transactions that occurred after March 31, 2016 through February 15, 2017, the date the financial statements were available to be issued. Management of ICSB has determined that there were no subsequent events or transactions that should be disclosed in the financial statements.