OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT
FISCAL 2013 ANNUAL REPORT

The Office of Performance Management & Oversight (OPMO) measures the performance of all public and quasi-public entities engaged in economic development. All agencies are required to submit an Annual Report, which includes all of the following information and demonstrates progress made against the Annual Plan submitted for the same year.

Based on review of Performance to Plan, the Office of Performance Management and Oversight will annually re-evaluate the goals and measures established by the agencies. The Office will recommend changes to goals and measures as appropriate to align with the statewide economic development policy and plan.

The annual reports of each agency will be published on the official website of the Commonwealth, and be electronically submitted to the clerks of the Senate and House of Representatives, the Chairs of the House and Senate Committees on Ways and Means and the House and Senate Chairs of the Joint Committee on Economic Development and Emerging Technologies.

Filing Instructions:

The Fiscal Year 2013 report is due no later than **Friday, November 1, 2013**. An electronic copy of the report and attachments A & B should be e-mailed to Anne.Struthers@state.ma.us.

1) AGENCY INFORMATION	
Agency Name	**Massachusetts Small Business Development Center**
Agency Head	**Georgianna Parkin**
Title	**State Director**
Website	**www.msbdc.org**
Address	**Tillson House, University of Massachusetts, 23 Tillson Farm Rd, Amherst, MA 01003-9346**

2) MISSION STATEMENT
The Massachusetts Small Business Development Center Network contributes to the entrepreneurial growth of small businesses throughout Massachusetts by providing high-quality, in-depth advising, training, and capital access.

3) Performance on Goals and Objectives

Please provide details on the agency's progress and accomplishments for Fiscal Year 2013 as it relates to the Fiscal Year 2013 Plan submitted by your agency. This information should be included as **Attachment A and should include prior year perspective.** In addition to your Performance to Plan Report, Questions 5 through 10 provides guidance on the specific information required under Chapter 240 of the Acts of 2010.

4) Accounting

Please provide financial information for your agency. Below please give a summary of *Receipts and Expenditures* during the fiscal year, and include the *Assets and Liabilities* at the end of the fiscal year. Please include the most recent audited financial report for the agency as **Attachment B**.

	Amount
Budget	**$4,727,662**
Expenditures	**$4,727,662**
Assets	**$**
Liabilities	**$**

5) Investments or Grants to Businesses or Individuals

Does your agency make **investments** and/or provide **grants** to businesses or individuals? **Yes** ☐ **No** ☒
If **Yes**, please provide detailed information on investments and/or grants made during FY13 in the **Performance on Goals and Objectives** section of this report. Information should include the number, nature and amounts of investments made and grants awarded by your agency along with job, investment and/or other economic development impact. Please list the name(s) of the investment and/or grant programs offered by your agency in the space provided below:

[Please enter the investment or grant details here.]

6) Debt or Equity Investment Details

Is your agency involved in **debt** or **equity investments** for businesses? **Yes** ☐ **No** ☒
If **Yes**, please provide detailed information on debt and/or equity investments made during FY13 in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the debit and/or equity investments programs offered by your agency in the space provided below:

[Please enter the debt or equity investment details here.]

7) Loan Details

Is your agency involved in **real estate loans**, **working capital loans**, or any **other type of loan** or **guarantee**? **Yes** ☐ **No**

If **Yes**, please provide detailed information on loan(s) and/or guarantee(s) made during FY13 in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the types of loan(s) and/or guarantee(s) offered by your agency in the space provided below:

[Please enter the loan details here.]

8) Other forms of Financing or Financial Assistance?

If your agency provides any other form of financing or financial assistance, please include FY13 details in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the types of other forms of financing offered by your agency in the space provided below:

N/A

9) Patents or Products

Does your agency track **patents** or **products** resulting from agency-funded activities? **Yes** ☐ **No**

If **Yes**, please include details in the **Performance on Goals and Objectives** section of this report along with job, investment and/or other economic development impact. Please list the agency-funded activities of your agency that promote patent and product advancement in the space provided below:

[Please enter the details on patents or products here.]

10) Technical Assistance

If your agency provides technical assistance, please provide detailed information on technical assistance provided during FY13 in **the Performance on Goals and Objectives** section of this report along with job, investment, and/or other economic development impact. Please list the name(s) of the technical assistance programs offered by your agency in the space provided below:

(See Attachment A)

Massachusetts Small Business Development Center(MSBDC) Network

State Fiscal 2013 Report

Georgianna Parkin, MSBDC State Director

University of Massachusetts Amherst, Isenberg School

MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER NETWORK
State Fiscal 2013 Report

BACKGROUND

The Massachusetts Small Business Development Centers (MSBDC) Network provides one-to-one free comprehensive and confidential services focusing on, business growth and strategies, financing and loan assistance, and strategic analysis. The statewide program has three integrated product lines: Business Advisory Services, Government Contracting and International Trade Services through our Massachusetts Export Center. Services are delivered through a statewide network of skilled professionals supported by a vast network of federal, state, educational and private sector partners. In addition, low cost educational training programs are offered across the state targeted to the needs of small business.

The MSBDC is a partnership of the U.S. Small Business Administration, the Massachusetts Office of Business Development and a consortium of higher education institutions led by the Isenberg School of Management at the University of Massachusetts Amherst and includes Clark University, Salem State College, University of Massachusetts Boston and University of Massachusetts Dartmouth.

The MSBDC's six regional business advisory centers, the Massachusetts Export Center, and Procurement Technical Assistance Center are designed to effectively service small businesses throughout the state. There is an MSBDC regional, specialty, or satellite office located within 30 minutes of any potential client in the state.

- **Business Advisory Services** — Through six regional centers housed in Pittsfield, Springfield, Worcester, Salem, Fall River and Boston, full-time business advisors supported by the resources of academic institutions, provide business advising to small businesses. Feasibility studies and start up issues, business plan development, cash flow analysis, marketing and sales strategies, financial plan development, financing options and loan packaging, buy/sell and valuation assistance, technology and e-commerce assistance as well as assistance with equity business plans are among the wide array of assistance provided.

- **Training** — The MSBDC conducts over 160 seminars, workshops, courses, and conferences addressing a wide range of business issues. Many of these programs are cosponsored with local chambers of commerce, colleges and universities, community development organizations and trade associations

- **Massachusetts Export Center** — Through four centers located in Boston, Holyoke, New Bedford and Worcester, the MSBDC's Massachusetts Export Center provides export counseling, technical assistance, international market research and promotion, as well as training to businesses. Expertise and guidance is provided in the areas of export market assessment and analysis, establishment of export market channels, international business development, export legal and regulatory compliance, export logistics and supply chain management, and global trade banking and finance. The program works collaboratively with the Massachusetts Office of International Trade & Investment, MassDevelopment, the U.S. Department of Commerce and the U.S. Small Business Administration's Office of International Trade.

- **Minority Business Center** — The Minority Business Center provides services on a targeted basis to the minority community of Greater Boston. The Center is sponsored by the University of Massachusetts Boston.

- **Procurement Technical Assistance Center (PTAC)** — Client firms receive an understanding of contracting requirements and the know-how to obtain and successfully perform federal, state and local government contracts. Small businesses headquartered in Massachusetts and in business for at least one year can subscribe to a free bid-matching service informing them of bidding opportunities (when electronically available) matching their specific product and/or service profiles. PTAC provides a wide range of assistance, such as: guidance on initial registrations and small business certifications, researching procurement histories, small business matchmaking conferences, proposal guidance and review, contract performance issues and much more.

- **Economic Development** — The MSBDC assists local groups and communities in developing programs for small business creation, expansion and retention.

EXECUTIVE SUMMARY

During FY 2013, state line item 7007-0800 in the amount of $1,204,286.00 leveraged Federal funds from the U.S. Small Business Administration in the amount of $2,139,288 and $287,088 from the Department of Defense to staff and operate the MSBDC's six regional centers, four statewide International Trade Offices, the Government Sales Program and the statewide Procurement Technical Assistance Center (PTAC) Program. In addition, the participating consortium institutions led by the UMass Isenberg School, waived over $1,097,000 towards the projected indirect costs.

The six regional offices, the International Trade program and the Government sales program, with state line item match in the amount of $1,004,286 provided one-to-one free confidential business advisory services to 3,451 individuals comprising over 22,693 hours of assistance. These advisory services resulted in the creation of 1,010 new jobs and the preservation of 2,166 jobs throughout the Commonwealth. The remainder of the line item $200,000 leveraged Federal funds from DoD for the PTAC program (see page 12).

MSBDC NETWORK ACHIEVEMENTS
State Fiscal Year 2013 (July 1, 2012 - June 30, 2013)

CENTER	CLIENT CASES	ADVISING HOURS	CAPITAL FORMATION	BUSINESS STARTS
WESTERN REGIONAL OFFICE	492	2,441.59	$6,838,600	15
NORTHEAST REGIONAL OFFICE	526	2,061.32	$3,742,800	14
CENTRAL REGIONAL OFFICE	738	7,194.31	$16,721,031	22
SOUTHEAST REGIONAL OFFICE	696	3,177.40	$7,361,500	14
BOSTON REGIONAL OFFICE/MBC	486	1,474.71	$1,799,500	13
BERKSHIRE REGIONAL OFFICE	159	748.41	$1,304,700	6
EXPORT CENTER	193	4,655.35	NA	NA
GOVERNMENT SALES	161	940.86	$150,000	NA
STATEWIDE	3,451	22,693.95	37,918,131	118

MSBDC ACHIEVEMENTS COMPARED TO PROJECTED
State Fiscal Year 2013

	Projected	Achieved	Percentage
Cases	3,000	3,451	115%
Hours	20,100	22,693.95	113%
Capital Formation	$27,300,000	$37,918,131	139%
Business Starts	84	118	140%
Jobs Created	336	601	179%
Jobs Retained	225	1,051	467%

Summary of MSBDC client characteristics for state fiscal 2013:

2013 MSBDC CLIENT CHARACTERISTICS	
Female	46.1%
Minority	14.5%
Veterans	5.2%
In-Business	54.8%
Business Organization	
Sole Proprietorship	21.2%
Corporation	12.5%
LLC	11.9%
S Corporation	9.5%
Partnership	1.7%
Business Status	
Business Online	15.7%
Home Based	13.4%
Importer/Exporter	2.4%
SBA Borrower	1.0%
8a Certified	0.3%
Business Types	
Services	12.0%
Retail Trade	11.9%
Manufacturing	10.8%
Professional, Scientific, Technical Services	10.1%
Accommodation and Food Services	6.6%
Healthcare & Social Assistance	6.2%
Construction	4.2%
Educational Services	3.0%
Wholesale Trade	2.9%

The following illustrates the number of MSBDC established business clients by the number of employees:

2013 MSBDC ESTABLISHED BUSINESS CLIENTS Number of Employees						
	1 EMPLOYEE	2-10 EMPLOYEES	11-20 EMPLOYEES	21-50 EMPLOYEES	51-100 EMPLOYEES	GREATER THAN 100 EMPLOYEES
WESTERN REGIONAL OFFICE	96	139	16	2	4	2
NORTHEAST REGIONAL OFFICE	89	109	16	7	1	0
CENTRAL REGIONAL OFFICE	107	147	33	11	9	3
SOUTHEAST REGIONAL OFFICE	174	245	33	22	7	4
BOSTON REGIONAL OFFICE	70	73	11	4	0	2
BERKSHIRE REGIONAL OFFICE	25	41	7	4	0	0
INTERNATIONAL TRADE PROGRAM	12	53	25	49	26	27
GOVERNMENT ADVISING	16	70	18	18	9	8
TOTAL	589	877	159	117	56	46
PERCENTAGE	31.9%	47.6%	8.6%	6.3%	3.0%	2.5%

The MSBDC 2013 Economic Impact Survey, which was conducted by a third party independent researcher and certified in writing by clients who were surveyed, examined the current business climate of clients receiving 5 or more hours of advising from MSBDC staff in 2011 through the programs mentioned above. The survey had a 29.7% response rate. A total of 96% of the respondents felt that MSBDC services were beneficial (up from 93% in FY2012) and over 99% of established business clients would recommend MSBDC services (up from 97% in FY2012).

2013 MSBDC REGIONAL ECONOMIC IMPACT for 2011 Tracking Client Status in 2013 Resulting from MSBDC advising in 2011								
	Berkshire	Boston	Central	IT	Govt Sales	Northeast	Southeast	Western
Aggregate sales impact	$1,144,780	$9,347,370	$32,755,060	$3,053,650	$26,063,110	$9,551,100	$10,426,950	$13,945,540
Aggregate employment impact	44 new jobs	55 new jobs	193 new jobs	242 new jobs	251 new jobs	206 new jobs	185 new jobs	99 new jobs
Existing revenues maintained	$646,000	$7,980,230	$205,798,980	$75,867,000	$38,873,360	$3,797,830	$26,587,370	$72,190,860
Existing jobs saved	20 jobs saved	37 jobs saved	1,098 jobs saved	103 jobs saved	281 jobs saved	69 jobs saved	368 jobs saved	194 jobs saved
Total tax revenues generated	$209,380	$636,416	$2,231,474	$1,009,813	$2,123,009	$1,188,501	$1,151,036	$1,008,645
Total financing	$894,330	$4,436,790	$40,854,750	$2,433,600	$1,132,210	$12,800,330	$25,432,040	$11,685,400
Financing Leverage	5.79/1.00	8.62/1.00	63.47/1.00	4.94/1.00	4.96/1.00	23.68/1.00	59.86/1.00	25.64/1.00

The survey showed that MSBDC clients:

- Outperformed average sales growth for all Massachusetts companies: 7.5% vs. 3.8%
- Produced higher job growth: 8.3% vs. the MA average of 1.4% for established firms
- Generated $77.9 Million in total new sales revenue
- Generated $7.64 Million total tax revenue ($4.38 M state tax revenue; $3.26 M federal)

MSBDC Advising in Massachusetts Gateway Cities

The MSBDC Network regional offices and Mass Export Center work with Gateway Cities as part of their statewide regional service areas. The following table shows the number of clients serviced in each Gateway City in 2013:

MASSACHUSETTS SMALL BUSINESS DEVELOPMENT CENTER GATEWAY CITIES/TOWNS July 1, 2012 - June 30, 2013					
CITY/TOWN	# CLIENTS	COUNSELING HOURS	FINANCING SECURED	JOBS CREATED	JOBS RETAINED
Attleboro	29	76.85	$0	0	0
Brockton	23	82.00	$400,000	7	47
Chelsea	12	36.50	$280,000	0	2
Chicopee	18	94.38	$19,000	3	0
Everett	6	27.75	$0	0	0
Fall River	58	258.83	$395,000	7	39
Fitchburg	24	79.52	$0	2	64
Haverhill	8	24,50	$0	0	0
Holyoke	19	171.25	$0	0	0
Hyannis/Barnstable	16	155.01	$0	2	0
Lawrence	9	63.75	$15,000	1	0
Leominster	21	162.52	$530,000	15	16
Lowell	5	9.01	$0	0	8
Lynn	60	279.25	$203,000	1	26
Malden	15	28.75	$0	0	0
Methuen	6	8.00	$0	0	0
New Bedford	53	284.30	$0	9	3
Peabody	38	193.57	$760,000	8	12
Pittsfield	58	349.43	$780,800	24	0
Quincy	29	94.51	$3,000	2	0
Revere	16	54.25	$0	0	0
Salem	71	276.98	$4,061,000	14	29
Springfield	91	375.54	$165,000	4	17
Taunton	16	124.11	$0	1	0
Westfield	14	85.02	$480,000	1	5
Worcester	159	1858.13	$3,765,900	35	102
TOTAL	874	5,253.71	$11,857,700	136	370

MSBDC Training

The MSBDC's six regional offices and Mass Export Center's International Trade Offices provided 180 training sessions attracting 5,324 attendees in fiscal 2013. These numbers represent an increase of 13 training sessions from FY2012 (180 vs. 167) and an increase of 103 attendees (5,324 vs. 5,221):

MSBDC TRAINING State Fiscal Year 2013		
	Training Units	**Training Attendees**
Western Regional Office	21	382
Northeast Regional Office	64	2,457
Central Regional Office	14	322
Southeast Regional Office	32	554
Boston Regional Office/MBC	13	368
Berkshire Regional Office	4	52
Mass Export Center	30	1,122
Government Sales	2	67
STATEWIDE TOTAL	**180**	**5,324**

PROCURMENT TECHNICAL ASSISTANCE CENTER (PTAC)

The Procurement Technical Assistance Center (PTAC) program resources are concentrated on assistance to small, minority- and women-owned firms statewide with an emphasis on high areas of unemployment including Hub Zones. The program manager is housed at the MSBDC Western Regional Office in Springfield with procurement specialists housed in Springfield, Lawrence and Boston. PTAC provides technical assistance in bid matching for federal, state and municipal procurement opportunities.

Much of the counseling services are performed at the client's firm location, making the technical support delivery available in a timely and cost effective manner. E-commerce, including registering, bidding and performing on-line, in a paperless environment is a vital part of federal contracting. The counseling staff supports vendors in those efforts. Technical data, such as military specifications, standards, pricing histories and technical information by part number will be supplied.

PTAC Counseling Areas	*Award Dollars	Jobs Created	Active Clients
Boston Area	$ 1,320,931	24	220
Central (SBA funded area)			
Merrimack Valley	$ 3,421,176	51	135
North Shore	$ 1,145,709	58	231
Southeastern (SBA funded area)			
Western	$ 22,788,975	188	173
	$ 28,676,791	321	759
Agency Summary			
Department of Defense (DoD)	$ 4,279,758		
Other Federal	$ 1,330,280		
State/Local	$ 23,066,753		
	$ 28,676,791		
Prime / Sub-contract Summary			
Prime Contracts	$ 27,119,314		
Sub-contract	$ 1,557,477		
	$ 28,676,791		
25 PTAC Clients Reported 230 Awards Received, Totaling $28,676,791 from 8/1/12 to 7/31/13			
Training Workshop Events	**Total Workshops**	**Attendees**	**Location**
GSA Monthly Training Workshop	12	75	Boston
SBA Small Biz Government Contracting Seminar	1	10	Boston
SBA Reverse Matchmaker	1	35	Boston
Advanced Manufacturing Summit 2013	1	35	Foxborough
New Client Orientation (Western Mass NCO)	3	14	Springfield
Pelican Cases Vendor Symposium	1	153	Springfield
SBA Small Biz Government Contracting Seminar	1	6	Springfield
Society of American Military Engineers	1	100	Waltham
Mass Buy Expo	1	400	Worcester
**DoD Northeast Regional Council Matchmaker	1	31	Rochester, NY
*(**Massachusetts Small Business attendees only)*	23	859	

MSBDC Network Supporting Innovation and Entrepreneurship

STEP Program

The MSBDC Mass Export Center worked closely with the Massachusetts Office of International Trade and Investment to develop and roll out the FY2013 State Trade and Export Promotion (STEP) grant program, which provides small grants – up to $10,000 – for small businesses to accelerate their export development by engaging in targeted, high-impact international marketing activities, such as international trade shows. Specifically, the Export Center developed the intellectual content for the STEP program, designed a new online application form, helped clients to prepare their international marketing plans for the program, recruited applicants through web and email communication, delivered a series of webinars to help businesses prepare their applications, and served as the lead on the STEP application review team. Nearly 80 companies applied for STEP grants in the first round of FY2013, with 34 grants being approved. Nearly 50 companies applied for STEP grants in the second round of FY2013, with 36 grants being approved. The Export Center is continuing to work with many STEP recipients to help them execute their international business development activities under the grant program.

Export Outreach Team

The MSBDC Mass Export Center played an integral role in organizing our local Massachusetts Export Outreach Team (EOT). The EOT initiative was mandated by the President's Export Promotion Cabinet under the National Export Initiative with the goal of harnessing the resources of our federal and state export service providers for the purpose of coordination, collaboration and promotion of export opportunities to businesses. During the year, the Export Center began activities to organize our Massachusetts EOT in partnership with the SBA district office, U.S. Department of Commerce, SBA office of international trade, MA Office of International Trade & Investment, and other key partners. The first meeting of the Massachusetts EOT will be held in September of 2013.

Export Expo and Other Training

The MSBDC Mass Export Center collaborates with a wide variety of government, economic development and private sector partners to deliver export training throughout the year in Massachusetts, culminating with our annual Export Expo, which is held each December. The Export Expo features a wide variety of workshops, exhibits (including many partnering organizations) and special guest speakers. This year's Expo featured a keynote address from Kevin Kurland of the Bureau of Industry and Security, who discussed progress on the Federal Export Control Reform Initiative. The Expo also featured speakers from the US Census Bureau, who provided an update of anticipated changes for exporter reporting requirements.

Annual Seafood Buyers Tour

The MSBDC Mass Export Center led organization of the annual International Seafood Buyers tour, which brought 15 seafood buyers from 10 different countries to New Bedford to tour area seafood processing facilities and meet with local seafood suppliers. The tour was organized in collaboration with several partners, including the New Bedford Area Chamber of Commerce, Food

Export USA, the New Bedford Harbor Development Commission, and others. Actual export sales resulting from the initiative exceeded $2 Million and projected export sales were even higher.

Life Sciences

The MSBDC Mass Export Center engages in many activities that support the life sciences cluster in Massachusetts. The cluster, which includes medical devices, biotech, pharmaceuticals, laboratory instrumentation and medical capital equipment, represents over twenty percent of the state's exporting base. In addition to helping many exporting clients within the sector, the Export Center also engages in special activities to support the sector, including industry-specific seminars on export opportunities, customized market research, preparation of clients for major industry trade shows, and more. The Export Center also works closely with industry trade associations responsible for supporting the sector, including the Massachusetts Life Sciences Center, the Massachusetts Medical Device Industry Council and the Massachusetts Biotech Council.

The MSBDC Southeast Regional Office collaborates with CONNECT on the Life Sciences & Workforce Development. They have expanded their participation in the CONNECT Partnership whose mission is to improve the quality, accessibility, and affordability of higher education, and to advance the economic, educational, and cultural life of southeastern Massachusetts. The partnership is primarily made up of UMASS Dartmouth, Bridgewater State University, Massasoit Community College, Bristol Community College, and Cape Cod Community College. The role of the MSBDC has been twofold: 1.) Participating in the workshops throughout the region on workforce development for the manufacturing and life sciences industries; and 2.) Participating on the planning committee with Eric Nakajima for a listening event for Secretary Bialecki to speak with local businesses about innovation and entrepreneurship. Several MSBDC clients participated on the panel with them.

MassChallenge

The MSBDC Boston Regional Office/Minority Business Center Regional Director has represented the MSBDC in the MassChallenge since its inception serving as a governmental/non-profit sponsor and formal judge and mentor. For the 3rd year in a row a Boston Regional Office client has won a $50K MassChallenge cash prize. As we move towards completion of the fourth season this month, once again the Boston Regional office has three strong candidates vying to clear the cash prize trials, where the resident final field of 128 is winnowed to 26, all vying for final honors on October 30th.

Cambridge Innovation Center and Venture Café

The Boston Regional Office continues to maintain an outreach site at the Harvard business School's Innovation Lab, the Cambridge Innovation Center in Kendall Square.

Working with Incubators

The MSBDC Southeast Regional Office works closely with the incubator at UMass Dartmouth's Advanced Technology & Manufacturing Center (ATMC) advising clients, providing training and providing ongoing support to ATMC incubator companies.

Technology and Venture Forum Activity

The MSBDC Central Regional Office Senior Business Advisor/Technology Specialist has established a working relationship with Massachusetts Biomedical Initiatives (MBI) located in Worcester to provide services to biotech companies in residence. He is also collaborating with WPI, MBI, Burns & Levinson and MassTech Collaborative (MTC) in setting up a seminar series on SBIR Funding and IP Protection for small businesses. They are working closely with The Venture Forum of Worcester to establish a strong presence with the Biotech, Robotics and other Technology entrepreneurs of Central, MA. He has served on the judging panel for their Business Plan contest and is actively advising a number of Biotech start-ups on the preparation of business plans and pitches as they prepare for equity funding. They are working in collaboration with a number of Central, MA incubators including, The TechSandBox, Running-Start and Technocopia in an effort to support their entrepreneurs in residence. He is also networking with local angel investor groups so as to help prepare and screen companies seeking angel funding. In addition to angel investor groups, the advisor has been networking with VC firms and in particular, Mass Ventures. They are working to establish a working relationship with the Surgical Technology Innovation and Commercialization (STIC) Program at UMass Medical School. The mission of the Surgical Technology Innovation and Commercialization (STIC) Program is to create an environment for education, collaboration, and the development of intellectual property and devices for the advancement of the surgical care of the patient.

The MSBDC Southeast Regional Office participates in the Cape Cod Technology Council and Entrepreneurial Resource System, which provides support for high growth entrepreneurs. They also participated in the Geek Girl Training event as instructors and they participated in the South Shore Tech Camp. They are also active in SNEEF (Southern New England Entrepreneurs Forum) which fosters collaboration between universities, technology companies and investors. Their clients have presented and been panelists at the programs and they have drawn new clients from this program. SNEEF is housed at the UMASS Dartmouth Advanced Technology & Manufacturing Center.

Creative Economy

On May 1st the MSBDC Berkshire Regional Office participated in a panel discussion during *CreativeNEXT's* Creative Industry Resource Meeting to present information to small businesses about MSBDC services hosted by the state's Creative Economy Director. They offered advice and information to the three businesses invited to present their business and needs to the assembled group of resource partners.

Advanced Manufacturing

The MSBDC was a participant and exhibitor at the Massachusetts Advanced Manufacturing Summit held In Foxboro, MA in June 2013. The program manager of the MSBDC Procurement Technical Assistance Center participated on a panel entitled “Supplying to the Defense Industry”. Other participants included General Dynamics, Raytheon and Mass Development. The director of the MSBDC Mass Export Center moderated a panel entitled “Your Future Growth: Marketing

around the corner and around the Globe". MSBDC Southeast Regional Office and Government Sales Program staff participated as exhibiting resources for businesses in attendance.

The MSBDC Boston Regional Office is a member of the Advance Manufacturing Collaborative Access to Capital Working Committee.

The MSBDC Southeast Regional Office, in partnership with the Mass Manufacturing Extension Partnership (MEP) and the New Bedford Chamber of Commerce, coordinate a CEO Roundtable where manufacturing companies can discuss issues related to their businesses. There are plans to deploy this across the state in the near future. Joint training will be conducted this January for staff of the MSBDC and MEP involved in the project.

Feature Client

MSBDC Northeast Regional Office client Scott Fallavollita, Owner and President of United Tool & Die Co., Inc. in Wilmington, MA was selected the Massachusetts 2013 SBA Small Business Person of the Year. When Mr. Fallavollita bought the company in 2007 with an SBA 504 loan, it was in severe decline and had only seven employees. Within a year, he had won a Workforce Training grant from the Commonwealth of Massachusetts and used it to kick start culture change by introducing his employees to Lean Manufacturing basics. He utilized a second SBA 504 loan to purchase the facility in Wilmington and affected a total shop floor makeover. At that point, the company retrofitted to utilize more energy-efficient equipment, streamlined its operation, implemented process controls, and reorganized around continues improvement principles. Today the company has $2.1 Million in annual sales with 14 full-time employees and it continue to grow.

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Western Regional Office
Dianne Doherty, Regional Director
Springfield Enterprise Center
Springfield, MA 01105
(413) 737-6712
www.msbdc.org/wmass

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

September 19, 2013

Ms. Georgianna Parkin
State Director
Small Business Development Center
University of Massachusetts, Amherst
23 Tillson Farm Road
Amherst, MA 01003-9261

Dear Ms. Parkin:

Enclosed is the final financial examination report (Level III on-site review) of the Massachusetts Small Business Development Center network for the Program Year 2012 performed during August 5-8, 2013.

We appreciate the high level of cooperation you have demonstrated throughout the examination process. This will conclude the current examination of your network.

If there are any questions regarding the final report, please contact Dr. Ricardo S. Garcia, our Director of Financial Examinations at Ricardo.Garcia@sba.gov or at 202-205-6498.

Sincerely,

Carroll A. Thomas
Associate Administrator
Office of Small Business Development Centers

Enclosure

cc: Seth Goodall, SBA Regional Administrator
Robert Nelson, SBA District Director
Ann Maltese, ASBDC Accreditation Program Manager, Burke, VA
Anne Hunt, Project Officer
OSBDC Program Manager
Carol Sprague, Director, OGCA
FEU
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Small Business Administration

Office of Entrepreneurial Development
409 Third St, SW 6th Floor
Washington DC 20416

Financial Examination of the Massachusetts Small Business Development Center

Report No. 13-20

Date: 9/13/2013

Cooperative Agreement: SBAHQ-12-B-0003

September 13, 2013

Associate Administrator for Small Business Development Centers
Office of Small Business Development Centers
Washington, DC

The attached financial examination (Level III on-site review) was conducted during August 5-8, 2013, of the Massachusetts Small Business Development Center (MA-SBDC) network, including the lead center at Amherst, MA, and the Small Business Development Centers (SBDCs) at Worcester, MA; Boston, MA; and Salem, MA. The scope of the financial examination focused on validating the adequacy of the MSBDC network financial management procedures to ensure compliance with financial laws, regulations, and policies of the SBDC Program.

The overall objective of the financial examination was to determine whether the MSBDC network had controls in place to ensure: (1) the accuracy of the reported financial management data; (2) costs incurred and claimed for reimbursement were allowable and allocable; (3) compliance with applicable laws and regulations, policies, operating procedures as it pertains to financial management. This was accomplished by reviewing samples of Financial Reporting, Cash Disbursements, Indirect Cost, Program Income, and other financial requirements of the SBDC Program.

Overall, MSBDC is in compliance with the financial objectives of the SBDC Program. Based on the review of the limited data examined, there are no findings requiring attention.

Please extend my sincere thanks to the MSBDC for the cooperation and courtesies they afforded the Financial Examination Unit during this examination.

Dr. Ricardo S. Garcia
Small Business Administration
Office of Entrepreneurial Development
Director, Financial Examinations

Executive Summary:

A financial examination (Level III on-site review) was conducted August 5-8, 2013, of the Massachusetts Small Business Development Center (MSBDC network including the lead center at Amherst, MA, and the Small Business Development Centers (SBDCs) at Worcester, MA; Boston, MA; and Salem, MA. The overall objectives of the Small Business Administration (SBA) financial examination process are to determine whether the MSBDC network has controls in place to ensure: (1) the accuracy of the reported financial and management data; (2) whether costs incurred and claimed for reimbursement were allowable and allocable; (3) compliance with program policies, operating procedures, applicable laws and regulations. The scope of the financial examination focused on the adequacy of the MSBDC network management to ensure compliance with policies, laws, and regulations of the SBDC Program. This was accomplished by reviewing MSBDC's compliance with the Reporting, Time and Effort, Cash Disbursements, Indirect Cost, and Program Income requirements of the SBDC Program.

MSBDC reported Federal expenditures of $2,088,516.88 for the network, which was matched with $1,060,226.92 in cash match, $0.00 of In-Kind Contribution, and $1,097,071.40 of waived Indirect Costs.

Findings: There are no findings to report

I. EXAMINATION PURPOSE

The overall objective of the SBA financial examination process is to determine whether the SBDC network has controls in place to ensure: (1) the accuracy of the reported financial and management data; (2) whether costs incurred and claimed for reimbursement were allowable and allocable; (3) compliance with program policies, operating procedures, applicable laws and regulations.

Pursuant to 15 USC 648 § 21(k) (1) of the Small Business Act (the Act) and the Code of Federal Regulations (CFR) 13, Part 130 which require the Office of Small Business Development Centers (OSBDC) to perform a financial and programmatic examination of each SBDC network every two years.

This examination was conducted during August 5-8, 2013, and covered the SBDC operations for Program Year 2012. Our examination focused on the financial activities of the MSBDC. The Centers included in our review were as follows:

- University Massachusetts - Amherst SBDC Lead Center, Amherst, MA
- Clark University; Central Regional Office SBDC, Worcester, MA
- University of Massachusetts – Boston; Boston Regional Office and Minority Business Center SBDC, Boston, MA
- Salem State University; Northeast Regional Office SBDC, Salem, MA

The findings and opinions noted in this report pertain solely to the centers and samples selected. This examination does not substitute for audits required of Federal grantees under the Single Audit Act of 1984 or Office of Management and Budget (OMB) Circular A-110 or A-133. Named users of this report are the SBA, the Association of Small Business Development Centers (ASBDC) Accreditation Committee, the University of Massachusetts, and the MSBDC network. This report is not intended as a basis for reliance or action by any other users.

II. CORRECTIVE ACTIONS RESULTING FROM PREVIOUS EXAMINATION

For the last examination cycle in 2011, the Massachusetts SBDC network was rated a Level I and no examination was conducted.

III. RESULTS OF CURRENT EXAMINATION

Reporting

No Finding - Although reporting cycles were not tested by the financial examiner, the required financial reports have been submitted within SBA's specified closing dates. Overall, the general ledgers properly supported all requests for reimbursement submitted by the network service centers to the lead center.

Service Center Monitoring

No Finding – The examination included a review of sample transactions of Federal expenditures from the lead center and selected service center's general ledgers, invoices and supporting documents. The review included samples of expenditures for personnel salaries and direct operating costs. The lead center has sufficient expertise, staffing, and procedures in place to oversee all financial activities of the MSBDC network.

Time & Effort

No Finding – The examination included a review of time and effort for employees at the lead center and selected service centers. The review included samples of timesheets and certifications for employees working on the SBDC program.

Cash Disbursements (Federal and Matching)

No Finding - The examination included a review of transaction activity from the lead center and selected service center's general ledger accounts. Invoices and support documentation, together with sample expenditures for personnel salaries and direct operating costs were used. As a general rule, ledgers have properly supported all requests for reimbursement, submitted by the service centers to the lead center. The examination included a test of 39 transactions:

- 15 transactions at the Lead Center
- 10 transactions at Central Regional Office SBDC, Worcester, MA
- 7 transactions at Boston Regional Office SBDC, Boston, MA
- 7 transactions at Northeast Regional Office SBDC, Salem MA

The Federal Financial Report, SF-425, was supported by a crosswalk spreadsheet maintained by the lead center. The lead center reported Federal expenditures of $2,088,516.88 for the network, which was matched with $1,060,226.92 in cash match.

The MSBDC network appears to have adequate controls in place to ensure that costs claimed by the service centers are reasonable, allowable, and allocable.

Indirect Costs

No Finding - The MSBDC network Federal Financial Report, SF-425, reported a total of $1,097,071.40 for Indirect Costs. A detailed breakout of Indirect Cost shows the amount reimbursed by Federal funds for the period totaled $0.00 with $1,097,071.40 reported as waived indirect non-cash matching costs. The examiner reviewed all Indirect Cost agreements for the MSBDC network and found that Indirect Costs appeared to be calculated correctly and in accordance with documented agreements.

In-Kind Match

No Finding - The MSBDC network did not report any In-Kind Match contributions for the period October 1, 2011 - September 30, 2012.

Program Income Receipts and Disbursements

No Finding - Program Income activity from the network was reported on SBA Form 2113 (Program Income Report) and further supported by the lead center's internal schedule or spreadsheet of network Program Income. The examination included a review of selected transactions with no discrepancies.

The lead center reported a network opening balance on October 1, 2011 of $285,251.70 and $151,652.45 in revenue and $128,634.89 in expenses for the period. The MSBDC network reported a closing Program Income balance of $308,269.26 for the period ending September 30, 2012.

A review of the ending balance shows that the MSBDC is within the 25% policy that requires SBDCs to expend any Program Income exceeding 25% of their total budget. This was tested by the examiner and determined to be within the limits as established in the Program Announcement and the Notice of Award and therefore the MSBDC is in compliance with this requirement.

Massachusetts SBDC
SBAHQ-12-B-0003

RESULTS OF CURRENT EXAMINATION

Results of our Examination of Cost Claimed on the Federal Financial Report (SF-425) for the Period 10/01/2011 thru 09/30/2012

	Item Number	Item Description	Claimed	Examiner Adjustment	Adjusted Amount	Ref. Page
Federal Cash						
	10a	Cash Receipts	$1,967,387.98	$0.00	$1,967,387.98	
	10b	Cash Disbursements	$2,088,516.88	$0.00	$2,088,516.88	
	10c	Cash on Hand (a minus b)	-$121,128.90	$0.00	-$121,128.90	
Federal Expenditures and Unobligated Balance:						
	10d	Total Federal Fund Authorized	$2,172,398.00	$0.00	$2,172,398.00	
	10e	Federal Share of Expenditures	$2,088,516.88	$0.00	$2,088,516.88	
	10f	Federal Share of Unliquidated Obligations	$0.00	$0.00	$0.00	
	10g	Total Federal Share (sum of lines e and f)	$2,088,516.88	$0.00	$2,088,516.88	
	10h	Unobligated Balance of Federal Funds (line d minus g)	$83,881.12	$0.00	$83,881.12	
Recipient Share:						
	10i	Total Recipient Share Required	$2,088,515.88		$2,088,515.88	
	10j	Recipient Share of Expenditures	$2,157,298.32		$2,157,298.32	
	10k	Remaining Recipient Share to be Provided (line I minus j)	-$68,782.44	$0.00	-$68,782.44	
Program Income:						
	10l	Total Federal Program Income Earned	$0.00	$0.00	$0.00	
	10m	Program Income Expended in Accordance with the Deduction Alternative	$0.00	$0.00	$0.00	
	10n	Program Income Expended in Accordance with the Addition Alternative	$0.00	$0.00	$0.00	
	10o	Unexpended Program Income (line l minus line m or line n)	$0.00	$0.00	$0.00	

SUMMARY OF RESULTS

Based on the limited testing of the data available from the lead center and the selected service centers, it was determined that the MSBDC network:

1. Is in compliance with Reporting requirements;
2. Is in compliance with monitoring of the financial activities of its Service Centers;
3. Is in compliance with Time & Effort reporting;
4. Is in compliance with monitoring of its Cash Disbursement requirements;
5. Is in compliance with Indirect Cost requirements;
6. Is in compliance with In-Kind Match requirements;
7. Is in compliance with Program Income requirements.

MSBDC
NETWORK

The Massachusetts Small Business Development Center (MSBDC) Network provides high-quality, in-depth advising, training and capital access which contributes to the entrepreneurial growth of small businesses throughout Massachusetts.

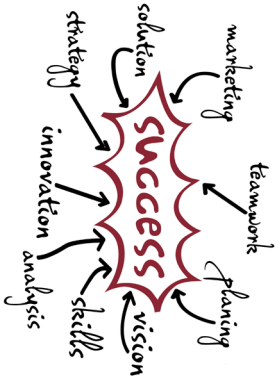
Business services are delivered statewide by skilled professional staff supported by a vast network of federal, state, educational and private-sector partners.

Services include, but are not limited to, business and financial plan development, cash flow analysis, marketing and sales strategies, financing options, federal and state procurement contract identification and access, as well as, export advising and international market research and promotion. In addition, over 150 training seminars and workshops are conducted annually to meet clients' needs.

The MSBDC Network is a partnership of the U.S. Small Business Administration, the Massachusetts Office of Business Development and a consortium of higher educational institutions led by the University of Massachusetts Amherst Isenberg School of Management, and including Clark University, Salem State University, the University of Massachusetts Boston and the University of Massachusetts Dartmouth.

www.msbdc.org

A partnership program with the U.S. Small Business Administration and the Massachusetts Office of Business Development under cooperative agreement SBAHQ-12-B-0005. SBDCs are a program supported by SBA and extended to the public on a nondiscriminatory basis. SBA cannot endorse any products, opinions or services of any external parties or activities. Reasonable accommodations for persons with disabilities will be made if requested two weeks in advance by calling the appropriate regional office.



UMassAmherst
Massachusetts Small Business Development Center Network
University of Massachusetts
Isenberg School of Management
23 Tillson Farm Road
Amherst, MA 01003

Massachusetts Small Business Development Center Network
MSBDC

Massachusetts Small Business Development Center Network

2013 IMPACT survey

Contributing to economic and entrepreneurial growth in Massachusetts since 1980

U.S. Small Business Administration SBA Your Small Business Resource

MASSACHUSETTS Office of Business Development

ISENBERG UMASS AMHERST

Return on Investment

MSBDC Network

Studies consistently show that Massachusetts citizens receive a strong return on their investment by utilizing the Massachusetts Small Business Development Center (MSBDC) Network. The program's success is directly related to the quality of our professional staff and partnerships between the U.S. Small Business Administration, the Massachusetts Office of Business Development, college and university sponsors—led by the University of Massachusetts Amherst Isenberg School of Management, and a wide range of supporters in the business community.

Economic Impact Study

In 2011, the MSBDC provided one-to-one business advisory services to 3,710 clients. An impact study* of clients who received five or more hours of business assistance in 2011 yielded the following findings:

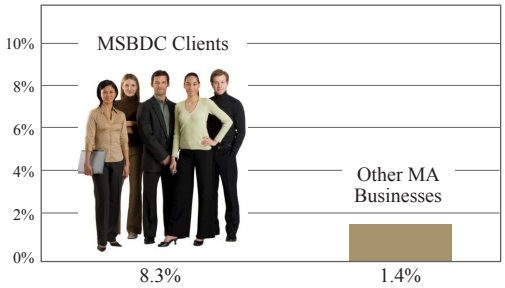
- A total of 99% of established business clients would recommend MSBDC services to others; 96% of clients felt services were beneficial.
- Long-term business advising generated $4.57 in tax revenue for each dollar expended on the program from state, federal and local funding sources.
- Following MSBDC business advisory services, $107.7 million in capital was secured.
- Each dollar spent by the MSBDC program leveraged $17.75 in debt and equity capital.

MSBDC Clients

- Outperformed average sales growth for all Massachusetts companies: 7.5% versus 3.8%.
- Produced higher job growth: 8.3% versus Massachusetts average of 1.4% for established firms.
- Gained $77.9 million in incremental sales and generated $7.64 million in total tax revenue ($3.26 million federal tax revenue and $4.38 million state tax revenue).
- Created 1,010 new jobs with the average cost of generating a new job at $4,130.
- Preserved 2,166 jobs.

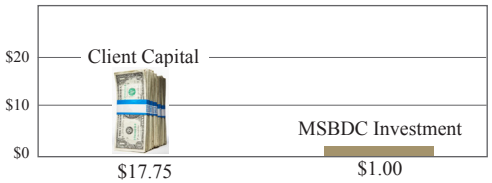
Higher Job Growth

MSBDC clients increased jobs at a higher rate than other Massachusetts businesses



Capital Access

Each dollar spent by the MSBDC program leveraged $17.75 in debt and equity capital



Return on Investment

Return of $4.08 in state tax revenue for every state dollar expended on the MSBDC program

* Findings are from a report by Dr. James Chrisman, Mississippi State University, who sampled 833 clients receiving five or more hours of assistance from the MSBDC Network in calendar year 2011. The study had a 29.7% response rate.

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23 Tillson Farm Road
Amherst, MA 01003
413-545-6301

Business Advising Centers

Berkshire Regional Office **413-499-0933**
33 Dunham Mall, Suite 103
Pittsfield, MA 01201

Boston Regional Office & Minority Business Center **617-287-7750**
University of Massachusetts Boston
100 Morrissey Boulevard
Wheatley Building, 3rd Floor
Boston, MA 02125-3393

Central Regional Office **508-793-7615**
Clark University
950 Main Street
Worcester, MA 01610

Massachusetts Export Center **617-973-8664**
10 Park Plaza, Suite 3730
Boston, MA 02116

Northeast Regional Office **978-542-6343**
Salem State University
Enterprise Center
121 Loring Avenue, Suite 310
Salem, MA 01970

Procurement Technical Assistance Center **413-545-6307**
University of Massachusetts
Isenberg School of Management
23 Tillson Farm Road
Amherst, MA 01003

Southeast Regional Office **508-673-9783**
200 Pocasset Street
Fall River, MA 02721

Western Regional Office **413-737-6712**
Scibelli Enterprise Center
1 Federal Street
Springfield, MA 01105

Massachusetts Small Business Development Center Network — Outreach Locations

Berkshire Regional Office

Great Barrington	Berkshire Bank
North Adams	Mass MoCA
Pittsfield *	**Berkshire Chamber of Commerce**

Boston Regional Office & Minority Business Center

Arlington	Arlington Chamber of Commerce
Boston	Bunker Hill Community College
	Harvard innovation laboratory (i-Lab)
Cambridge	Cambridge Chamber of Commerce
	Cambridge Innovation Center Venture Cafe
Newton	Newton-Needham Chamber of Commerce
Quincy *	**Quincy Chamber of Commerce**
Somerville	Somerville Chamber of Commerce
Waltham	Waltham West Suburban Chamber of Commerce

Central Regional Office

Acton	Middlesex West Chamber of Commerce
Devens	Nashoba Valley Chamber of Commerce
Fitchburg *	**North Central Massachusetts Chamber**
Framingham	Metro West Chamber of Commerce
Franklin	United Chamber of Commerce
Gardner	Greater Gardner Chamber of Commerce
Marlborough	Marlborough Regional Chamber of Commerce
Milford	Milford Area Chamber of Commerce
Westborough	Corridor Nine Chamber of Commerce
Whitinsville	Blackstone Valley Chamber of Commerce
Worcester *	**Worcester Regional Chamber of Commerce**

Northeast Regional Office

Amesbury	Alliance for Amesbury
Beverly	Beverly Chamber of Commerce
	North Shore InnoVentures
Billerica	Billerica Community Alliance, Inc.
Gloucester	Cape Ann Chamber of Commerce
Lawrence *	**Merrimack Valley Chamber of Commerce**
	Northern Essex Community College
Peabody	Peabody Chamber of Commerce
Salem *	**Salem State University Enterprise Center**

Southeast Regional Office

Attleboro	United Regional Chamber of Commerce
Barnstable *	**Cape Cod Chamber of Commerce**
	Cape Cod Community College
Bridgewater	Bridgewater State University
Brockton *	**Brockton 21st Century Corporation**
	Metro South Chamber of Commerce
Buzzards Bay	Cape Cod Canal Region Chamber of Commerce
Fall River *	**Fall River Chamber of Commerce & Industry**
Falmouth	Falmouth Chamber of Commerce
Mansfield	Tri-Town Chamber of Commerce
Martha's Vineyard	Martha's Vineyard Chamber of Commerce
Middleborough	Cranberry Country Chamber of Commerce
Nantucket	Nantucket Island Chamber of Commerce
New Bedford *	**Downtown New Bedford**
	Quest Center @ New Bedford EDC
North Attleboro	United Regional Chamber of Commerce
Norwood	Naponset Valley Chamber of Commerce
Plymouth	Plymouth Area Chamber of Commerce
Rockland	South Shore Chamber of Commerce
Taunton *	**SEED Corporation**
	Taunton Area Chamber of Commerce

Western Regional Office

Amherst	Amherst Area Chamber of Commerce
Greenfield	Franklin County Chamber of Commerce
Northampton	Greater Northampton Chamber of Commerce
Springfield *	**Springfield Technical Community College**

** MSBDC advising offices located in gateway cities*

ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER COUNSELING ACTIVITIES IN MASSACHUSETTS: 2011-2012

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This report was prepared by the author acting as an independent consultant. Neither the project nor the contents of this report were endorsed or sponsored by Mississippi State University.

ECONOMIC IMPACT OF SMALL BUSINESS DEVELOPMENT CENTER COUNSELING ACTIVITIES IN MASSACHUSETTS: 2011-2012

EXECUTIVE SUMMARY

This report analyzes the sales and employment changes and financing obtained by a sample of established businesses and pre-ventures (persons aspiring to start a business) that received five or more hours of counseling assistance (long-term clients) from the Massachusetts Small Business Development Center (SBDC) in 2011. The report also provides an estimate of the jobs saved and existing sales retained through SBDC counseling.

There were 247 responses to two mailings of a questionnaire, a 29.7% response rate. The clients surveyed represent the entire population of long-term clients (received five hours or more of counseling) of the Massachusetts SBDC in 2011. The sales and employment changes of the sample in 2012 (the year after receiving assistance) were compared to the average change in sales and employment of all businesses in Massachusetts. The incremental improvement in the sample's performance, above the performance of the average Massachusetts business, was extrapolated across the entire long-term client population to estimate the tax revenues generated through SBDC counseling. To be conservative, only clients who indicated that the SBDC's services were beneficial were used. The tax revenues generated by long-term clients were compared to the total cost of the Massachusetts SBDC. Established business clients were also asked to estimate jobs and revenues saved due to the counseling services provided by the SBDC. To gain additional insights into the value of the services offered by the Massachusetts SBDC the financing obtained by clients as a direct result of SBDC assistance was analyzed.

The Massachusetts SBDC counseled 833 long-term clients during 2011. Of these, 637 were established businesses and 196 were pre-ventures. Approximately 96% of the respondents said that the services received were

beneficial. In aggregate, the long-term clients of the Massachusetts SBDC created $77.9 million in incremental sales and 1,010 new jobs because of SBDC counseling assistance (see Table 1). We also estimate that $415.2 million in sales and 2,166 jobs were saved due to the counseling.

The incremental performance of established business clients generated $4.15 million in tax revenues; $3.49 million in tax revenues were gained from pre-venture clients who started new businesses. The total amounted to approximately $7.64 million in tax revenues, of which $4.38 million went to the state and 3.26 million, went to the federal government.

Compared to the total cost of operating the SBDC ($4.17 million), the counseling provided to both established business and pre-venture clients generated $1.83 in tax revenues in one year for every $1 spent on the entire program. The average cost of each new job generated was $4,130.

Furthermore, an estimated $107.7 million in financing was obtained by clients as a result of the counseling received. This figure suggests that every dollar expended on the SBDC operation was leveraged by approximately $25.83 in new capital raised from external sources.

TABLE 1
ESTIMATED IMPACT OF SBDC COUNSELING

	Established Firms (N = 637)	Pre-Ventures (N = 196)	All Firms (N =833)
Aggregate sales impact	$46,830,200	$31,068,800	$77,899,000
Aggregate employment impact	544 new jobs	566 new jobs	1010 new jobs
Existing revenues maintained	$415,185,800		
Existing jobs saved	2166 jobs saved		
State tax revenues generated	$2,552,062	$1,825,333	$4,377,395
Federal tax revenues generated	$1,596,838	$1,660,785	$3,257,623
Total tax revenues generated	$4,148,900	$3,486,118	$7,635,018
Cost of entire SBDC operation			$4,170,984
Benefit to cost ratio	0.99/1.00	0.84/1.00	1.83/1.00
Cost per job			$4,130
Cost of all counseling			$2,168,912
Benefit to cost ratio	1.92/1.00	1.61/1.00	3.52/1.00
Cost of long-term counseling	$1,468,353	$201,709	$1,670,062
Benefit to cost ratio	2.83/1.00	17.29/1.00	4.57/1.00
SBA financing	$19,293,170	$17,815,320	$ 37,108,490
Debt financing	$51,886,810	$ 9,742,080	$ 61,628,890
Equity financing	$ 2,869,690	$ 6,120,590	$ 8,990,280
Total financing	$74,049,670	$33,677,990	$107,727,660
Financing Leverage	17.75/1.00	8.07/1.00	25.83/1.00

INTRODUCTION

This report describes the results of a study designed to assess the economic impact of the long-term counseling activities of the Massachusetts Small Business Development Center (SBDC) program in 2011. Long-term clients are those who received a minimum of five hours of counseling assistance from the SBDC. The economic impact of counseling activities was analyzed by comparing clients' sales and employment changes between 2011 and 2012 with the average changes for all Massachusetts businesses during this time period. The growth in sales and employment in excess of statewide averages was used to calculate the incremental federal and state tax revenues generated the year after counseling assistance was provided. The tax revenues generated by SBDC-counseled clients were then compared to the cost of the service to determine if it was cost effective.

To supplement this analysis, clients were also asked to estimate the jobs and revenues saved as a consequence of the counseling received. In addition to this, clients were asked to indicate the amount of debt and equity financing they were able to obtain as a direct result of the counseling received from the SBDC.

The remainder of this report describes the methodology and results of the study.

THE STUDY

In 2011 the Massachusetts SBDC provided long-term counseling assistance to 833 clients of whom 637 owned established small businesses and 196 were seeking to start new businesses (pre-ventures). The entire population of long-term clients was sent a questionnaire. A total of 247 clients returned usable questionnaires, a 29.7% response rate.[1] However, since 27 questionnaires were returned undeliverable, the effective response rate is 30.6%.

[1] Not all of the respondents provided usable responses to every question; therefore, the effective sample sizes for the analyses may vary.

SAMPLE SIZE

To determine if the number of responses received were statistically reliable, the following formula was used:

$$Z = [nNE^2/(Ns^2 - ns^2)]1/2$$

where: n = actual sample size (247).
N = size of population (833).
s = standard deviation of the population (standardized value = 1).
Z = confidence interval for the mean.
E = amount of error in the mean to be tolerated (20% of s).

With a sample size of 247 and a tolerated error of 0.2 of a standard deviation, we were 99.9% confident that our sample means were no more than one-fifth of one standard deviation from the population means.

SAMPLE VALIDATION

Statistical tests were conducted to ensure that there was a minimum likelihood of response bias and that the responses to the questionnaire were reliable. The following procedures were used.

Response Bias. Comparisons of early and late respondents provided no evidence of response bias for established business or pre-venture clients along the following dimensions: number of employees, sales revenues, financing obtained, or the evaluation of the benefits of the SBDC's services. Since late responders could be expected to be more similar to non-respondents than early responders are, we conclude that there is no evidence to suggest an upward bias on the performance data provided by respondents.

Reliability. The reliability of the questionnaire was assessed by a correlation analysis comparing clients' perceptions of whether the SBDC's services were beneficial and their evaluations of (1) the quality of their counselors, and (2) their willingness to recommend the SBDC to others. The results of the correlation analyses were statistically significant at the .05 levels for pre-ventures and established business clients.

DATA ANALYSIS METHODS: ESTABLISHED BUSINESSES

The changes in sales and employment for the period before and after counseling was received were calculated for businesses receiving at least five hours of assistance. Two part-time employees were considered equivalent to one full-time employee.

The rate of growth in sales and employment for established clients was compared with the average growth of all businesses in Massachusetts.[2] The difference between the growth rate of clients' businesses and that of businesses in the state was used to estimate the incremental or marginal changes in the sales and employment of the sample. To be conservative, we chose not to impute impact to clients who did not believe they received value from the SBDC. Thus, only those who indicated that its services were beneficial were used to calculate incremental growth rates.

The incremental growth rates were multiplied by the average sales and employment of the respondents for the year counseling was received. The incremental change in sales was then multiplied by the state sales tax rate. The state sales tax rate was reduced by 25% to reflect the fact that some businesses do not pay sales taxes. This adjustment was arbitrary and may still overestimate taxes paid on sales. However, it compensates for the fact that businesses are taxed in ways not measured in this study (e.g., corporate income tax rates, property taxes, etc.).

The incremental change in employment was multiplied by the median state and federal income taxes paid per return for the state of Massachusetts. Federal income tax data were obtained from Table 2 of the SOI Bulletin published by the IRS (Spring 2013). Tax data for 2011, the most recent figure available, was used. Income taxes paid per return for persons of median incomes were used rather than average income taxes for all returns. This was done to

[2] Estimates of changes in statewide sales were obtained from Bureau of Economic Analysis data. Comparative data on employment were obtained from the Bureau of Labor Statistics.

better reflect the types of employment opportunities offered by responding small business owners. This again represents a conservative adjustment to the data.

The Massachusetts SBDC supplied information on state income tax paid per return for 2011, the most recent year available. Since the median federal income tax paid per return was lower than the Massachusetts average, the average state income tax paid per return was adjusted downward by a proportional amount.

Adjusted sales tax rates and median state personal income tax payments were multiplied by the average incremental improvement in sales and employment, respectively, to arrive at the state value added figures. Median federal personal income tax paid per return was also multiplied by the average incremental improvement in employment. All these numbers were then multiplied by the total number of established business clients, adjusted for the proportion of the respondents who indicated the SBDC's services were beneficial. The formula for the calculations can be expressed as follows:

Average Incremental Growth	X Tax Rate	X Proportion of Clients Satisfied w/Service	X Total Number of Clients	= Total Tax Revenues

DATA ANALYSIS METHODS: PRE-VENTURE CLIENTS

Similar procedures were used for long-term pre-venture clients, with the following exceptions. First, since pre-ventures start with no sales or employees, it is impossible to calculate a rate of growth. Thus, raw averages were used to assess economic impact. Second, the averages were adjusted to account for the total number of pre-venture clients who failed or did not start a business. This adjustment was made as follows:

Average Performance = AS X (NS/NP)

where: AS = average performance (sales and employment) of successful pre-ventures
NS = number of successful pre-ventures
NP = number of pre-ventures (successful + unsuccessful)

Once this adjustment was made, the sales and employment growth of pre-venture respondents was multiplied by the corresponding tax rates, the proportion of pre-ventures who judged the SBDC's services to be beneficial, and the total estimated number of pre-venture clients. This formula is shown below.

Average Performance	X Tax Rate	X Proportion of Clients Satisfied w/Service	X Total Clients	= Total Tax Revenues

BENEFIT TO COST OF SBDC SERVICES

The benefit of the services provided by the SBDC was divided by the total cost of providing the services to arrive at a benefit-to-cost ratio. The SBDC's total operating budget was used for this calculation. This was a conservative approach since only a part of the SBDC's' budget was spent on counseling assistance. Thus, to obtain further insights we also compared the tax revenues generated by clients with the cost of counseling activities both in total and for long-term established and pre-venture clients separately. The cost of long-term counseling was estimated based on the proportion of total counseling hours devoted to those clients, per data supplied by the SBDC.

OTHER ANALYSES

Quality of Counseling Services. Clients were asked whether the services provided by the SBDC were beneficial. This question was used to determine whether clients' performance improvements were affected by SBDC counseling. As noted above, the performance improvements of responding clients were adjusted to account for the proportion that believed the SBDC's services were beneficial when extrapolating the results to the full population of clients.

Clients were also asked to assess the knowledge and expertise of counselors assigned to their cases as well as their working relationship with the counselors. Clients evaluated their counselor’s knowledge/expertise and working relationship on a five-point scale: (1) poor, (2) below average, (3) average, (4) above average, and (5) excellent. These questions provide further

evidence of the quality of the counseling services. In the main, however, these questions were used to assess the reliability of the question concerning whether the SBDC's services were beneficial.

Revenue and Job Retention. Established business clients were asked to estimate the number of full- and part-time jobs that were saved as a result of the assistance received from the SBDC. We also asked clients to estimate the amount of previous sales revenue maintained as a result of SBDC assistance.

Financing. Established business and pre-venture clients were also asked to estimate the amounts of SBA guaranteed loans, other loans, and equity financing obtained directly as a consequence of SBDC counseling activities. To remain conservative, only those clients who indicated that the SBDC assisted them prepare to obtain financing were used for this analysis. Extrapolation to the entire client population was made after adjusting for the proportion of clients who indicated the SBDC assisted them raise capital.

RESULTS

The results of the analysis of the counseling services provided by the Massachusetts SBDC to established business and pre-venture clients are presented below.

ESTABLISHED BUSINESSES

Quality of Counseling. Of those who provided usable responses to the service evaluation question, 96% indicated that the SBDC's services were beneficial. Furthermore, clients gave a rating of 4.69 out of a possible 5.00 on the knowledge and expertise of their counselors and a rating of 4.72 on their working relationship with the counselors (scores of 3 indicated an average rating, scores of 4 indicated an above average rating, and scores of 5 indicated an excellent rating). Finally, 99% of the responding established business clients indicated that they would recommend the SBDC's services to others.

Economic Impact Estimates. Table 2 compares the 2011 and 2012 sales and employment levels of established small business clients. Table 3 compares the SBDC clients' growth in sales and employment between 2011 and 2012 with the growth experienced by the average business in Massachusetts. As these Tables show, SBDC clients had an average increase in sales of $155,524. Sales levels of established clients increased by 7.5% compared to a 3.8% increase in sales for Massachusetts businesses in general. There was also an increase in the number of individuals employed by clients in 2012 compared to 2011 (14.02 versus 12.94). Employment levels of established clients increased by 8.3% compared to a 1.4% increase in employment for Massachusetts businesses in general.

The overall impact estimate for established business clients suggests that the SBDC's services led to an incremental tax gain of approximately $4.15 million: $2.55 million in state tax revenues and $1.60 in federal tax revenues (See Table 4).

As shown in Table 5, these tax revenues were 99% of the SBDC's total operating budget, 92% greater than its counseling budget, and 2.83 times greater than the amount spent on long-term established clients.

Revenue and Job Retention. To supplement the impact estimates we also asked established clients if the SBDC helped them save jobs and retain existing revenues. On average, clients estimated that the SBDC program was responsible for saving $651,783 in revenues and 3.40 full-time equivalent jobs. In total, this amounted to $415.2 million in revenues retained and 2,166 jobs saved.[3]

Financing Obtained. According to the respondents, 23% of established business clients were assisted in preparing to seek financing. Those clients obtained an average of $505,424 in capital, of which $131,685 came from SBA loans, $354,152 came from other forms of debt financing, and $19,587 came from

[3] It should be noted that revenues retained and jobs saved were not figured into the benefit to cost estimates.

equity financing. Extrapolations indicate that clients raised $19.29 million in SBA loans, $51.89 million in other debt financing, and $2.87 million in equity financing ($74 million in total) with the help of the SBDC. This suggests that the total expenditure of tax dollars on the SBDC were leveraged by public and private financing at a ratio of 17.75 to 1.00 for long-term established business clients alone.

Our estimates also suggest that of 637 established business clients, 45 received SBA loans as a consequence of SBDC long-term counseling. Furthermore, 99 clients received other loans, and 25 received equity financing.

PRE-VENTURE CLIENTS

Perceptions of the Quality of Counseling. Of the pre-venture clients who provided an evaluation of the SBDC's services, 95% felt the counseling was beneficial. In addition, clients gave a rating of 4.57 out of a possible 5.00 on their counselors' knowledge and expertise, and a rating of 4.56 on their working relationship with the counselors (scores of 3 indicated an average rating, scores of 4 indicated an above average rating, and scores of 5 indicated an excellent rating). Moreover, 98% of the responding pre-venture clients indicated that they would recommend the SBDC's services to other entrepreneurs.

Economic Impact Estimates. After adjusting for unsuccessful clients, we calculated that an average of $166,857 in sales and 3.04 new jobs were created per pre-venture client. As Table 6 shows, these new ventures generated tax payments of approximately $3.49 million ($1.83 million to the state and $1.66 million to the federal government).

When compared to the cost of the entire SBDC operation, the tax revenues from pre-venture clients generated $0.84 for every dollar expended. Furthermore, the tax revenues generated were 61% greater than the cost of the SBDC's counseling activities. Finally, the tax revenues from pre-venture

clients exceeded the amount expended on pre-venture who received long-term counseling by a ratio of 17.29 to 1.00 (see Table 7).[4]

Financing Obtained. According to the responses, 50% of all pre-venture clients received assistance from the SBDC in preparing to obtain financing. The average raised was $181,789 in SBA loans, $99,409 in other sources of debt financing, and $62,455 in equity financing for a total of $343,653. Extrapolating to the population suggests that a total of $17.82 million in financing from SBA loans, $9.74 million from other sources of debt, and $6.12 million in financing from equity investors were raised. The grand total of approximately $33.7 million in financing suggests that each tax dollar expended on the SBDC was leveraged by $8.07 in public and private financing for new ventures.

Our estimates also suggest that of 196 pre-venture clients, 36 received SBA loans, 49 received other loans, and 31 received equity financing as a consequence of SBDC long-term counseling.

SUMMARY AND CONCLUSIONS

Results of this study suggest that the Massachusetts SBDC makes an important contribution to the economic development of the State of Massachusetts. Our analysis indicated that SBDC clients gained $77.9 million in incremental sales and added 1,010 new jobs to the state. The latter number suggests that the cost of generating a new job through investment in the Massachusetts SBDC was $4,130 per job. Furthermore, an additional $415.2 million in sales and 2,166 jobs were saved because of the SBDC's interventions.

Estimates suggest that the one-year tax benefits accruing as a consequence of the performance improvements of SBDC-counseled clients generated a return of $1.83 for every dollar spent on the entire SBDC operation in

[4] Pre-ventures had no sales or employees at the time the counseling was received. Therefore, we did not attempt to measure revenue or job retention.

Massachusetts. Furthermore, when compared to the cost of long-term counseling our estimates indicate that $4.57 was returned for each dollar expended.

Finally, we estimate that $107.7 million in capital was raised by clients as a direct result of the assistance of the SBDC. This suggests that each dollar expended on the Massachusetts SBDC program was later leveraged by approximately $25.83 in debt and equity capital. From all these analyses, we conclude that the Massachusetts SBDC is both effective and efficient in the discharge of its charter.

The numbers presented in this report are only estimates based on responses to a questionnaire. It is possible that the respondents were not representative of the population of clients, factors such as social desirability bias may have inflated the estimates, or SBDC clients are especially prone to exceed sales and employment growth rates of "average" businesses in the state. It is also possible that some of the gains of the clients were not net gains to the economy.

While impact methodologies are always susceptible to such problems the tests conducted for bias and reliability suggest that the results are accurate enough to conclude that the SBDC program in Massachusetts makes a positive contribution to the economy. Furthermore, the results must be viewed in light of the fact that they are net of all the conservative downward adjustments in performance described earlier in this report. Thus, the estimates reported herein do not consider the impact of other SBDC services, the continuing tax revenues generated by long-term clients after the year of analysis, the many failures avoided through SBDC assistance, the unviable business ideas it discouraged, nor the jobs and revenues saved. Other tax revenue sources such as corporate taxes, property taxes, unemployment taxes, social security payments, and so on are also not included in the analysis.

From a public policy standpoint, the implication of this research is that the SBDC makes a contribution to the economies of Massachusetts and U.S. By

assisting established small businesses improve their operations and raise capital the Massachusetts SBDC contributes to the more efficient allocation and utilization of resources. The SBDC also plays an important role in fostering entrepreneurship through the assistance it provides to pre-venture clients. Those clients add to the economic development of Massachusetts and the United States and, not incidentally, generate new jobs. Because the SBDC provides assistance to small business people and would-be entrepreneurs who often cannot afford to hire a private consultant, its contributions become even more important. The evidence that its assistance returns tax revenues to state and federal governments, and value and capital to its clients makes the existence of the Massachusetts SBDC program justifiable from a public policy perspective.

TABLE 2
2011-2012 AVERAGE EMPLOYMENT OF ESTABLISHED CLIENTS
WHO INDICATED THAT SBDC ASSISTANCE WAS VALUABLE

	2011	2012	Change
Sales	$2,069,730	$2,255,254	+$155,524
Employment	12.94	14.02	+ 1.08

TABLE 3
CHANGES IN EMPLOYMENT BETWEEN 2011-2012: SBDC ESTABLISHED
BUSINESS CLIENTS VERSUS AVERAGE STATE BUSINESS

	Average % change in small business sample	Average % change all firms in state	Average incremental change in small business sample	
			percent	aggregate
Sales	+ 7.5%	+ 3.8%	+ 3.7%	+$76,580
Employment	+ 8.3%	+ 1.4%	+ 6.9%	+0.89 jobs

TABLE 4
INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL GOVERNMENTS
AS A RESULT OF SBDC COUNSELING OF ESTABLISHED BUSINESS CLIENTS

STATE TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Sales	76,580		.047*		.96		637		$2,201,019
Employment	0.89		$645**		.96		637		$ 351,043
									$2,552,062

FEDERAL TAX REVENUES

Employment	0.89		$2934***		.96		637		$1,596,838

TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES $4,148,900

* Figure represents 75% of state sales tax rate (6.25%) in 2012.

** Figure represents average state income tax paid per return by persons of median incomes in 2011.

*** Figure represents average federal income tax paid per return by persons of median incomes in Massachusetts in 2011.

TABLE 5
THE COSTS AND BENEFITS OF SBDC COUNSELING: ESTABLISHED BUSINESSES

Total incremental State and Federal Tax Revenues Added by Established Business Clients	$4,148,900
Cost of operating the SBDC	$4,170,984
Benefit to cost ratio	0.99/1.00
Cost of all counseling *	$2,168,912
Benefit to cost ratio	1.92/1.00
Cost of long-term counseling provided to established business clients **	$1,468,353
Benefit to cost ratio	2.83/1.00

* Approximately 52% of the total SBDC budget was used for counseling long- and short-term clients.

** Established business clients who received long-term counseling accounted for approximately 67.7% of the total counseling budget.

TABLE 6
INCREMENTAL TAX REVENUES ADDED TO STATE AND FEDERAL
GOVERNMENTS AS A RESULT OF SBDC COUNSELING OF PRE-VENTURE CLIENTS

STATE TAX REVENUES

	Tax Base	X	Tax Rate	X	% Clients Valuing Service	X	# of Long Term Clients	=	Total Tax Revenues Generated
Sales	166,857		.047*		.95		196		$1,460,232
Employment	3.04		$645**		.95		196		$ 365,101
									$1,825,333

FEDERAL TAX REVENUES

Employment	3.04		$2934***		.95		196		$1,660,785

TOTAL INCREMENTAL STATE AND FEDERAL TAX REVENUES $3,486,118

* Figure represents 75% of state sales tax rate (6.25%) in 2012.

** Figure represents average state income tax paid per return by persons of median incomes in 2011.

*** Figure represents average federal income tax paid per return by persons of median incomes in Massachusetts in 2011.

TABLE 7
THE COSTS AND BENEFITS OF SBDC COUNSELING: PRE-VENTURES

Total incremental State and Federal Tax Revenues Added by Pre-Venture Clients	$3,486,118
Cost of operating the SBDC	$4,170,984
Benefit to cost ratio	0.84/1.00
Cost of all counseling *	$2,168,912
Benefit to cost ratio	1.61/1.00
Cost of long-term counseling provided to pre-venture clients **	$ 201,709
Benefit to cost ratio	17.29/1.00

* Approximately 52% of the total SBDC budget was used for counseling long and short term clients.

** Pre-venture clients who received long-term counseling accounted for approximately 9.3% of the total counseling budget.