



Executive Summary to Accompany 2020 and 2021 Audit Reports

Issued: 3 June 2022

The audit reports for both 2020 and 2021 highlighted some troublesome financial issues for IABC, but also illuminated a path forward. Please find, below, a summary of the most relevant matters that factor into the audit reports.

IABC engaged a new audit firm, Selden Fox, to conduct its 2020 financial audit. After a thorough review, Selden Fox was not able to offer a full opinion on the financials since IABC's former member database was producing membership reports that did not accurately tie to the financials. The membership reports were consistently inaccurate and produced results greater than the acceptable margin of error. As a result, IABC's auditors were not fully able to opine on the 2020 financials. In order to address this issue, IABC took steps to improve the overall data hygiene of the association while also moving to a new member database.

For the 2021 audit, Selden Fox conducted a balance sheet audit, which allowed the auditors to produce an opinion. Importantly, the auditors, Audit & Risk Committee, and relevant staff do not currently foresee any future issues with completion of the 2022 audit given the accuracy of the current membership reporting.

In both the 2020 and 2021 audits, there are notes regarding IABC's finances being "a going concerning." The use of "going concern" typically occurs when the organization is at risk of insolvency due to net negative assets (when total liabilities or debt exceed total assets). IABC has had limited net assets since 2015: the average net asset amount for IABC from 2015 to 2019 was \$54,000, which speaks to a precarious financial position before having to confront the challenges of the pandemic and corresponding constraints. The vast majority of associations faced very challenging circumstances in 2020 and 2021. Those associations that fared better than others have been buoyed by higher net assets and reserve amounts that totaled more than 75% of operating expenses.

In an effort to stabilize the financials and reverse a persistent trend of declining net assets, IABC has reduced program expenses and increased focus on member value and benefits at the international level. Since the transition to a new management model in 2020, the IEB has worked closely with staff leadership at Smithbucklin to modify the expense and operations model to emphasize greater efficiency in membership management and reduce the financial risk for IABC. This is apparent in the reduction of overall expenses and updates made to the membership framework to ensure higher revenue potential in the future.

Specific components of the plan include:

- Hosting an in-person conference in June 2022
- Introducing new opportunities including:
 - Year-round content partnerships with sponsoring organizations
 - Overhaul of IABC's digital publication, *Catalyst*
 - Remote proctoring for GCCC's certification program
 - Revamped corporate membership program
 - Introduction of shared interest groups (SIGs)
 - Development of more educational offerings as part of standard member benefits



- Payment flexibility (e.g., quarterly payments) for all members
- Evaluating the Association's membership dues structure and costs for future modifications
- Introducing a multi-tiered membership model to accommodate different professions within the communication community
- Reducing operating costs through streamlined processes, services, and IT systems
- Shifting the strategic focus from non-revenue generating activities

To date, IABC has consistently met its obligations and the IEB and management believe the financial stability plan can be reasonably implemented and executed. It is however imperative that IABC generate a positive change in net assets and cash flows from operations during 2022. Based on current 2022 forecasting, IABC is projecting positive net income for the first time since 2018. With positive net income in 2022, IABC can start to regain financial stability and reverse course with its net assets.



International Association
of Business Communicators

AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

**International Association of Business Communicators
Audit Report
For the Year Ended December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
International Association of Business Communicators
Chicago, Illinois

Opinion

We have audited the accompanying consolidated statement of financial position of **International Association of Business Communicators** as of December 31, 2021, and the related notes.

In our opinion, the consolidated statement of financial position referred to above presents fairly, in all material respects, the financial position of International Association of Business Communicators as of December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of International Association of Business Communicators and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statement has been prepared assuming that International Association of Business Communicators will continue as a going concern. As discussed in Note 9 to the consolidated statement of financial position, the Association's liabilities exceeded its assets, with liquidity only provided by the advance collection of certain revenues, such that there is substantial doubt about the organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 9. The financial statement does not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about International Association of Business Communicators' ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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 International Association of Business Communicators' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Association of Business Communicators' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The consolidating statement of financial position is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

Selden Fox, Ltd.

May 17, 2022

**International Association of Business Communicators
Consolidated Statement of Financial Position
December 31, 2021**

Assets	
Cash	\$ 397,043
Investment securities	84,244
Certificates of deposit	194,503
Accounts receivable	64,734
Prepaid expenses	178,117
Website development costs, net of \$187,388 of accumulated amortization	53,125
Total assets	\$ 971,766
Liabilities and Net Assets (Deficit)	
Liabilities:	
Accounts payable and accrued expenses	\$ 542,124
Due to affiliated chapters and regions	94,453
Deferred revenue:	
Membership dues	490,648
Conferences, seminars, and events	103,828
Certification	1,200
Note payable	150,000
Total liabilities	1,382,253
Net assets (deficit):	
Without donor restrictions	(480,339)
With donor restrictions	69,852
Total net assets (deficit)	(410,487)
Total liabilities and net assets (deficit)	\$ 971,766

See independent auditor's report and accompanying notes.

International Association of Business Communicators

Notes to the Consolidated Statement of Financial Position

1. Summary of Significant Accounting Policies

Organization – The consolidated statement of financial position includes the accounts of the International Association of Business Communicators (IABC) and the related IABC Foundation (Foundation), hereinafter collectively referred to as the “Association”. IABC is a global membership organization serving multi-disciplinary communication professionals at all stages in their careers by providing information and professional development in order to build influence and raise awareness of the value of organizational communication inside and outside the profession. The Foundation is a charitable, tax-exempt organization established to support strategic initiatives in line with IABC’s purpose and demonstrate the power of professional communication as a force for good in business and society. All interorganizational balances and transactions have been eliminated in consolidation.

Basis of Accounting – The consolidated statement of financial position has been prepared on the accrual basis of accounting and is designed to focus on the Association as a whole, with balances presented according to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of the Association’s mission and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of the Association or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions and released if and when the related restriction expires, that is, when the stipulated purpose has been fulfilled, the stipulated time has elapsed or both.

Use of Estimates – The preparation of a consolidated statement of financial position in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and the related disclosures as of the date of the consolidated statement of financial position. Actual results could differ from those estimates.

Investment Securities – Investment securities consist of all funds held in brokerage accounts and are recorded at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is categorized in three levels based on the reliability of observable inputs as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the Association’s own data and assumptions that market participants would use in pricing the asset or liability. These unobservable inputs are significant to the fair value measurement.

Investment securities are subject to various risks, including interest rate, market, and credit risks. Due to these risks, it is at least reasonably possible that subsequent changes to the value of individual investment securities may occur and materially affect the fair value of investment securities and net assets reported in the accompanying consolidated statement of financial position.

International Association of Business Communicators
Notes to the Consolidated Statement of Financial Position (cont'd)

1. **Summary of Significant Accounting Policies** (cont'd)

Certificates of Deposit – Certificates of deposit are held directly with financial institutions and recorded at cost.

Concentration of Deposits – From time to time, the Association maintains deposits with financial institutions in excess of FDIC insurance limits. At December 31, 2021, such deposits totaled \$92,509.

Accounts Receivable – Accounts receivable are stated at their net collectible amount. The Association does not charge interest or late fees on amounts past due. Based on its analysis, the Association considers all accounts receivable to be collectible. Accordingly, no allowance for doubtful accounts has been provided for at December 31, 2021. Management's periodic evaluation of the collectability of an account is based on the Association's past experience, known and inherent risks in the accounts, adverse situations that may affect a borrower's ability to repay, and current economic conditions. The delinquency of accounts is based on past due status in accordance with payment terms.

Prepaid Expenses – Prepaid expenses include amounts incurred for services related to future conferences that will be recognized as an expense when the related event is held.

Website Development Costs – Website development costs are capitalized at cost, with amortization provided on a straight line basis over the estimated useful lives of the related costs, ranging from 3 to 5 years.

Revenue Recognition – The recognition of revenue is determined based on whether an activity is classified as a contribution or exchange transaction.

Contributions representing unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

On the other hand, revenue from exchange transactions, representing contracts with customers, is recognized when promised goods and services are transferred in an amount that reflects the consideration the organization expects to be entitled in exchange for those goods or services. Based on the nature of the organization, the Association receives the majority of its contract revenue in advance or at the time of the related performance obligation(s). However, in certain instances payment may not be received until after the fact. In those instances, the Association has elected the practical expedient that allows it not to recognize a significant financing component as it anticipates payment will be received within one year of transferring the related goods or services. In addition, the Association has applied the practical expedients to account for revenues with similar characteristics as a collective group, rather than individually, and not to disclose the transaction price allocated to unsatisfied performance obligations as of the end of the reporting period as the performance obligations generally relate to contracts with an original term of one year or less.

Significant sources of contract revenue include the following:

Membership Dues – Membership dues are assessed on an anniversary date basis and recognized ratably over the membership year given the absence of any distinct performance obligations. Accordingly, any amounts received in advance of a membership year or that have yet to be recognized on a pro-rata basis represent contract liabilities and are classified as deferred revenue in the consolidated statement of financial position.

International Association of Business Communicators
Notes to the Consolidated Statement of Financial Position (cont'd)

1. **Summary of Significant Accounting Policies (cont'd)**

Revenue Recognition (cont'd)

Conferences, Seminars and Events – The Association typically holds its world conference and Gold Quill Awards Excellence Gala in June, as well as various other seminars and educational events throughout the year. The registration, exhibit, sponsorship, and other revenue for these events is considered to contain a single performance obligation, such that they are recognized at the time the related event takes place. Accordingly, any amounts received in advance of a future event represent contract liabilities and are classified as deferred revenue in the consolidated statement of financial position.

Certification – Certification fees are considered to contain a single performance element such that the related revenue is recognized at the time the related certifications are granted.

Advertising – Advertising revenues consist of solutions provider webinars and marketing campaigns, as well as job target and other advertisements, the related revenues for which are recognized over the applicable promotional period as the Association's performance obligations are fulfilled.

Based on the nature of the organization, aside from general pricing and timing matters, management does not believe there are any significant factors which should be considered regarding the nature, amount, or uncertainty of the related revenues or cash flows, aside from those related to the COVID-19 coronavirus pandemic discussed in Note 8.

Income Taxes – IABC and the Foundation are exempt from income taxes under Section 501(c)(6) and Section 501(c)(3) of the Internal Revenue Code, respectively, except to the extent of any net unrelated business income in excess of a \$1,000 specific deduction. Although IABC and the Foundation have determined they are not required to record a liability for any uncertain tax positions at December 31, 2021, and have received no notice of exam, their tax returns for the years ended December 31, 2018 through 2020, remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through May 17, 2022, which is the date the consolidated statement of financial position was available to be issued.

2. **Investment Securities**

Investment securities at December 31, 2021, consist of cash and money market funds, valued based on quoted market prices and classified in Level 1 of the fair value hierarchy.

3. **Certificates of Deposit**

Certificates of deposit at December 31, 2021, consist of the following:

Maturity Date	Interest Rate	Amount
April 2022	0.3%	\$ 115,182
June 2023	0.4%	79,321
		\$ 194,503

International Association of Business Communicators
Notes to the Consolidated Statement of Financial Position (cont'd)

4. Note Payable

In June 2020, the Association obtained a \$150,000 Economic Injury Disaster Loan (EIDL) from the United States Small Business Administration. The loan is secured by a continuing interest in substantially all of the Association's assets and due in monthly installments of \$641, including interest at 2.75%, from June 2022 through May 2052. Future maturities of the loan at December 31, 2021, are as follows:

2022	\$	1,783
2023		3,132
2024		3,231
2025		3,334
		3,438
Thereafter		135,082
	\$	150,000

5. Net Assets With Donor Restrictions

At December 31, 2021, net assets with donor restrictions consist of the following:

Amounts subject to expenditure for specified purposes:		
Profile II Research Study	\$	22,369
Communication in Corporate Citizenship		15,003
Wittmer Memorial Fund		4,759
Sharon Berzok Memorial Lecture		7,766
Sponsorship		3,955
		53,852
Perpetual restrictions – Millenium Fund Endowment		16,000
	\$	69,852

The Association's Millenium Fund Endowment is currently invested in money market funds as it waits to achieve the size required to provide meaningful income in support of Foundation sponsored programs. As such, formal investment and spending policies have yet to be adopted.

International Association of Business Communicators
Notes to the Consolidated Statement of Financial Position (cont'd)

6. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position at December 31, 2021, are comprised of the following:

Cash	\$	397,043
Investment securities		84,244
Certificates of deposit		194,503
Accounts receivable		64,734
		740,524
Total financial assets		740,524
Net assets with donor restrictions		(69,852)
Amounts due to affiliated chapters and regions		(94,453)
		(94,453)
Financial assets available for general expenditures over the next twelve months	\$	576,219

In addition to these financial assets, the Association maintains liquidity as the majority of its revenues are collected in advance or at the time of the related performance obligations, allowing expenses to be paid in a timely manner once incurred.

7. Chapters and Regions

The Association has various chapter and regional organizations throughout the United States and Canada, as well as internationally, that have been approved by the Board of Directors and must follow the Association's guidelines. The Association collects dues on behalf of these organizations and remits them on either a monthly or quarterly basis. However, as these organizations are separately organized and not controlled by the Association, they are not consolidated with the Association for financial reporting purposes and any dues collected by the Association acting as an agent on behalf of these organizations are reported as a liability on the consolidated statement of financial position.

8. Commitments, Risks and Uncertainties

Management Services – The Association has contracted with SmithBucklin Corporation to manage its operations, including conference management and marketing. The agreement can be cancelled by either party without cause pending 180 days' written notice. Management fees under the agreement are estimated to total \$1,755,308 for the year ended December 31, 2022, while amounts due to SmithBucklin for services, included in accounts payable and accrued expenses on the consolidated statement of financial position, totaled \$473,641 at December 31, 2021.

Future Meetings – The Association has entered into contracts for services and accommodations for future conferences. These contracts include penalty clauses which would require the Association to pay certain amounts if a conference was cancelled or if attendance was less than the original commitment.

COVID-19 Pandemic – As a result of the COVID-19 coronavirus pandemic, there are ongoing economic uncertainties that exist which could have a material, adverse impact on the Association. Given the pandemic, the Association transitioned its 2020 and 2021 world conferences and Gold Quill Awards Excellence Galas to a virtual format, thus affecting the related revenues and expenses. However, IABC eagerly anticipates its 2022 world conference will be held as a live event from June 26 – 29 in New York City as scheduled. While management continues to monitor the situation, any effects the pandemic may have on future conferences and events (including any related commitments for services or accommodations), membership, or the Association's overall operations are uncertain at this time.

International Association of Business Communicators
Notes to the Consolidated Statement of Financial Position (cont'd)

9. Going Concern

The accompanying consolidated statement of financial position has been prepared assuming the Association will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As described in Note 8, the current economic outlook is difficult, and as of December 31, 2021, the Association reported a deficit in net assets without donor restrictions of \$480,339. However, if only financial assets available for general expenditure are considered, the deficit would increase to \$711,581, with all liquidity essentially provided by advance collection of membership dues and other revenues. Management considers that the financial outlook presents significant challenges in terms of sustaining the Association's operating activities, which faced challenges before the onset of the COVID-19 pandemic.

In recognition of this fact, the Association transitioned to an association management model in July 2020, by engaging SmithBucklin Corporation to fully manage and stabilize its membership operations and finances. Since the transition, the Board of Directors has worked closely with staff leadership at SmithBucklin to modify the expense and operations model to emphasize greater efficiency in membership management and reduce the financial risk for the Association. This can be seen in the reduction of overall expenses and updates made to the membership framework to ensure greater revenue potential in the future. Specific components of the plan include:

- Hosting an in-person conference in June 2022
- Introducing new opportunities including:
 - Year round content partnerships with sponsoring organizations
 - Remote proctoring for IABC's certification program
 - Revamped corporate membership program
 - Development of more educational offerings as part of standard member benefits
 - Payment flexibility (e.g., quarterly payments) for all members
 - Overhaul of IABC's digital publication, *Catalyst*
- Evaluating the Association's membership dues structure and costs for future modifications
- Introducing a multi-tiered membership model to accommodate different professions within the communications community
- Reducing operating costs through streamlined processes, services, and IT systems
- Shifting the Association's strategic focus from non-revenue generating activities

To date, the Association has consistently met its obligations and the Association's Board of Directors and management believe the forgoing financial stability plan can be reasonably implemented and executed. However, if the Association is not able to consistently generate a positive change in net assets and cash flows from operations, management may be required to pursue other alternatives to satisfy its current and future obligations, including liquidation or merger. The above factors raise substantial doubt about the Association's ability to continue as a going concern within one year after the date the financial statements are available to be issued. The accompanying consolidated statement of financial position does not include any adjustments that may result from the outcome of this uncertainty.

**International Association of Business Communicators
Consolidating Statement of Financial Position
December 31, 2021**

	International Association of Business Communicators	The IABC Foundation	Eliminations	Total
Assets				
Cash	\$ 351,189	\$ 45,854	\$ -	\$ 397,043
Investment securities	4	84,240	-	84,244
Certificates of deposit	194,503	-	-	194,503
Accounts receivable	79,928	-	(15,194)	64,734
Prepaid expenses	178,117	-	-	178,117
Website development costs, net	53,125	-	-	53,125
Total assets	\$ 856,866	\$ 130,094	\$ (15,194)	\$ 971,766
Liabilities and Net Assets (Deficit)				
Liabilities:				
Accounts payable and accrued expenses	\$ 542,124	\$ 15,194	\$ (15,194)	\$ 542,124
Due to affiliated chapters and regions	94,453	-	-	94,453
Deferred revenue:				
Membership dues	490,648	-	-	490,648
Conferences, seminars, and events	103,828	-	-	103,828
Certification	1,200	-	-	1,200
Note payable	150,000	-	-	150,000
Total liabilities	1,382,253	15,194	(15,194)	1,382,253
Net assets (deficit):				
Without donor restrictions	(525,387)	45,048	-	(480,339)
With donor restrictions	-	69,852	-	69,852
Total net assets (deficit)	(525,387)	114,900	-	(410,487)
Total liabilities and net assets (deficit)	\$ 856,866	\$ 130,094	\$ (15,194)	\$ 971,766

See independent auditor's report and accompanying notes.

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May 17, 2022

Board of Directors and Management
International Association of Business Communicators
Chicago, Illinois

In planning and performing our audit of the consolidated statement of financial position of **International Association of Business Communicators** (Association) as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of issuing our report on the consolidated statement of financial position, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, during our engagement we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's consolidated statement of financial position will not be prevented or detected and corrected on a timely basis. We consider the following deficiency in internal control to be a material weakness.

Financial Reporting Process

An external auditor cannot be part of an entity's internal control process over financial reporting. As noted in our letter entitled "Communication With Those Charged With Governance," our audit resulted in various adjustments. As the adjustment related to deferred membership dues is considered material, there is considered to be a corresponding material weakness in the financial reporting process. Accordingly, **we recommend** the Association's membership dues accounts continue to be monitored and reconciled, so that any necessary adjustments can be recorded on a timely basis. This will help ensure the accuracy of the internal financial statements and allow the Board of Directors and management to make informed financial decisions.

In addition, we believe the following matter also merits your consideration:

Membership Dues

The Association currently assesses membership dues on an anniversary date basis. However, to simplify the administrative and accounting processes and allow for improved budgeting, **we recommend**, the Association convert to assessing membership dues on a calendar year basis.

In addition, the Association currently assesses membership dues to its Canadian, Australian, and certain other international members who pay their dues in a foreign currency at the same amount that it charges its members in the United States, without taking into account the difference in foreign exchange rates. In effect, this means many of these members pay only about 75% of the amount that should be charged for their membership dues. Given the functional currency of the Association is the United States dollar, this ultimately shorts the Association of much needed revenue given its financial position. As such, **we recommend** the Association either require all members to pay their membership dues in United States dollars or establish foreign dues rates that reflect the average exchange rate for a given currency in the prior year.

This communication is intended solely for the information and use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than these specified parties. We would be pleased to discuss these matters or respond to any questions at your convenience.

Selden Fox, Ltd.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

May 17, 2022

Board of Directors
International Association of Business Communicators
Chicago, Illinois

We have audited the consolidated statement of financial position of **International Association of Business Communicators** (Association) as of December 31, 2021, and have issued our report thereon dated May 17, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 17, 2022, our responsibility, as described by professional standards, is to express an opinion about whether the consolidated statement of financial position is fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The consolidated statement of financial position is the responsibility of management with your oversight. Our audit of the consolidated statement of financial position does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management prior to field work beginning on March 14, 2022, and in our engagement letter dated January 17, 2022, and orally during the audit engagement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated statement of financial position; therefore, our audit involves judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the Association and its environment, including internal control, sufficient to assess the risks of material misstatement of the consolidated statement of financial position and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Association or to acts by management or employees acting on behalf of the Association.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Association are described in Note 1 to the consolidated statement of financial position. No new accounting policies were adopted, and the application of existing policies remained consistent with the prior year. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the consolidated statement of financial position prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates. The disclosures in the consolidated statement of financial position are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The adjusting journal entries proposed and recorded, during our engagement are summarized in the attached exhibit. Management has concurred with our findings and corrected all such misstatements.

In addition, during our engagement, an entry was proposed to accrue \$6,500 of interest payable on the Association's Economic Injury Disaster Loan (EIDL). While this entry was not recorded, management has represented to us that this uncorrected misstatement is immaterial, both individually and in relation to the financial statements as a whole. However, the uncorrected misstatement or the matters underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, the uncorrected misstatement is immaterial to the consolidated statement of financial position under audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 17, 2022.

Significant Audit Matters (cont'd)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to an organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Going Concern

The consolidated statement of financial position was prepared assuming the Association will continue as a going concern. As discussed in Note 9 to the consolidated statement of financial position, at December 31, 2021, the Association’s liabilities exceed its assets such that there is substantial doubt about the Association’s ability to continue as a going concern, with substantially all liquidity provided by the advance collection of membership dues and other revenues. The consolidated statement of financial position does not include any adjustments that might result from the outcome of this uncertainty. As a result of the substantial doubt of the Association’s ability to continue as a going concern, an emphasis of matter paragraph has been added to our audit opinion, although our opinion is not modified with respect to this matter.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the consolidated statement of financial position, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated statement of financial position. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated statement of financial position or to the consolidated financial position itself.

This information is intended solely for the use of the Board of Directors and management of the International Association of Business Communicators and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

SELDEN FOX, LTD.

A handwritten signature in black ink that reads "Robert G. Wujek". The signature is written in a cursive style with a large, stylized initial 'R'.

Robert G. Wujek
Senior Vice President

RGW/cr

International Association of Business Communicators
Summary of Adjusting Journal Entries
December 31, 2021

	Unaudited Balance	Audit Adjustments	Audited Balance
Assets			
Cash	\$ 397,043	\$ -	\$ 397,043
Investment securities	84,244	-	84,244
Certificates of deposit	194,503	-	194,503
Accounts receivable	67,734	(3,000)	64,734
Prepaid expenses	178,117	-	178,117
Equipment, net	45,835	7,290	53,125
Total assets	\$ 967,476	\$ 4,290	\$ 971,766
Liabilities and Net Assets (Deficit)			
Liabilities:			
Accounts payable and accrued expenses	\$ 532,534	\$ 9,590	\$ 542,124
Due to affiliated chapters and regions	91,038	3,415	94,453
Deferred revenue:			
Membership dues	462,672	27,976	490,648
Conferences, seminars, and events	103,828	-	103,828
Certification	1,200	-	1,200
Note payable	150,000	-	150,000
Total liabilities	1,341,272	40,981	1,382,253
Net assets (deficit):			
Without donor restrictions	(443,648)	(36,691)	(480,339)
With donor restrictions	69,852	-	69,852
Total net assets (deficit)	(373,796)	(36,691)	(410,487)
Total liabilities and net assets (deficit)	\$ 967,476	\$ 4,290	\$ 971,766



International Association
of Business Communicators

AUDIT REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

**International Association of Business Communicators
Audit Report
For the Year Ended December 31, 2020**

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Selden Fox

Accounting for your future

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
International Association of Business Communicators
Chicago, Illinois

We were engaged to audit the accompanying consolidated financial statements of **International Association of Business Communicators**, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Based on the capabilities of the Association's membership system, a detailed listing of membership dues by member with their respective expiration dates was not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence to support the amount of deferred dues reported in the accompanying consolidated statement of financial position, as well as the related revenues reported in the accompanying consolidated statement of activities. In addition, given the mid-year transition of the Association's management and conversion of the Association's membership system subsequent to year end, certain source documents and records are no longer available to provide sufficient appropriate evidence in support of other deferred revenues reported in the consolidated statement of financial position, as well as certain amounts and allocations reported in the accompanying consolidated statements of activities and functional expenses.

Disclaimer Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Substantial Doubt About the Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming the Association will continue as a going concern. As discussed in Note 13 to the consolidated financial statements, at December 31, 2020, the Association's liabilities exceeded its assets, with liquidity only provided by the advance collection of certain revenues, such that there is substantial doubt about the Association's ability to continue as a going concern within one year after the consolidated financial statements were available to be issued. Management's evaluation of the events and conditions and management's plans in regard to these matters are also described in Note 13. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Report on Consolidating Supplementary Information

The consolidating statements of financial position and activities as of and for the year ended December 31, 2020, on pages 16 and 17 are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion paragraph, it is inappropriate to, and we do not, express an opinion on this supplementary information.

Selden Fox, Ltd.

November 12, 2021

**International Association of Business Communicators
Consolidated Statement of Financial Position
December 31, 2020**

Assets

Cash	\$ 342,838
Investment securities	217,974
Certificates of deposit	346,290
Accounts receivable	57,173
Prepaid expenses	108,416
Equipment, net	<u>233,491</u>
Total assets	\$ 1,306,182

Liabilities and Net Assets (Deficit)

Liabilities:

Accounts payable and accrued expenses	\$ 275,670
Due to affiliated chapters and regions	47,470
Deferred revenue	942,373
Note payable	<u>150,000</u>
Total liabilities	<u>1,415,513</u>

Net assets (deficit):

Without donor restrictions	(179,183)
With donor restrictions	<u>69,852</u>
Total net assets (deficit)	<u>(109,331)</u>

Total liabilities and net assets (deficit)	\$ 1,306,182
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See independent auditor's report and accompanying notes.

International Association of Business Communicators
Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Membership dues	\$ 1,379,281	\$ -	\$ 1,379,281
Conferences, seminars, and events	1,128,230	-	1,128,230
Certification	64,947	-	64,947
Advertising	177,329	-	177,329
Net return on investments	16,115	-	16,115
Loss on foreign currency transactions	(82,786)	-	(82,786)
Loss on disposal of equipment	(5,620)	-	(5,620)
Contributions	1,111	-	1,111
Other	1,548	-	1,548
Total revenues	2,680,155	-	2,680,155
Expenses:			
Program services:			
Conferences, seminars, and events	946,118	-	946,118
Certification	142,475	-	142,475
Chapter relations	115,647	-	115,647
Content and publications	125,293	-	125,293
Total program services expenses	1,329,533	-	1,329,533
Supporting services - administration and governance	1,600,179	-	1,600,179
Total expenses	2,929,712	-	2,929,712
Change in net assets (deficit)	(249,557)	-	(249,557)
Net assets (deficit), beginning of the year	70,374	69,852	140,226
Net assets (deficit), end of the year	\$ (179,183)	\$ 69,852	\$ (109,331)

See independent auditor's report and accompanying notes.

**International Association of Business Communicators
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020**

	Program Services			
	Conferences, Seminars, and Events	Certification	Chapter Relations	Content and Publications
Salaries and wages	\$ 188,309	\$ 43,267	\$ 22,058	\$ 34,619
Payroll taxes	16,035	3,550	2,100	3,152
Employee benefits	33,721	7,962	524	7,049
Management services	129,097	57,798	68,675	55,360
Other professional and contractual services	398,906	16,146	1,434	23,244
Venue and facilities	61,929	-	-	-
Information technology	32,898	6,047	2,615	3,167
Bank and credit card fees	24,282	3,267	25	(25)
Office	9,920	917	946	(3,634)
Insurance	12,930	1,619	1,254	1,500
Travel	8,698	802	-	-
Depreciation and amortization	4,602	1,100	861	861
Other	24,791	-	15,155	-
	\$ 946,118	\$ 142,475	\$ 115,647	\$ 125,293

See independent auditor's report and accompanying notes.

Supporting Services		
Administration and Governance		
Subtotal	Governance	Total
\$ 288,253	\$ 271,482	\$ 559,735
24,837	13,547	38,384
49,256	12,554	61,810
310,930	459,433	770,363
439,730	496,136	935,866
61,929	6,741	68,670
44,727	156,719	201,446
27,549	79,973	107,522
8,149	33,914	42,063
17,303	20,149	37,452
9,500	18,741	28,241
7,424	5,971	13,395
39,946	24,819	64,765
\$ 1,329,533	\$ 1,600,179	\$ 2,929,712

**International Association of Business Communicators
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020**

Cash flows from operating activities:	
Change in net assets (deficit)	\$ (249,557)
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities:	
Reinvested dividends and interest, net of investment management fees	(6,421)
Net gain on investment securities	(8,969)
Depreciation and amortization	13,395
Loss on disposal of equipment	5,620
Changes in operating assets and liabilities:	
Accounts receivable	(38,066)
Prepaid expenses	(24,739)
Accounts payable and accrued expenses	13,614
Due to affiliated chapters and regions	(26,429)
Deferred revenue	<u>(328,389)</u>
Net cash from operating activities	(649,941)
Cash flows from investing activities - proceeds from sale of investment securities	223,898
Cash flows from financing activities - proceeds from note payable	<u>150,000</u>
Net change in cash	(276,043)
Cash, beginning of the year	<u>618,881</u>
Cash, end of the year	<u>\$ 342,838</u>

See accompanying notes.

International Association of Business Communicators Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Organization – The consolidated financial statements include the accounts of the International Association of Business Communicators (IABC) and the related IABC Foundation (Foundation), hereinafter collectively referred to as the “Association”. IABC is a global membership organization serving multi-disciplinary communication professionals at all stages in their careers by providing information and professional development in order to build influence and raise awareness of the value of organizational communication inside and outside the profession. The Foundation is a charitable, tax-exempt organization established to support strategic initiatives in line with IABC’s purpose and demonstrate the power of professional communication as a force for good in business and society. All interorganizational balances and transactions have been eliminated in consolidation.

Given the global nature of the Association, membership dues and other amounts may be received in foreign currencies, resulting in foreign currency transaction adjustments. Foreign currency transaction losses resulting from exchange rate fluctuations on transactions denominated in currencies other than the United States dollar reported in the consolidated statement of activities totaled \$82,786 for the year ended December 31, 2020.

Basis of Accounting – The consolidated financial statements have been prepared on the accrual basis of accounting and are designed to focus on the Association as a whole, with balances and transactions presented according to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of Association’s mission and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of Association or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions and released if and when the related restriction expires, that is, when the stipulated purpose has been fulfilled, the stipulated time has elapsed or both.

Use of Estimates – The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, operations, and the related disclosures at the date of the consolidated financial statements and during the reporting period. Actual results could differ from those estimates.

Investment Securities – Investment securities consist of all funds held in brokerage accounts and are recorded at fair value with unrealized gains and losses included in the net return on investments in the consolidated statement of activities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is categorized in three levels based on the reliability of observable inputs as follows:

Level 1 – Valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the Association’s own data and assumptions that market participants would use in pricing the asset or liability. These unobservable inputs are significant to the fair value measurement.

International Association of Business Communicators Notes to the Consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Investment Securities (cont'd)

Investment securities are subject to various risks, including interest rate, market, and credit risks. Due to these risks, it is at least reasonably possible that subsequent changes to the value of individual investment securities may occur and materially affect the fair value of investment securities and net assets reported in the accompanying consolidated statement of financial position.

Certificates of Deposit – Certificates of deposit are held directly with financial institutions and recorded at cost.

Concentration of Deposits – From time to time, the Association maintains deposits with financial institutions in excess of FDIC insurance limits. At December 31, 2020, such deposits totaled \$182,969.

Accounts Receivable – Accounts receivable are stated at their net collectible amount. The Association does not charge interest or late fees on amounts past due. Based on its analysis, the Association considers all accounts receivable to be collectible. Accordingly, no allowance for doubtful accounts has been provided for at December 31, 2020. Management's periodic evaluation of the collectability of an account is based on the Association's past experience, known and inherent risks in the accounts, adverse situations that may affect a borrower's ability to repay, and current economic conditions. The delinquency of accounts is based on past due status in accordance with payment terms.

Equipment – Equipment is carried at cost, with depreciation and amortization provided on a straight line basis over the estimated useful lives of the related assets, ranging from 3 to 7 years.

Revenue Recognition – The recognition of revenue is determined based on whether an activity is classified as a contribution or exchange transaction.

Contributions representing unconditional promises to give are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

On the other hand, revenue from exchange transactions, representing contracts with customers, is recognized when promised goods and services are transferred in an amount that reflects the consideration the organization expects to be entitled in exchange for those goods or services. Based on the nature of the organization, the Association receives the majority of its contract revenue in advance or at the time of the related performance obligation(s). However, in certain instances payment may not be received until after the fact. In those instances, the Association has elected the practical expedient that allows it not to recognize a significant financing component as it anticipates payment will be received within one year of transferring the related goods or services. In addition, the Association has applied the practical expedients to account for revenues with similar characteristics as a collective group, rather than individually, and not to disclose the transaction price allocated to unsatisfied performance obligations as of the end of the reporting period as the performance obligations generally relate to contracts with an original term of one year or less.

Significant sources of contract revenue include the following:

Membership Dues – Membership dues are assessed on an anniversary date basis and recognized ratably over the membership year given the absence of any distinct performance obligations. Accordingly, any amounts received in advance of a membership year or that have yet to be recognized on a pro-rata basis represent contract liabilities and are classified as deferred revenue in the statement of financial position.

International Association of Business Communicators Notes to the Consolidated Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Revenue Recognition (cont'd)

Conferences, Seminars and Events – The Association typically holds its world conference and Gold Quill Awards Excellence Gala in June, as well as various other seminars and educational events throughout the year. The registration, exhibit, sponsorship, and other revenue for these events is considered to contain a single performance obligation, such that they are recognized at the time the related event takes place. Accordingly, any amounts received in advance of a future event represent contract liabilities and are classified as deferred revenue in the statement of financial position.

Certification – Certification fees are considered to contain a single performance element such that the related revenue is recognized at the time the related certifications are granted.

Advertising – Advertising revenues consist of solutions provider webinars and marketing campaigns, as well as job target and other advertisements, the related revenues for which are recognized over the applicable promotional period as the Association's performance obligations are fulfilled.

Based on the nature of the organization, aside from general pricing and timing matters, management does not believe there are any significant factors which should be considered regarding the nature, amount, or uncertainty of the related revenues or cash flows, aside from those related to the COVID-19 coronavirus pandemic discussed in Note 12.

Functional Allocation of Expenses – The costs of program and supporting services have been summarized on a functional basis in the consolidated statement of activities but are detailed by their natural classification in the consolidated statement of functional expenses. Expenses are charged directly to their respective program or supporting service functions based upon specific identification whenever possible. This includes fees for management services which are specifically allocated either based on the personnel involved or the nature of services provided. Other expenses require allocation on a reasonable basis that is consistently applied. These expenses include:

- Salaries and wages, payroll taxes, and employee benefits, along with certain professional and contractual fees, which are allocated based on time and effort,
- Insurance and depreciation, as well as certain information technology and office expenses, which are allocated based on estimated usage,
- Certain bank processing and sponsorship consulting fees, which are allocated based on the relative revenue that is generated.

Any remaining expenses which provide for the overall support and direction of the Association but are not directly identifiable with a specific program service are classified under administration and governance.

Income Taxes – IABC and the Foundation are exempt from income taxes under Section 501(c)(6) and Section 501(c)(3) of the Internal Revenue Code, respectively, except to the extent of any net unrelated business income in excess of a \$1,000 specific deduction. IABC reported \$43,203 of such income for the year ended December 31, 2020, from non-periodical advertising. The Foundation reported no such income for the year ended December 31, 2020. Although IABC and the Foundation have determined they are not required to record a liability for any uncertain tax positions at December 31, 2020, and have received no notice of exam, their tax returns for the years ended December 31, 2017 through 2019, remain subject to examination.

Subsequent Events – Subsequent events have been evaluated through November 12, 2021, which is the date the financial statements were available to be issued.

International Association of Business Communicators
Notes to the Consolidated Financial Statements (cont'd)

2. Investment Securities

Investment securities at December 31, 2020, consist of the following:

	Level 1	Level 2	Level 3	Total
Cash and money market funds	\$ 125,475	\$ -	\$ -	\$ 125,475
Mutual and exchange traded funds:				
Bond funds	24,552	-	-	24,552
Equity funds	67,947	-	-	67,947
	\$ 217,974	\$ -	\$ -	\$ 217,974

Each of these investment securities is valued based on quoted market prices and classified in Level 1 of the hierarchy.

The net return on investments for the year ended December 31, 2020, including any interest earned on bank or certificate of deposit accounts, consisted of:

Interest and dividends	\$ 7,271
Net gain on investments securities	8,969
Investment management fees	(125)
	\$ 16,115

3. Certificates of Deposit

Certificates of deposit at December 31, 2020, consist of the following:

Maturity Date	Interest Rate	Amount
April 2021	0.3%	\$ 114,991
September 2021	0.1%	152,295
June 2023	0.4%	79,004
		\$ 346,290

4. Equipment

Equipment at December 31, 2020, consists of the following:

Website development and software	\$ 443,024
Less accumulated depreciation and amortization	(209,533)
	\$ 233,491

International Association of Business Communicators
Notes to the Consolidated Financial Statements (cont'd)

5. Contract Revenue and Balances

Revenue for the year ended December 31, 2020, consisted of the following:

	Contract Revenue		Other Revenue Sources	Total
	Earned at a Point in Time	Earned Over Time		
Membership dues	\$ -	\$ 1,379,281	\$ -	\$ 1,379,281
Conferences, seminars, and events	1,128,230	-	-	1,128,230
Certification	64,947	-	-	64,947
Advertising	-	177,329	-	177,329
Net return on investments	-	-	16,115	16,115
Loss on foreign currency transactions	-	-	(82,786)	(82,786)
Loss on disposal of equipment	-	-	(5,620)	(5,620)
Contributions	-	-	1,111	1,111
Other	1,548	-	-	1,548
	<u>\$ 1,194,725</u>	<u>\$ 1,556,610</u>	<u>\$ (71,180)</u>	<u>\$ 2,680,155</u>

Accounts receivable and deferred revenue at December 31, affecting the cash flow of these revenue sources consisted of the following:

	2020	2019
Accounts receivable – contract revenue	<u>\$ 57,173</u>	<u>\$ 19,107</u>
Deferred contract revenue (for recognition the following year):		
Membership dues	\$ 696,330	\$ 855,215
Conferences, seminars, and events	234,643	412,841
Certification	<u>11,400</u>	<u>-</u>
	<u>\$ 942,373</u>	<u>\$ 1,268,056</u>

6. Line of Credit

The Association has a line of credit with a financial institution which provides for borrowing up to \$100,000. Interest on the line of credit is payable monthly at an annual fixed rate of 2.1%. The line of credit, which is reviewed annually, is collateralized by a certificate of deposit with a recorded cost of \$152,295 at December 31, 2020. The line of credit was not renewed upon maturing on November 3, 2021.

International Association of Business Communicators
Notes to the Consolidated Financial Statements (cont'd)

7. Note Payable

In June 2020, the Association obtained a \$150,000 Economic Injury Disaster Loan (EIDL) from the United States Small Business Administration. The loan is secured by a continuing interest in substantially all of the Association's assets and due in monthly installments of \$641, including interest at 2.75%, from June 2022 through May 2052. Future maturities of the loan at December 31, 2020, are as follows:

2021	\$	
2022		1,783
2023		3,132
2024		3,231
2025		3,334
Thereafter		138,520
	\$	150,000

8. Net Assets With Donor Restrictions

At December 31, 2020, net assets with donor restrictions consist of the following:

Amounts subject to expenditure for specified purposes:		
Profile II Research Study	\$	22,369
Communication in Corporate Citizenship		15,003
Wittmer Memorial Fund		4,759
Sharon Berzok Memorial Lecture		7,766
Sponsorship		3,955
		53,852
Perpetual restrictions – Millenium Fund Endowment		16,000
	\$	69,852

The Association's Millenium Fund Endowment is currently invested in money market funds as it waits to achieve the size required to provide meaningful income in support of Foundation sponsored programs. As such, formal investment and spending policies have yet to be adopted.

9. Retirement Plan

The Association maintained a defined contribution 401(k) plan for its employees. Under the plan, employees were eligible to make salary deferrals upon completing three months of service and becoming 21 years of age. The plan also provided for discretionary employer matching contributions. Employees were immediately vested in their deferrals, while employees became vested in any discretionary contributions made by the Association over a six-year period. However, with the transition of the Association's management to SmithBucklin Corporation in July 2020 as discussed in note 12, the plan was frozen and participants became fully vested in their account balances. Subsequent to year end, in June 2021, once all benefits were distributed, the plan was officially terminated. Employer matching contributions for January through June 2020 totaled \$8,521.

International Association of Business Communicators
Notes to the Consolidated Financial Statements (cont'd)

10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date at December 31, 2020, are comprised of the following:

Cash	\$	342,838
Investment securities		217,974
Certificates of deposit		346,290
Accounts receivable		57,173
		964,275
Total financial assets		964,275
Net assets with donor restrictions		(69,852)
Amounts due to affiliated chapters and regions		(47,470)
		(117,322)
Financial assets available for general expenditures over the next twelve months	\$	846,953

In addition to these financial assets, the Association maintains liquidity as the majority of its revenues are collected in advance or at the time of the related performance obligations, allowing expenses to be paid in a timely manner once incurred. The Association also maintains liquidity through access to the line of credit discussed in Note 6, and for the year ended December 31, 2020, obtained additional financing through the EIDL loan described in Note 7.

11. Chapters and Regions

The Association has various chapter and regional organizations throughout the United States and Canada, as well as internationally, that have been approved by the Board of Directors and must follow the Association's guidelines. The Association collects dues on behalf of these organizations and remits them on either a monthly or quarterly basis. However, as these organizations are separately organized and not controlled by the Association, they are not consolidated with the Association for financial reporting purposes and any dues collected by the Association acting as an agent on behalf of these organizations are reported as a liability on the consolidated statement of financial position.

12. Commitments, Risks and Uncertainties

Management Services – In January 2020, the Association contracted with SmithBucklin Corporation to manage its operations, including conference management and marketing effective in July 2020. The agreement can be cancelled by either party without cause pending 180 days' written notice. Management expenses under the agreement totaled \$770,363 for the year ended December 31, 2020, and are estimated to total \$1,868,089 for the year ended December 31, 2021. Amounts due to SmithBucklin for services, included in accounts payable and accrued expenses on the accompanying consolidated statement of financial position, totaled \$226,796, at December 31, 2020.

Future Meetings – The Association has entered into contracts for services and accommodations for future conferences. These contracts include penalty clauses which would require the Association to pay certain amounts if a conference was cancelled or if attendance was less than the original commitment.

International Association of Business Communicators Notes to the Consolidated Financial Statements (cont'd)

12. Commitments, Risks and Uncertainties (cont'd)

COVID-19 Pandemic – As a result of the COVID-19 coronavirus pandemic, there are ongoing economic uncertainties that exist which could have a material, adverse impact on the Association. Given the pandemic, the Association transitioned its 2020 and 2021 world conferences and Gold Quill Awards Excellence Galas to a virtual format, thus affecting the related revenues and expenses. While management continues to monitor the situation, any effects the pandemic may have on future conferences and events (including any related commitments for services or accommodations), membership, or the Association's overall operations are uncertain at this time.

13. Going Concern

The accompanying financial statements have been prepared assuming the Association will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. As described in Note 12, the current economic outlook is difficult, and for the year ended December 31, 2020, the Association's expenses exceeded its revenues by \$249,557. This resulted in the Association reporting a deficit in net assets without donor restrictions of \$179,183 at December 31, 2020. However, if only financial assets available for general expenditure are considered, the deficit would increase to \$521,090, with all liquidity essentially provided by advance collection of membership dues and other revenues. Management considers that the financial outlook presents significant challenges in terms of sustaining the Association's operating activities, which faced challenges before the onset of the COVID-19 pandemic.

In recognition of this fact, the Association transitioned to an association management model in July 2020, by engaging SmithBucklin Corporation to fully manage and stabilize its membership operations and finances. Since the transition, the Board of Directors has worked closely with staff leadership at SmithBucklin to modify the expense and operations model to emphasize greater efficiency in membership management and reduce the financial risk for the Association. This can be seen in the reduction of overall expenses and updates made to the membership framework to ensure greater revenue potential in the future. Specific components of the plan include:

- Introducing new opportunities including:
 - Virtual Career Fair as an extension of the IABC Career Centre
 - Year round content partnerships with sponsoring organizations
 - Remote proctoring for IABC's certification program
 - Revamped corporate membership program
 - Development of more educational offerings as part of standard member benefits
 - Payment flexibility (e.g., quarterly payments) for all members
 - Overhaul of IABC's digital publication, *Catalyst*
- Evaluating the Association's membership dues structure and costs for future modifications
- Introducing a multi-tiered membership model to accommodate different professions within the communications community
- Reducing operating costs through streamlined processes, services, and IT systems
- Shifting the Association's strategic focus from non-revenue generating activities

To date, the Association has consistently met its obligations and the Association's Board of Directors and management believe the forgoing financial stability plan can be reasonably implemented and executed. However, if the Association is not able to consistently generate a positive change in net assets and cash flows from operations, management may be required to pursue other alternatives to satisfy its current and future obligations, including liquidation or merger. The above factors raise substantial doubt about the Association's ability to continue as a going concern within one year after the date the financial statements are available to be issued. The accompanying financial statements do not include any adjustments that may result from the outcome of this uncertainty.

**International Association of Business Communicators
Consolidating Statement of Financial Position
December 31, 2020**

	International Association of Business Communicators	The IABC Foundation	Eliminations	Total
Assets				
Cash	\$ 290,455	\$ 52,383	\$ -	\$ 342,838
Investment securities	133,751	84,223	-	217,974
Certificates of deposit	346,290	-	-	346,290
Accounts receivable	57,173	1,272	(1,272)	57,173
Prepaid expenses	108,416	-	-	108,416
Equipment, net	233,491	-	-	233,491
Total assets	\$ 1,169,576	\$ 137,878	\$ (1,272)	\$ 1,306,182
Liabilities and Net Assets (Deficit)				
Liabilities:				
Accounts payable and accrued expenses	276,942	-	(1,272)	275,670
Due to affiliated chapters and regions	47,470	-	-	47,470
Deferred revenue	942,373	-	-	942,373
Note payable	150,000	-	-	150,000
Total liabilities	1,416,785	-	(1,272)	1,415,513
Net assets (deficit):				
Without donor restrictions	(247,209)	68,026	-	(179,183)
With donor restrictions	-	69,852	-	69,852
Total net assets (deficit)	(247,209)	137,878	-	(109,331)
Total liabilities and net assets (deficit)	\$ 1,169,576	\$ 137,878	\$ (1,272)	\$ 1,306,182

See independent auditor's report and accompanying notes.

International Association of Business Communicators
Consolidating Statement of Activities
For the Year Ended December 31, 2020

	International Association of Business Communicators	The IABC Foundation	Eliminations	Total
Revenues:				
Membership dues	\$ 1,379,281	\$ -	\$ -	\$ 1,379,281
Conferences, seminars, and events	1,128,230	-	-	1,128,230
Certification	64,947	-	-	64,947
Advertising	177,329	-	-	177,329
Net return on investments	15,918	197	-	16,115
Loss on foreign currency transactions	(82,786)	-	-	(82,786)
Loss on disposal of equipment	(5,620)	-	-	(5,620)
Contributions	-	1,111	-	1,111
Other	1,548	-	-	1,548
Total revenues	2,678,847	1,308	-	2,680,155
Expenses:				
Program services:				
Conferences, seminars, and events	946,118	-	-	946,118
Certification	142,475	-	-	142,475
Chapter relations	115,647	-	-	115,647
Content and publications	125,293	-	-	125,293
Total program services expenses	1,329,533	-	-	1,329,533
Supporting services - administration and governance	1,587,195	12,984	-	1,600,179
Total expenses	2,916,728	12,984	-	2,929,712
Change in net assets (deficit)	(237,881)	(11,676)	-	(249,557)
Net assets (deficit), beginning of the year	(9,328)	149,554	-	140,226
Net assets (deficit), end of the year	\$ (247,209)	\$ 137,878	\$ -	\$ (109,331)

See independent auditor's report and accompanying notes.

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November 12, 2021

Board of Directors and Management
International Association of Business Communicators
Chicago, Illinois

In planning and performing our audit of the consolidated financial statements of **International Association of Business Communicators** (Association) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of issuing our report on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

While we were engaged to perform an audit of those consolidated financial statements, due to the scope limitations related to the membership system and mid-year transition of management and resulting lack of source documentation and records related to deferred revenues reported in the consolidated statement of financial position, as well as, certain amounts and allocations reported in the consolidated statements of activities and functional expenses, we were unable to complete all of the procedures required by generally accepted auditing standards of the United States and were unable to incorporate a full consideration of internal control relating to this information. Because of the significance of the information we did not audit, we were unable to, and did not, express an opinion on those consolidated financial statements.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, during our engagement we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's consolidated financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies in internal control to be material weaknesses.

Documentation and Support

Based on the capabilities of the Association's membership system, a detailed listing of membership dues by member with their respective expiration dates was not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence to support the amount of deferred dues reported in the accompanying consolidated statement of financial position, as well as the related revenues reported in the accompanying consolidated statement of activities. In addition, given the mid-year transition of the Association's management and conversion of the Association's membership system subsequent to year end, certain source documents and records are no longer available to provide sufficient appropriate evidence in support of other deferred revenues reported in the consolidated statement of financial position, as well as certain amounts and allocations reported in the accompanying consolidated statements of activities and functional expenses.

Given the membership system's role as a vital subledger for financial reporting, we commend the Association's conversion to a new membership system subsequent to year end. However, **we recommend**, the Association adopt and adhere to a clear, written record retention policy to help ensure appropriate records are available when needed. This will not only support the amounts and disclosures in the Association's financial statements, but will also with appropriate reconciliation and monitoring, allow management to identify any misstatements and record any necessary adjustments on a timely basis. The retention of such records may also be needed in support of the organization's tax exempt status in the event of an examination by the Internal Revenue Service.

Account Reconciliation and Analysis

Based on our procedures for property and equipment as well as amounts due to affiliated chapters and regions, we proposed significant adjusting journal entries that may also indicate a material weakness in the financial reporting process. Accordingly, and in light of the Association's financial position, **we recommend** the Association's accounts be regularly reconciled and monitored, so that any necessary adjustments can be recorded on a timely basis. This will help ensure the accuracy of the internal financial statements and allow the Board of Directors and management to make informed financial decisions.

We believe the following matter also merits your consideration:

Membership Dues

The Association currently assesses membership dues on an anniversary date basis. **We recommend**, to simplify the administrative and accounting processes, the Association convert to assessing membership dues on a calendar year basis.

This communication is intended solely for the information and use of the Board of Directors and management of the Association and is not intended to be and should not be used by anyone other than these specified parties. We would be pleased to discuss these matters or respond to any questions at your convenience.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

November 12, 2021

Board of Directors
International Association of Business Communicators
Chicago, Illinois

We were engaged to audit the consolidated financial statements of **International Association of Business Communicators** (Association) for the year ended December 31, 2020. However, given the scope limitations described in our report dated November 12, 2021, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, it would be inappropriate to and we did not express an opinion on the consolidated financial statements. However, professional standards require that we provide you with the following information related to our engagement.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 31, 2020, our responsibility, as described by professional standards, was to express (or disclaim) an opinion about whether the consolidated financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The consolidated financial statements are the responsibility of management with your oversight. Our engagement does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We planned the scope and timing of our audit as previously communicated to management prior to field work beginning on April 5, 2021, and in our engagement letter dated December 31, 2020. In doing so, we addressed significant risks of material misstatement, whether due to error or fraud, by performing analytical procedures, making inquiries of those charged with governance, by observation and inspection, and by brainstorming with our audit team members. We used judgment to determine what a user of the consolidated financial statements would consider to be material in assessing the risk of misstatement. We also used judgment to determine our approach to internal control and further audit procedures relevant to significant audit areas. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion.

Significant Findings

Qualitative Aspects of Accounting Practices – Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by IABC are described in Note 1 to the consolidated financial statements. No new accounting policies were adopted nor was the application of existing policies changed during 2020. We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates. The disclosures in the consolidated financial statements are neutral, consistent, and clear.

Difficulties Encountered During Our Engagement – Our audit began as scheduled on April 5, 2021. However, given the capabilities of the Association's membership system and mid-year transition of management, our engagement encountered various challenges. These challenges, which ultimately resulted in a disclaimer of opinion on the Association's consolidated financial statements, significantly prolonged our engagement as it could not be completed in the timeframe scheduled and had to be completed between other previously scheduled engagements.

Corrected and Uncorrected Misstatements – Professional standards require us to accumulate all known and likely misstatements identified during our engagement, other than those that are trivial, and communicate them to the appropriate level of management. The adjustments proposed and recorded during our engagement are summarized in the attached exhibit. Management has concurred with our findings and corrected all such misstatements. In addition, during our engagement, an entry was proposed to accrue \$13,480 of unrelated business income taxes due as of December 31, 2020. While this entry was not recorded, management has represented to us that the effects of this uncorrected misstatement are immaterial both individually and in relation to the financial statements as a whole.

Disagreements with Management – For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our engagement.

Management Representations – We have requested certain representations from management that are included in the management representation letter dated November 12, 2021.

Management Consultations with Other Independent Accountants – In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Association’s consolidated financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Going Concern

The consolidated financial statements have been prepared assuming the Association will continue as a going concern. As discussed in Note 13 to the consolidated financial statements, at December 31, 2020, the Association’s liabilities exceed its assets such that there is substantial doubt about the Association’s ability to continue as a going concern, with substantially all liquidity provided by the advance collection of membership dues and other revenue. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. As a result of the substantial doubt of the Association’s ability to continue as a going concern, an emphasis of matter paragraph has been added to our disclaimer of opinion on the consolidated financial statements although our disclaimer of opinion is not modified with respect to this matter.

Other Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the International Association of Business Communicators and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

SELDEN FOX, LTD.



Robert G. Wujek
Senior Vice President

RGW/cg

International Association of Business Communicators
Summary of Adjusting Journal Entries
December 31, 2020

	Unaudited Balance	Audit Adjustments	Audited Balance
Assets			
Cash	\$ 342,838	\$ -	\$ 342,838
Investment securities	217,974	-	217,974
Certificates of deposit	346,290	-	346,290
Accounts receivable	33,173	24,000	57,173
Prepaid expenses	108,416	-	108,416
Equipment, net	191,536	41,955	233,491
Total assets	\$ 1,240,227	\$ 65,955	\$ 1,306,182
Liabilities and Net Assets (Deficit)			
Liabilities:			
Accounts payable and accrued expenses	\$ 275,670	\$ -	\$ 275,670
Due to affiliated chapters and regions	80,235	(32,765)	47,470
Deferred revenue	788,718	153,655	942,373
Note payable	149,900	100	150,000
Total liabilities	1,294,523	120,990	1,415,513
Net assets (deficit):			
Without donor restrictions	(124,148)	(55,035)	(179,183)
With donor restrictions	69,852	-	69,852
Total net assets (deficit)	(54,296)	(55,035)	(109,331)
Total liabilities and net assets (deficit)	\$ 1,240,227	\$ 65,955	\$ 1,306,182
Revenues	\$ 2,777,046	\$ (96,891)	\$ 2,680,155
Expenses	2,968,920	(39,208)	2,929,712
Change in net assets (deficit)	\$ (191,874)	\$ (57,683)	\$ (249,557)