

**INTERNATIONAL ASSOCIATION OF
BUSINESS COMMUNICATORS AND
THE IABC FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED
DECEMBER 31, 2016 AND 2015**

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of the International
Association of Business Communicators
San Francisco, California**

We have audited the accompanying consolidated financial statements of International Association of Business Communicators and The IABC Foundation, which comprise the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Executive Board of the International
Association of Business Communicators
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of International Association of Business Communicators and The IABC Foundation as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of International Association of Business Communicators and The IABC Foundation as of December 31, 2015, were audited by other auditors whose report dated May 12, 2016, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Gilbert Associates, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

GILBERT ASSOCIATES, INC.
Sacramento, California

July 10, 2017

**INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS
AND THE IABC FOUNDATION**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 296,936	\$ 273,566
Investments	1,112,141	1,044,142
Accounts receivable	19,688	92,838
Prepaid expenses	<u>165,748</u>	<u>107,778</u>
Total current assets	1,594,513	1,518,324
FURNITURE AND EQUIPMENT, Net	<u>136,871</u>	<u>248,919</u>
TOTAL ASSETS	<u><u>\$ 1,731,384</u></u>	<u><u>\$ 1,767,243</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 76,606	\$ 219,938
Due to affiliated chapters and regions	30,892	52,336
Accrued expenses	82,682	72,657
Line of credit	100,152	
Deferred revenues	1,216,601	1,256,612
Deferred rent	<u>1,554</u>	<u>3,262</u>
Total current liabilities	<u>1,508,487</u>	<u>1,604,805</u>
NET ASSETS:		
Unrestricted	152,545	91,586
Temporarily restricted	54,352	54,852
Permanently restricted	<u>16,000</u>	<u>16,000</u>
Total net assets	<u>222,897</u>	<u>162,438</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,731,384</u></u>	<u><u>\$ 1,767,243</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS
AND THE IABC FOUNDATION**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Membership dues	\$ 1,948,609	\$ 2,020,726
Conferences, seminars and awards	1,828,017	2,154,857
Job target advertisting	95,334	108,313
Investment income (loss)	43,096	(9,385)
Information resources and publications	8,524	84,391
Contributions	3,034	585
Other income	527	8,270
Net assets released from restrictions	500	
Total revenues	<u>3,927,641</u>	<u>4,367,757</u>
EXPENSES:		
Program services:		
Conferences, seminars and awards	1,059,268	1,302,165
Membership	802,989	652,914
Leadership and international development	338,422	346,095
Information resources and publications	259,741	319,281
Accreditation	214,922	124,324
Total program services	<u>2,675,342</u>	<u>2,744,779</u>
Supporting services:		
Management and general	1,021,513	1,635,794
Executive board	169,827	216,208
Total supporting services	<u>1,191,340</u>	<u>1,852,002</u>
Total expenses	<u>3,866,682</u>	<u>4,596,781</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	60,959	(229,024)
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions	<u>(500)</u>	<u></u>
INCREASE (DECREASE) IN NET ASSETS	60,459	(229,024)
NET ASSETS, Beginning of Year	<u>162,438</u>	<u>391,462</u>
NET ASSETS, End of Year	<u>\$ 222,897</u>	<u>\$ 162,438</u>

The accompanying notes are an integral part of these consolidated financial statements.

**INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS
AND THE IABC FOUNDATION**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 60,459	\$ (229,024)
Reconciliation to net cash provided (used) by operating activities:		
Depreciation and amortization	170,798	184,578
Net (gain) loss on investments	(33,110)	26,811
Changes in:		
Accounts receivable	73,150	(74,084)
Prepaid expenses	(57,970)	(18,131)
Accounts payable	(143,332)	67,271
Due to affiliated chapters and regions	(21,444)	571
Accrued expenses	10,025	5,906
Deferred revenue	(40,011)	(122,795)
Deferred rent	(1,708)	(39,111)
Accrued interest on line of credit	152	
Net cash provided (used) by operating activities	<u>17,009</u>	<u>(198,008)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(58,750)	(56,693)
Proceeds from sales of investments		802,498
Purchases of investments	<u>(34,889)</u>	<u>(266,024)</u>
Net cash provided (used) by investing activities	<u>(93,639)</u>	<u>479,781</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	100,000	
Payments on line of credit		(150,000)
Principal payments on note payable		<u>(224,737)</u>
Net cash provided (used) by financing activities	<u>100,000</u>	<u>(374,737)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	23,370	(92,964)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>273,566</u>	<u>366,530</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 296,936</u>	<u>\$ 273,566</u>
OTHER CASH FLOW INFORMATION:		
Interest paid		<u>\$ 3,011</u>

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

International Association of Business Communicators (IABC) is a global membership association serving multi-disciplinary communication professionals. Its primary focus is to engage communicators at all stages of their careers by providing information and professional development through annual conferences, seminars, webinars and publications, and to build influence and raise awareness of the value of organizational communication inside and outside of the profession.

The IABC Foundation (Foundation) is a non-profit public benefit corporation committed to raising funds for programs that advance business and organizational communication.

Principles of consolidation – The accompanying financial statements reflect the consolidation of IABC and the Foundation (collectively, the Association). The IABC Executive Board serves as the Foundation's Board of Trustees, and therefore controls the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

Chapters and regions are separate operating entities and are not controlled by IABC. Therefore, these financial statements do not include the chapters and regions.

Basis of presentation – The consolidated financial statements are presented in conformity with professional standards for not-for-profit entities. The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Revenue recognition – Membership dues are recorded as deferred revenue and recognized as unrestricted support and revenues ratably over the membership period, which is one year. The Association's conference, seminars and awards are recognized in the period the related event occurs. Information resources and publication revenue is recognized when items are shipped. Job target advertising is recognized over the advertisement period. Deferred revenue is recorded for the portion of membership dues relating to the subsequent year and when payments are received in advance of the Association's conference, seminars and awards.

Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in temporarily or permanently restricted net assets. Temporarily restricted net assets become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

Cash and cash equivalents – For financial statement purposes, the Association considers all investments with an initial maturity of three months or less to be cash equivalents, unless held for long-term purposes. The Association maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Investments are stated at fair value.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Association uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific accounts. The Association's accounts receivable are reported net of an allowance for doubtful accounts at December 31, 2016 and 2015, of \$24,405 and \$11,029, respectively.

Furniture and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives of three to seven years. The Association's policy is to capitalize such items with a cost of \$500 or more.

Due to affiliated chapters and regions – The Association collects dues on behalf of chapters and regions and remits rebates to the respective chapters/regions.

Deferred rent – The Association records rent expense on a straight-line basis over the term of the office lease. Accordingly, deferred rent is recorded to the extent that rent expense exceeds actual rent payments.

Advertising costs – The Association expenses advertising costs as they are incurred. For the years ended December 31, 2016 and 2015, advertising costs were \$14,291 and \$10,130, respectively.

Income taxes – IABC is a non-profit corporation under Section 501(c)(6) of the Internal Revenue Code and Section 23701(e) of the California Revenue and Taxation Code and is exempt from federal and state income taxes. The Foundation is a non-profit corporation under section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is exempt from federal and state income taxes. The Association has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the consolidated financial statements. With some exceptions, the Association is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2012.

Functional allocation of expenses – The costs of providing the program and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the functional areas based on employees' time incurred and management's estimates of the usage of resources.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain 2015 amounts have been reclassified to conform to the 2016 financial statement presentation.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

Level 1 Inputs	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2 Inputs	Inputs other than quoted prices in active markets that are observable either directly or indirectly.
Level 3 Inputs	Unobservable inputs for the asset or liability.

Subsequent events have been reviewed through July 10, 2017, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that require recognition or disclosure in the financial statements.

2. INVESTMENTS

Investments consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Money market	\$ 209,500	\$ 161,267
Certificates of deposit	341,354	340,287
Mutual funds:		
Bond	74,724	49,834
Value	15,641	22,396
Blend	74,412	65,097
Growth	23,811	46,169
Other	9,498	14,388
Exchange-traded funds:		
Value	189,363	171,827
Blend	40,783	40,132
Growth	<u>133,055</u>	<u>132,745</u>
Total	<u>\$ 1,112,141</u>	<u>\$ 1,044,142</u>

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

The Association's investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets for identical assets, with the exception of certificates of deposit, which are classified as Level 2 and valued based on observable inputs such as current interest rates.

Investment income consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 9,986	\$ 17,426
Realized and unrealized gain (loss)	<u>33,110</u>	<u>(26,811)</u>
Total	<u>\$ 43,096</u>	<u>\$ (9,385)</u>

3. PROPERTY AND EQUIPMENT

At December 31, property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Computer equipment	\$ 293,577	\$ 293,577
Equipment	90,997	90,997
Office furniture	171,672	171,672
Leasehold improvements	136,861	136,861
Website development	263,063	263,063
Software	<u>276,852</u>	<u>219,734</u>
Subtotal	1,233,022	1,175,904
Less accumulated depreciation	<u>(1,096,151)</u>	<u>(926,985)</u>
Total	<u>\$ 136,871</u>	<u>\$ 248,919</u>

4. DEFERRED REVENUE

At December 31, deferred revenue consisted of the following:

	<u>2016</u>	<u>2015</u>
Dues	\$ 974,981	\$ 1,051,166
Conferences/ seminars	233,294	194,762
Other	<u>8,326</u>	<u>10,684</u>
	<u>\$ 1,216,601</u>	<u>\$ 1,256,612</u>

**INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS
AND THE IABC FOUNDATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

5. NET ASSETS

At December 31, temporarily restricted net assets are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Communication in Corporate Citizenship	\$ 15,003	\$ 15,003
Profile Part II Research Study	22,369	22,369
Sharon Berzok Memorial Lecture	5,259	5,759
Wittmer Memorial Fund	7,766	7,766
Sponsorship	<u>3,955</u>	<u>3,955</u>
	<u>\$ 54,352</u>	<u>\$ 54,852</u>

The Association also has net assets totaling \$16,000 at December 31, 2016 and 2015 which are permanently restricted as its Millennium Fund Endowment.

The Association's endowment is invested in money market funds. The investment policy of the Association has been to maintain principal in risk-free funds while the endowment achieves the size required to provide meaningful income for Foundation sponsored programs. The endowment is considered permanently restricted with income available to fund projects for the Association. There is no formal spending policy due to the small size of the endowment. All income earned has been spent on research.

6. LINE OF CREDIT

The Association has a revolving line of credit with City National Bank for \$100,000 which matures November 3, 2017. Interest accrues at 2.10% and is payable monthly with the unpaid principal payable upon maturity. The line of credit is collateralized by one of the Association's certificates of deposit. At December 31, 2016, the outstanding balance and accrued interest totaled \$100,152.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

7. COMMITMENTS

Office lease

The Association leased office space in San Francisco under an operating lease that expired on January 31, 2016. In December 2015, the Association entered into a new office lease at a different location in San Francisco which began in February 2016 and expires January 2019. Rent expense under these leases totaled \$108,446 and \$371,012 in 2016 and 2015, respectively. Future minimum lease payments are as follows:

<u>Year ending December 31:</u>	
2017	\$ 83,517
2018	83,720
2019	<u>7,186</u>
Total	<u>\$ 174,423</u>

Other commitments

The Association has entered into agreements with numerous facilities to hold conferences and training sessions that extend out June 2018. The agreements provide for cancellation fees, and in some cases a deposit is at risk. As the date of the scheduled event gets closer, the cancellation fees increase. At December 31, 2016, the Association has approximately \$1,700,000 in financial commitments under these contracts if events are cancelled and rooms remain unbooked. The Association obtains cancellation insurance for the larger events which generally provides compensation to the Association if cancellation is caused by circumstances beyond the control of the Association.

8. RETIREMENT PLAN

The Association has a 401(k) Plan available to employees after three months of service. Eligible employees are permitted to contribute a percentage of gross salary subject to certain Internal Revenue Service limitations, and the Association matches the employee contribution up to 5% of gross salary. For the years ended December 31, 2016 and 2015, contributions by the Association to the plan were \$33,111 and \$39,689, respectively.