

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

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

**YEARS ENDED
DECEMBER 31, 2017 AND 2016**

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

TABLE OF CONTENTS DECEMBER 31, 2017 AND 2016

	<u>PAGE</u>
Independent Auditor's Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6

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 statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and of cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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
Page two

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, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

April 20, 2018

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 279,812	\$ 296,936
Investments	1,207,313	1,112,141
Accounts receivable	44,653	19,688
Note receivable, current portion	98,037	
Prepaid expenses	<u>102,748</u>	<u>165,748</u>
Total current assets	1,732,563	1,594,513
NONCURRENT ASSETS:		
Furniture and equipment, net	8,049	136,871
Note receivable, net	<u>51,963</u>	
TOTAL ASSETS	<u>\$ 1,792,575</u>	<u>\$ 1,731,384</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 134,953	\$ 76,606
Due to affiliated chapters and regions	60,031	30,892
Accrued expenses	85,858	84,236
Line of credit		100,152
Deferred revenue	<u>1,293,551</u>	<u>1,216,601</u>
Total current liabilities	<u>1,574,393</u>	<u>1,508,487</u>
NET ASSETS:		
Unrestricted	148,330	152,545
Temporarily restricted	53,852	54,352
Permanently restricted	<u>16,000</u>	<u>16,000</u>
Total net assets	<u>218,182</u>	<u>222,897</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,792,575</u>	<u>\$ 1,731,384</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS:		
REVENUES:		
Membership dues	\$ 1,803,976	\$ 1,917,359
Conferences, seminars and awards	1,725,466	1,828,017
Job target advertisting	70,606	95,334
Investment income	95,368	43,096
Certification revenues	30,100	31,250
Royalties	26,740	
Information resources and publications	10,628	8,524
Contributions	7,238	3,034
Other income	7,860	527
Net assets released from restrictions	<u>500</u>	<u>500</u>
Total revenues	<u>3,778,482</u>	<u>3,927,641</u>
EXPENSES:		
Program services:		
Conferences, seminars and awards	1,118,928	1,059,268
Membership	737,048	802,989
Leadership and international development	321,952	338,422
Information resources and publications	223,068	259,741
Certification	<u>205,784</u>	<u>214,922</u>
Total program services	<u>2,606,780</u>	<u>2,675,342</u>
Supporting services:		
Management and general	987,485	1,021,513
Executive board	<u>188,432</u>	<u>169,827</u>
Total supporting services	<u>1,175,917</u>	<u>1,191,340</u>
Total expenses	<u>3,782,697</u>	<u>3,866,682</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(4,215)	60,959
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions	<u>(500)</u>	<u>(500)</u>
INCREASE (DECREASE) IN NET ASSETS	(4,715)	60,459
NET ASSETS, Beginning of Year	<u>222,897</u>	<u>162,438</u>
NET ASSETS, End of Year	<u>\$ 218,182</u>	<u>\$ 222,897</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, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (4,715)	\$ 60,459
Reconciliation to net cash provided by operating activities:		
Depreciation and amortization	89,564	170,798
Net gain on investments	(81,136)	(33,110)
Changes in:		
Accounts receivable	(24,965)	73,150
Prepaid expenses	63,000	(57,970)
Accounts payable	58,347	(143,332)
Due to affiliated chapters and regions	29,139	(21,444)
Accrued expenses	1,622	8,317
Deferred revenue	76,950	(40,011)
Accrued interest on line of credit		152
Net cash provided by operating activities	<u>207,806</u>	<u>17,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note receivable issued	(109,423)	
Purchases of furniture and equipment	(1,319)	(58,750)
Purchases of investments	(14,036)	(34,889)
Net cash used by investing activities	<u>(124,778)</u>	<u>(93,639)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit		100,000
Payments on line of credit	(100,152)	
Net cash provided (used) by financing activities	<u>(100,152)</u>	<u>100,000</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,124)	23,370
CASH AND CASH EQUIVALENTS, Beginning of year	<u>296,936</u>	<u>273,566</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 279,812</u>	<u>\$ 296,936</u>
NON-CASH INVESTING AND FINANCING ACTIVITY:		
Note receivable issued for software refund	<u>\$ 40,577</u>	<u>\$</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, 2017 AND 2016

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.

Donated services and materials are recorded as in-kind donations and recognized at the estimated fair value as of the date of donation.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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.

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, 2017 and 2016, of \$8,761 and \$24,405, 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, 2017 and 2016, advertising costs were \$64,233 and \$14,291, 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 2013.

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.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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 April 20, 2018, the date the financial statements were issued. Management concluded that no material subsequent events have occurred since December 31, 2017 that require recognition or disclosure in the financial statements.

Reclassification – Certain 2016 amounts have been reclassified to conform to the 2017 financial statement presentation.

2. INVESTMENTS

Investments consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Money market	\$ 215,848	\$ 209,500
Certificates of deposit	341,901	341,354
Mutual funds:		
Bond	86,390	74,724
Value	17,563	15,641
Blend	83,438	74,412
Growth	27,058	23,811
Other	10,511	9,498
Exchange-traded funds:		
Value	215,484	189,363
Blend	48,538	40,783
Growth	<u>160,582</u>	<u>133,055</u>
Total	<u>\$ 1,207,313</u>	<u>\$ 1,112,141</u>

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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>2017</u>	<u>2016</u>
Interest and dividends	\$ 14,232	\$ 9,986
Realized and unrealized gain	<u>81,136</u>	<u>33,110</u>
Total	<u>\$ 95,368</u>	<u>\$ 43,096</u>

3. NOTE RECEIVABLE

In November 2017, the Association began negotiations with a software vendor to refund the cost of software purchased during 2016 and 2017. In March 2018, the Association and vendor executed a note receivable to refund \$150,000 to the Association over an eighteen month period. The value of the note receivable has been reflected in the consolidated statement of financial position as of December 31, 2017 and the cost of the software and service fees reduced accordingly. The note receivable accrues interest at 10% annually, with quarterly payments scheduled until the note matures on June 1, 2019. Future minimum principal payments are as follows:

<u>Year ending December 31:</u>	
2018	\$ 98,037
2019	<u>51,963</u>
Total	<u>\$ 150,000</u>

4. FURNITURE AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 19,930	\$ 293,577
Office furniture	35,771	171,672
Website development	134,263	263,063
Equipment		90,997
Leasehold improvements		136,861
Software		<u>276,852</u>
Subtotal	<u>189,964</u>	1,233,022
Less accumulated depreciation	<u>(181,915)</u>	<u>(1,096,151)</u>
Total	<u>\$ 8,049</u>	<u>\$ 136,871</u>

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

5. DEFERRED REVENUE

At December 31, deferred revenue consisted of the following:

	<u>2017</u>	<u>2016</u>
Dues	\$ 905,027	\$ 974,981
Conferences/ seminars	388,524	233,294
Other	_____	8,326
	<u>\$ 1,293,551</u>	<u>\$ 1,216,601</u>

6. NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Communication in Corporate Citizenship	\$ 15,003	\$ 15,003
Profile Part II Research Study	22,369	22,369
Sharon Berzok Memorial Lecture	4,759	5,259
Wittmer Memorial Fund	7,766	7,766
Sponsorship	_____	3,955
	<u>\$ 53,852</u>	<u>\$ 54,352</u>

The Association also has net assets totaling \$16,000 at December 31, 2017 and 2016 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.

7. LINE OF CREDIT

The Association had a revolving line of credit with City National Bank for \$100,000 that matured on November 3, 2017. Interest accrued at 2.10% and was payable monthly with the unpaid principal payable upon maturity. The line of credit was collateralized by one of the Association's certificates of deposit. At December 31, 2016, the outstanding balance and accrued interest totaled \$100,152. The line of credit was repaid in February 2017. As of the date of this report, the Association was in the process of renewing its line of credit.

INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

8. COMMITMENTS

Office lease

The Association leases office space in San Francisco under an operating lease which expires in January 2019. The Association previously leased office space at another location in San Francisco under an operating lease that expired on January 31, 2016. Rent expense under these leases totaled \$85,787 and \$108,446 in 2017 and 2016, respectively. Future minimum lease payments are as follows:

<u>Year ending December 31:</u>	
2018	\$ 83,720
2019	<u>7,186</u>
Total	<u>\$ 90,906</u>

Other commitments

The Association has entered into agreements with numerous facilities to hold conferences and training sessions that extend out through June 2021. 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, 2017, the Association has approximately \$3,000,000 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.

9. 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, 2017 and 2016, contributions by the Association to the plan were \$28,251 and \$33,111, respectively.