

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

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

**YEARS ENDED  
DECEMBER 31, 2019 AND 2018**

# 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 statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and 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  
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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, 2019 and 2018, 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 CPAs*

**GILBERT CPAs  
Sacramento, California**

**May 6, 2020**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 618,881	\$ 544,074
Investments	772,772	978,557
Accounts receivable	19,107	37,395
Note receivable, current portion		51,963
Prepaid expenses	<u>83,677</u>	<u>147,212</u>
Total current assets	1,494,437	1,759,201
<b>NONCURRENT ASSETS:</b>		
Property and equipment, net	<u>252,506</u>	<u>109,819</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,746,943</u>	<u>\$ 1,869,020</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 158,031	\$ 122,383
Due to affiliated chapters and regions	73,899	64,791
Accrued expenses	104,025	119,088
Deferred revenue	<u>1,270,762</u>	<u>1,325,163</u>
Total current liabilities	<u>1,606,717</u>	<u>1,631,425</u>
<b>NET ASSETS:</b>		
Without donor restrictions	70,374	168,243
With donor restrictions	<u>69,852</u>	<u>69,352</u>
Total net assets	<u>140,226</u>	<u>237,595</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,746,943</u>	<u>\$ 1,869,020</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, 2019 AND 2018**

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
<b>REVENUES:</b>		
Conferences, seminars and awards	\$ 2,517,400	\$ 2,112,458
Membership dues	1,402,948	1,686,382
Investment income (loss)	78,084	(12,657)
Job target advertising	52,281	70,074
Certification revenues	67,700	57,400
Royalties	15,258	29,992
Information resources and publications	7,940	5,233
Contributions	2,295	4,217
Other income	320	1,450
Net assets released from restrictions		500
Total revenues	<u>4,144,226</u>	<u>3,955,049</u>
<b>EXPENSES:</b>		
Program services:		
Education and awards	1,681,178	1,451,796
Membership	827,914	679,281
Chapter relations and development	266,549	250,908
Content and publications	321,512	181,946
Certification	164,058	196,324
Total program services	<u>3,261,211</u>	<u>2,760,255</u>
Supporting services:		
Management and general	710,461	928,223
Executive board	270,423	246,658
Total supporting services	<u>980,884</u>	<u>1,174,881</u>
Total expenses	<u>4,242,095</u>	<u>3,935,136</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b>(97,869)</b>	<b>19,913</b>
<b>NET ASSETS WITH DONOR RESTRICTIONS:</b>		
Contributions	500	
Net assets released from restrictions		(500)
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>500</u></b>	<b><u>(500)</u></b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(97,369)</b>	<b>19,413</b>
<b>NET ASSETS, Beginning of Year</b>	<u>237,595</u>	<u>218,182</u>
<b>NET ASSETS, End of Year</b>	<u>\$ 140,226</u>	<u>\$ 237,595</u>

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

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total</u>
	<u>Education and Awards</u>	<u>Membership</u>	<u>Chapter Relations and Development</u>	<u>Content and Publications</u>	<u>Certification</u>	<u>Management and General</u>	<u>Executive Board</u>	
Salaries and wages	\$ 355,730	\$ 241,199	\$ 110,794	\$ 66,166	\$ 97,167	\$ 242,410	\$ 127,759	\$ 1,241,225
Professional services	271,209	210,206	15,503	180,554	20,254	273,731	8,892	980,349
Conferences	779,825		74,348			4,302	15,677	874,152
Employee benefits and payroll taxes	76,116	38,906	13,888	15,211	23,389	53,326	20,891	241,727
Bank fees	77,866	115,141	712	1,974	3,261	21,605		220,559
Facilities and equipment rental	26,596	84,909	3,708	510	3,212	25,000	6,914	150,849
Travel	26,531	2,545	6,865	438	2,487	5,371	54,812	99,049
Telecommunications	19,587	13,395	6,357	10,316	6,137	15,217	9,389	80,398
Marketing and outreach		55,209				14,819		70,028
Depreciation	16,230	14,283	5,651	3,115	5,117	10,901	6,997	62,294
Postage	12,841	9,259	233	18,822		2,585	178	43,918
Dues, publications and subscriptions	3,746	21,063	262	3,871	440	9,832	384	39,598
Occupancy	8,280	7,000	2,816	2,133	2,583	6,166	3,505	32,483
Committee expenses			12,960				13,549	26,509
Staff development and training	1,926	1,269	60	176	11	20,452	774	24,668
Workshops	2,521			12,394		1,194		16,109
Chapter fund development		3,459	10,681			600		14,740
Provision for bad debts		10,071		525				10,596
Printing and reproduction	94		801	5,307			180	6,382
Supplies	2,080		910			338	522	3,850
Other expenses						2,612		2,612
<b>Total</b>	<b>\$ 1,681,178</b>	<b>\$ 827,914</b>	<b>\$ 266,549</b>	<b>\$ 321,512</b>	<b>\$ 164,058</b>	<b>\$ 710,461</b>	<b>\$ 270,423</b>	<b>\$ 4,242,095</b>

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

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>					<u>Supporting Services</u>		<u>Total</u>
	<u>Education and Awards</u>	<u>Membership</u>	<u>Chapter Relations and Development</u>	<u>Content and Publications</u>	<u>Certification</u>	<u>Management and General</u>	<u>Executive Board</u>	
Salaries and wages	\$ 263,627	\$ 181,998	\$ 101,645	\$ 115,368	\$ 89,659	\$ 320,522	\$ 120,355	\$ 1,193,174
Professional services	256,132	200,171	15,086	8,349	54,229	288,775	2,421	825,163
Conferences	668,047	1,082	74,895		407	17,575	12,053	774,059
Employee benefits and payroll taxes	64,469	30,287	13,777	32,640	26,977	73,920	22,785	264,855
Bank fees	72,153	145,022	1,172		2,187	16,791	145	237,470
Facilities and equipment rental	17,676	30,797	617	111	3,120	55,315	3,697	111,333
Travel	15,255	5,024	3,947	1,961	3,022	2,929	49,239	81,377
Telecommunications	19,488	5,499	3,135	4,415	3,076	8,063	3,452	47,128
Marketing and outreach	3,525	40,230				72,205		115,960
Depreciation	4,700	2,550	1,421	1,943	1,372	3,520	1,640	17,146
Postage	11,688	6,641	34			9,472	275	28,110
Dues, publications and subscriptions	6,753	332	376	164	831	12,763	2,258	23,477
Occupancy	32,140	17,727	10,063	13,977	9,764	25,327	11,100	120,098
Committee expenses			11,003				14,770	25,773
Staff development and training		4,474	999	778	895	11,354	196	18,696
Workshops	2,800	160		1,169		2,719		6,848
Chapter fund development			10,178					10,178
Provision for bad debts	1,347	5,983						7,330
Printing and reproduction	2,363	1,304	2,141	1,071	742	2,097	1,161	10,879
Supplies	9,633		419		43	1,171	1,111	12,377
Other expenses						3,705		3,705
<b>Total</b>	<b>\$ 1,451,796</b>	<b>\$ 679,281</b>	<b>\$ 250,908</b>	<b>\$ 181,946</b>	<b>\$ 196,324</b>	<b>\$ 928,223</b>	<b>\$ 246,658</b>	<b>\$ 3,935,136</b>

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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (97,369)	\$ 19,413
Reconciliation to net cash provided (used) by operating activities:		
Depreciation	62,294	17,146
Net (gain) loss on investments	(63,649)	37,090
Changes in:		
Accounts receivable	18,288	7,258
Prepaid expenses	63,535	(44,464)
Accounts payable	35,648	(12,570)
Due to affiliated chapters and regions	9,108	4,760
Accrued expenses	(15,063)	33,230
Deferred revenue	(54,401)	31,612
Net cash provided (used) by operating activities	<u>(41,609)</u>	<u>93,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments on note receivable	51,963	98,037
Purchases of property and equipment	(204,981)	(118,916)
Proceeds from sales of investments	452,195	260,000
Purchases of investments	(182,761)	(68,334)
Net cash provided by investing activities	<u>116,416</u>	<u>170,787</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from line of credit	100,000	
Payments on line of credit	(100,000)	
Net cash used by financing activities	<u>                    </u>	<u>                    </u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>74,807</b>	<b>264,262</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b><u>544,074</u></b>	<b><u>279,812</u></b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 618,881</u></b>	<b><u>\$ 544,074</u></b>

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, 2019 AND 2018

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### 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 two classes of net assets: without donor restrictions and with donor restrictions.

**Revenue recognition** – The Association’s revenue from contracts with customers consists of conferences, seminars and awards, membership dues, job target advertising, certifications, royalties, and information resources and publications. Refer to Note 6 for accounting policies and additional details regarding revenue from contracts with customers.

Contributions are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional contributions are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the condition. 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 net assets with donor restrictions. Net assets with donor restrictions 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 minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance 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, 2019 AND 2018

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**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, 2019 and 2018, of \$554 and \$2,649, respectively.

**Property 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.

**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 2014.

**Functional allocation of expenses** – The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages and professional services, which are allocated based on time and effort; payroll taxes, employee benefits and insurance, which are allocated based on salaries and wages; and occupancy, printing, telephone, depreciation, office insurance, and IT subscriptions which are allocated based on estimated usage. Bank processing fees and sponsorship consulting fees are allocated based on the relative revenue that is generated.

**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, 2019 AND 2018

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**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.   |

**Recent accounting pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Topic 606, *Revenue from Contracts with Customers*. The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. The Association has implemented Topic 606 effective January 1, 2019 for all contracts with no effect on beginning net assets.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The Association has implemented this accounting standard in the accompanying financial statements effective January 1, 2019 under the modified prospective basis. Accordingly, there is no effect on beginning net assets in connection with the implementation of ASU 2018-08.

**Subsequent events** have been reviewed through May 6, 2020, the date the financial statements were issued.

**Reclassification** – Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

# INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

### 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's financial assets available within one year of the statement of financial position date for general expenditure are as follows for the year ended December 31,

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 618,881	\$ 544,074
Investments	772,772	978,557
Accounts receivable	19,107	37,395
Note receivable		51,963
Total current financial assets	1,410,760	1,611,989
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors for purpose (see Note 7)	(53,852)	(53,352)
Perpetual restrictions (see Note 7)	(16,000)	(16,000)
Amounts due to affiliated chapters and regions	(73,899)	(64,791)
Total financial assets available to management for general expenditure within one year	\$ 1,267,009	\$ 1,477,846

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Association invests cash in excess of daily requirements in various short-term investments, including certificate of deposits. As more fully described in Note 8, the Association also has an available line of credit in the amount of \$100,000, which it could draw upon in the event of an unanticipated liquidity need.

### 3. INVESTMENTS

Investments consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Money market	\$ 203,977	\$ 252,680
Certificates of deposit	343,568	342,606
Mutual funds:		
Bond	56,775	83,206
Blend	25,508	44,028
Value	11,562	18,176
Growth	9,298	18,658
Other		2,793
Exchange-traded funds:		
Growth	56,054	90,195
Value	48,624	97,610
Blend	17,406	28,605
Total	\$ 772,772	\$ 978,557

# INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 (loss) consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 14,435	\$ 24,433
Realized and unrealized gain (loss)	<u>63,649</u>	<u>(37,090)</u>
Total	<u>\$ 78,084</u>	<u>\$ (12,657)</u>

#### 4. 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 statements of financial position as of December 31, 2018 and the cost of the software and service fees were reduced accordingly in 2017. The note receivable accrued interest at 10% annually, with quarterly payments scheduled until the note matured. The note matured during 2019 and as of December 31, 2019, the note has been fully repaid.

#### 5. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Computer equipment	\$ 27,525	\$ 24,039
Website development and software	<u>443,024</u>	<u>241,529</u>
Subtotal	470,549	265,568
Less accumulated depreciation	<u>(218,043)</u>	<u>(155,749)</u>
Total	<u>\$ 252,506</u>	<u>\$ 109,819</u>

#### 6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Association's revenues from conference, seminars and awards are recognized in the period the related event occurs. Membership dues are recognized over the one-year membership period, which approximates the delivery of the related performance obligations. Job target advertising is recognized over the advertisement period. Certification and royalty revenues are recognized in the period earned. Information resources and publication revenue is recognized when items are shipped. Deferred revenue, which represents a contract liability, is recorded for the portion of membership dues received that relates to the subsequent year, and when payments are received in advance of the Association's conferences, seminars and awards.

# INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

Generally, payment is due from members when they initiate or renew their annual membership. The Association does not provide refunds for members that wish to terminate their membership prior to the end of the membership period.

A contract asset is recorded when the Association satisfies a performance obligation of a contract but is not yet entitled to payment. When the Association becomes entitled to payment, the contract asset is classified as a receivable, whether invoiced or not.

The Association's revenues are primarily derived from its members in the form of membership dues and conference attendance. These revenues, results of operations, and cash flows are affected by a wide variety of factors associated with the economic health of the industries in which the members operate. For the years ended December 31, 2019 and 2018, approximately 95% and 96%, respectively, of revenues were from membership dues and conferences, from world-wide members.

The balances of receivables and contract liabilities from contracts with customers are as follows as of December 31:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Accounts receivable	\$ 19,107	\$ 37,395	\$ 44,653
Contract liabilities:			
Deferred membership dues	\$ 855,215	\$ 895,415	\$ 905,027
Deferred conferences, seminars and awards revenue	<u>412,841</u>	<u>429,748</u>	<u>388,524</u>
Total contract liabilities	<u>\$ 1,268,056</u>	<u>\$ 1,325,163</u>	<u>\$ 1,293,551</u>

### 7. NET ASSETS

At December 31, net assets with donor restrictions are restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Purpose restrictions:		
Profile Part II Research Study	\$ 22,369	\$ 22,369
Communication in Corporate Citizenship	15,003	15,003
Wittmer Memorial Fund	7,766	7,766
Sharon Berzok Memorial Lecture Sponsorship	<u>3,955</u>	<u>3,955</u>
Total purpose restrictions	53,852	53,352
Perpetual restrictions:		
Millennium Fund Endowment	<u>16,000</u>	<u>16,000</u>
Total	<u>\$ 69,852</u>	<u>\$ 69,352</u>

# INTERNATIONAL ASSOCIATION OF BUSINESS COMMUNICATORS AND THE IABC FOUNDATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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The Association's Millennium Fund 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 perpetually 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.

IABC's Board of Directors has designated its net assets without donor restrictions as its Operating Reserve Fund with the goal of accumulating a minimum of three months (25%) to four months (33%) of current-year budgeted expenses. The primary purpose of the Operating Reserve Fund is to maintain the Association's financial strength, while providing financial reserves for unforeseen future contingencies.

### 8. LINE OF CREDIT

The Association has a revolving line of credit with City National Bank for \$100,000 that matures on November 3, 2020. Interest accrues at 2.80% and 2.50% for 2019 and 2018, respectively, 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. There was no outstanding balance at December 31, 2019 or 2018.

### 9. COMMITMENTS

#### Office lease

The Association leased office space in San Francisco under an operating lease which expired in January 2019 and was not renewed. Rent expense under this lease totaled \$7,408 and \$89,337 in 2019 and 2018, respectively.

#### 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, 2019, the Association has approximately \$2,200,000 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.

As of January 27, 2020, the Association has contracted with SmithBucklin to manage its operations beginning on July 1, 2020, unless earlier services are requested by the Association. The contract will continue until cancelled by either party, pending 180 days' written notice. Payments for services will be negotiated annually but will not exceed \$900,000 for the six months ending December 31, 2020 and will not exceed \$900,000 for the six months ending June 30, 2021.



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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018**

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### **10. 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, 2019 and 2018, contributions by the Association to the plan were \$34,688 and \$30,279, respectively.

### **11. SUBSEQUENT EVENTS**

As a result of the spread of the COVID-19, economic uncertainties have arisen which could have a negative impact on future revenues and investment income. Additionally, the Association's annual World Conference event scheduled for June 2020 has been transitioned to a virtual conference due to governmental restrictions on large gatherings. The potential financial impact and duration resulting from COVID-19 are unknown at this time.