

**THE COMMUNICATIONS NETWORK**

**Financial Statements**

**December 31, 2022 and 2021**

# **THE COMMUNICATIONS NETWORK**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Communications Network

### Opinion

We have audited the accompanying financial statements of The Communications Network (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, statements of functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended 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 Statements section of our report. We are required to be independent of the Organization 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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, including omissions, 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 statements.

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 statements, 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 statements.
- 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 the Organization's 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 statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's 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.

*Barnes, Givens & Barnes, Ltd.*

Mount Prospect, Illinois  
September 20, 2023

**THE COMMUNICATIONS NETWORK**

Statements of Financial Position

December 31, 2022 and 2021

	2022	2021
<b><u>ASSETS</u></b>		
Assets		
Cash and cash equivalents	\$ 820,656	\$ 464,724
Investments	3,521,417	3,508,856
Accounts receivable	222	3
Prepaid expenses	17,967	72,374
Grants receivable	10,000	50,000
Property and equipment - net of depreciation of \$718 in 2022 and \$2,087 in 2021	248	669
Total Assets	<u>\$ 4,370,510</u>	<u>\$ 4,096,626</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Accounts payable	\$ 18,688	\$ 3,189
Deferred membership dues	141,121	82,546
Deferred conference revenue	123,996	95,310
Other deferred revenue	18,000	37,696
Total Liabilities	<u>301,805</u>	<u>218,741</u>
Net Assets		
Without donor restrictions	<u>3,913,844</u>	<u>3,518,163</u>
With donor restrictions-		
Time-restricted for future periods	154,861	359,722
Donor restrictions for specific purposes	-	-
Total net assets with donor restrictions	<u>154,861</u>	<u>359,722</u>
Total Net Assets	<u>4,068,705</u>	<u>3,877,885</u>
Total Liabilities and Net Assets	<u>\$ 4,370,510</u>	<u>\$ 4,096,626</u>

See Accompanying Notes to Financial Statements

**THE COMMUNICATIONS NETWORK**  
**Statements of Activities**  
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue						
Grant income	\$ 195,751	\$ 158,000	\$ 353,751	\$ 183,017	\$ 511,000	\$ 694,017
Conference and program income	1,509,986	-	1,509,986	528,794	-	528,794
Membership dues	380,200	-	380,200	299,085	-	299,085
Investment income	12,562	-	12,562	395	-	395
Other income	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	-	-
Net assets released from restriction	362,861	(362,861)	-	477,703	(477,703)	-
Total Support and Revenue	2,461,360	(204,861)	2,256,499	1,488,994	33,297	1,522,291
Expenses						
Program	1,252,916	-	1,252,916	553,530	-	553,530
Management and general	705,994	-	705,994	549,973	-	549,973
Fundraising	106,769	-	106,769	93,331	-	93,331
Total Expenses	2,065,679	-	2,065,679	1,196,834	-	1,196,834
Change in Net Assets	395,681	(204,861)	190,820	292,160	33,297	325,457
Net Assets, Beginning of Year	3,518,163	359,722	3,877,885	3,226,003	326,425	3,552,428
Net Assets, End of Year	\$ 3,913,844	\$ 154,861	\$ 4,068,705	\$ 3,518,163	\$ 359,722	\$ 3,877,885

See Accompanying Notes to the Financial Statements

**THE COMMUNICATIONS NETWORK**Statement of Functional Expenses  
For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 8,773	\$ 34,484	\$ 3,509	\$ 46,766
Board activities	-	31,208	-	31,208
Comnetwork startup	-	-	-	-
Conference	867,158	-	-	867,158
Consultants	57,500	1,000	-	58,500
Depreciation	-	421	-	421
Design	3,077	-	-	3,077
Development	-	-	15,000	15,000
Insurance	-	4,417	-	4,417
Intern	-	9,780	-	9,780
Legal and professional	-	6,409	-	6,409
Local leaders summit	-	-	-	-
Management services	15,500	40,300	6,200	62,000
Meals	-	-	-	-
Membership/Communications	-	-	-	-
Miscellaneous	1,522	3,916	-	5,438
Postage/Delivery	-	-	-	-
Printing and photocopies	-	1,712	212	1,924
Rent and office	-	-	-	-
Salaries and benefits	203,531	529,181	81,411	814,123
Software and hardware	-	22,775	-	22,775
Special projects	74,760	-	-	74,760
Staff training	637	1,655	255	2,547
Subscriptions	-	2,033	-	2,033
Supplies	-	680	-	680
Telephone/Fax	-	1,650	-	1,650
Travel	333	1,425	-	1,758
Virtual conference	-	-	-	-
Webinar	13,418	1,121	-	14,539
Website	6,707	11,827	182	18,716
	<u>\$ 1,252,916</u>	<u>\$ 705,994</u>	<u>\$ 106,769</u>	<u>\$ 2,065,679</u>

See Accompanying Notes to Financial Statements

# THE COMMUNICATIONS NETWORK

## Statements of Functional Expenses For the Year Ended December 31, 2021

	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 4,066	\$ 17,612	\$ 1,627	\$ 23,305
Board activities	-	1,971	-	1,971
Comnetwork startup	-	-	-	-
Conference	11,952	-	-	11,952
Consultants	36,671	3,274	-	39,945
Depreciation	-	912	-	912
Design	1,068	-	-	1,068
Development	-	-	18,613	18,613
Insurance	-	5,254	-	5,254
Intern	-	13,663	-	13,663
Legal and professional	-	6,186	-	6,186
Local leaders summit	6,000	-	-	6,000
Management services	15,520	40,351	6,208	62,079
Meals	-	166	-	166
Membership/Communications	-	2,774	-	2,774
Miscellaneous	1,088	4,649	314	6,051
Postage/Delivery	-	-	-	-
Printing and photocopies	-	1,064	2,474	3,538
Rent and office	-	-	-	-
Research	-	-	-	-
Salaries and benefits	157,485	409,461	62,992	629,938
Software and hardware	-	25,995	-	25,995
Staff training	2,396	6,230	959	9,585
Subscriptions	-	5,362	-	5,362
Supplies	-	791	-	791
Telephone/Fax	-	2,316	-	2,316
Travel	-	133	-	133
Virtual conference	312,794	-	-	312,794
Webinar	4,130	-	-	4,130
Website	360	1,809	144	2,313
	<u>\$ 553,530</u>	<u>\$ 549,973</u>	<u>\$ 93,331</u>	<u>\$ 1,196,834</u>

See Accompanying Notes to Financial Statements



**THE COMMUNICATIONS NETWORK**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 190,820	\$ 325,457
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	421	912
(Gain) loss on sale of assets	-	-
Decrease (increase) in operating assets-		
Accounts receivable	(219)	27,257
Insurance proceeds receivable	-	579,906
Prepaid expenses	54,407	(21,992)
Grants receivable	40,000	(40,000)
Increase (decrease) in operating liabilities-		
Accounts payable	15,499	(354)
Deferred membership dues	58,575	10,565
Deferred conference revenue	28,686	95,310
Other deferred revenue	(19,696)	37,696
Net Cash Provided by Operating Activities	<u>368,493</u>	<u>1,014,757</u>
Cash Flows from Investing Activities		
Purchase of equipment	-	-
Purchase of investments	(12,561)	(1,200,395)
Proceeds from sale of equipment	<u>-</u>	<u>-</u>
Net Cash (Used in) Investing Activities	<u>(12,561)</u>	<u>(1,200,395)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	355,932	(185,638)
Cash and Cash Equivalents, Beginning of Year	<u>464,724</u>	<u>650,362</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 820,656</u></u>	<u><u>\$ 464,724</u></u>
* * * * *		
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for:		
Income tax	<u>\$ -</u>	<u>\$ -</u>
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

## **THE COMMUNICATIONS NETWORK**

### **Notes to Financial Statements**

December 31, 2022 and 2021

#### **Note A – Organization and Nature of Activities**

The Communications Network (the “Organization”) is an independent non-profit organization incorporated in Washington, DC on February 20, 1998. The Organization provides resources, guidance and leadership to nonprofit organizations in the use of innovative and effective communication programs that advance their missions, improve lives and deliver social change.

#### **Note B – Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

##### **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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results may differ from those estimates.

##### **Cash and Cash Equivalents**

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than one year. Deposits held in all non-interest bearing transactional bank accounts and interest-bearing accounts are aggregated by entity and are fully insured up to \$250,000.

##### **Receivables and Allowance for Doubtful Accounts**

Accounts receivable are uncollateralized customer obligations. Payments of accounts receivable are allocated to the specific invoices identified on the customer’s remittance or, if unspecified, investigated to identify the appropriate invoice to which to apply the payment.

Management reviews all individual customer accounts receivable balances that exceed ninety (90) days from invoice date and based on the assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Based upon these reviews management believed all accounts receivable to be fully collectible and, accordingly, no allowance for uncollectible accounts receivable is reflected in the accompanying financial statements.

## THE COMMUNICATIONS NETWORK

Notes to Financial Statements

December 31, 2022 and 2021

### **Note B – Summary of Significant Accounting Policies (continued)**

#### Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated for financial statement purposes using the straight-line method based on the property's estimated life. Additions and improvements that add materially to productive capacity or extend the life of an asset are capitalized. Normal repairs and maintenance are charged against income. When facilities are retired or sold, their cost and accumulated depreciation are removed from the accounts and related gains or losses are included in income. In case of trade items, any remaining book value increases the basis of the new acquisitions. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donation asset to a specific purpose. The estimated lives used in determining depreciation are:

Computer equipment and office furniture	5 – 7 years
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#### Deferred Revenue

Dues revenue received in advance is classified as deferred dues and recognized over the applicable membership period. Deferred revenue also represents other revenues that benefit future periods.

#### Revenue Recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2014-19 – *Revenue from Contracts with Customers* (Topic 606), as amended. The standard contains principles that an organization applies to determine the measurement of revenue and the timing of when it is recognized. The adoption of this accounting pronouncement did not result in significant changes in the timing of the Organization's revenue recognition.

Conference Program and Sponsorship – A majority of the Organization's revenue is derived from member and other individual registration fees to attend various events and conferences of the Organization. The Organization obtains sponsors to sponsor at the Organization's various events and conferences. Registration and sponsorship income is recognized in the period in which the event takes place.

Membership Dues – The Organization also derives revenue by assessing membership dues. Dues are collected annually from individual and institutional members. Income from membership dues is recognized ratably throughout the period for which the dues were assessed.

Donations and Grants – The Organization also derives revenue from donations and grants. The Organization recognizes contributions of cash and securities when received.

## THE COMMUNICATIONS NETWORK

Notes to Financial Statements

December 31, 2022 and 2021

### **Note B – Summary of Significant Accounting Policies (continued)**

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Expenses which are easily and directly associated with a particular program or supporting service are charged directly to that functional area. Certain other costs have been allocated among the program and supporting services benefited based on time devoted to the functional areas by the management company and personnel.

### **Note C - Income Taxes**

The Organization is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Service Code, and as such, is generally exempt from income tax except for any unrelated business taxable income (UBIT). The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a).

The Organization files Form 990, Return of Organization Exempt from Income Tax with the Federal government. The Organization also files Form AG990-IL, Illinois Charitable Organization Annual Report with the Attorney General of the State of Illinois. Management has determined that the Organization has no income tax liability as of December 31, 2022. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2022. The Organization's 2020-2022 tax years are open for examination by the IRS and State of Illinois. Should the Organization's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

## **THE COMMUNICATIONS NETWORK**

### **Notes to Financial Statements**

December 31, 2022 and 2021

#### **Note D – Net Assets with Donor Restrictions**

Net assets with donor restrictions at the end of the year represent grants that have been received and designated as time or purpose restricted by the grantor. As these funds are expended, the time or purpose restrictions expire and the net assets with donor restrictions are reclassified to net assets without donor restrictions on the Statement of Activities.

Net assets with donor restrictions as of December 31, 2022 represent \$154,861 of grants to support operations that have time and/or purpose restrictions that expire during 2023 - 2025.

Net assets with donor restrictions as of December 31, 2021 represent \$359,722 of grants to support operations that have time and/or purpose restrictions that expire during 2022 - 2024.

#### **Note E – Donated Services**

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's program and support service.

#### **Note F – Employee Benefit Plan**

The Organization sponsors a salary reduction contribution plan pursuant to Section 401(k) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The Organization may agree to make contributions to their employees' 401(k) plans. There was a \$32,065 and \$24,178 contribution made by the Organization for the years ended December 31, 2022 and 2021, respectively.

#### **Note G – Management Contracts**

On November 17, 2021, the Organization renewed its agreement with the Frontline Co., an association management company, to provide professional and administrative staff, office space, and equipment on a contractual basis through December 31, 2023. Pursuant to the agreement, the Organization reimburses Frontline Co. monthly for other expenses as defined in the agreement. The agreement may be terminated at any time without cause by either party upon not

## THE COMMUNICATIONS NETWORK

### Notes to Financial Statements

December 31, 2022 and 2021

#### **Note H—Liquidity and Availability of Financial Assets**

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the Statement of Financial Position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts with donor-imposed purpose and time restrictions.

	2022	2021
Financial assets, at year-end:		
Cash and cash equivalents	\$ 820,656	\$ 464,724
Investments - cash	3,521,417	3,508,856
Accounts receivable	222	3
Grants receivable	10,000	50,000
Less contractual or donor-imposed restrictions:		
Time-restricted for future periods	(154,861)	(359,722)
Donor restrictions for specific purposes	-	-
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 4,197,434</u>	<u>\$ 3,663,861</u>

#### **Note I – Concentration of Custodial Risk**

Financial instruments that potentially subject the Organization to concentration of custodial risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2022 and 2021, the Organization had \$570,661 and \$255,012 in excess of the FDIC insured limit, respectively.

#### **Note J – Subsequent Events**

The Organization has determined that no material events or transactions occurred subsequent to December 31, 2022 and through the date of the independent auditor’s report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.