

**THE COMMUNICATIONS NETWORK**

**Financial Statements**

**December 31, 2016 and 2015**

# THE COMMUNICATIONS NETWORK

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
<b>Supplementary Information</b>	
Independent Auditors' Report on Supplementary Information	10
Schedules of Functional Expenses	11

# BARNES, GIVENS & BARNES, LTD.

CERTIFIED PUBLIC ACCOUNTANTS  
200 EAST EVERGREEN AVENUE, SUITE 117  
MOUNT PROSPECT, ILLINOIS 60056-3240  
224-764-2442 FAX: 224-764-2448  
bgbcpas.com

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Communications Network

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Communications Network (the "Organization"), which comprise of the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 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.

BARNES  
GIVENS  
BARNES

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Communications Network as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Barnes, Givens & Barnes, Ltd.*

Mount Prospect, Illinois  
April 12, 2017

**THE COMMUNICATIONS NETWORK**  
**Statements of Financial Position**  
**December 31, 2016 and 2015**

	2016	2015
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,553,552	\$ 1,011,865
Accounts receivable	15,000	-
Prepaid expenses	28,110	13,763
Grants receivable	47,000	-
	1,643,662	1,025,628
Property and Equipment		
Furniture, fixtures and equipment	2,172	2,172
Less: accumulated depreciation	1,810	1,086
	362	1,086
Total Assets	\$ 1,644,024	\$ 1,026,714
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 16,480	\$ 13,661
Deferred membership dues	51,920	41,410
Deferred conference revenue	65,814	-
Other deferred revenue	6,250	-
	140,464	55,071
Net Assets		
Unrestricted	1,268,977	844,310
Temporarily restricted	234,583	127,333
	1,503,560	971,643
Total Liabilities and Net Assets	\$ 1,644,024	\$ 1,026,714

See Accompanying Notes and Independent Auditors' Report.

**THE COMMUNICATIONS NETWORK**

Statements of Activities

For the Years Ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	2016 Total	Unrestricted	Temporarily Restricted	2015 Total
<b>Support and Revenue</b>						
Grant income	\$ -	\$ 469,750	\$ 469,750	\$ -	\$ 397,700	\$ 397,700
In-kind contribution	470,425	-	470,425	-	-	-
Conference income	784,797	-	784,797	596,890	-	596,890
Membership dues	188,678	-	188,678	101,049	-	101,049
Other income	-	-	-	1,354	-	1,354
Net assets released from restriction	362,500	(362,500)	-	337,397	(337,397)	-
<b>Total Unrestricted Revenues and Assets Released from Restriction</b>	<u>1,806,400</u>	<u>107,250</u>	<u>1,913,650</u>	<u>1,036,690</u>	<u>60,303</u>	<u>1,096,993</u>
<b>Expenses</b>						
Program	1,152,467	-	1,152,467	635,009	-	635,009
Management and general	145,061	-	145,061	154,982	-	154,982
Fundraising	84,205	-	84,205	59,432	-	59,432
<b>Total Expenses</b>	<u>1,381,733</u>	<u>-</u>	<u>1,381,733</u>	<u>849,423</u>	<u>-</u>	<u>849,423</u>
<b>Change in Net Assets</b>	424,667	107,250	531,917	187,267	60,303	247,570
<b>Net Assets, Beginning of Year</b>	844,310	127,333	971,643	657,043	67,030	724,073
<b>Net Assets, End of Year</b>	<u>\$ 1,268,977</u>	<u>\$ 234,583</u>	<u>\$ 1,503,560</u>	<u>\$ 844,310</u>	<u>\$ 127,333</u>	<u>\$ 971,643</u>

See Accompanying Notes and Independent Auditors' Report.

**THE COMMUNICATIONS NETWORK**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	\$ 531,917	\$ 247,570
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	724	724
Decrease (increase) in operating assets-		
Accounts receivable	(15,000)	-
Prepaid expenses	(14,347)	8,962
Grants receivable	(47,000)	-
Increase (decrease) in operating liabilities-		
Accounts payable	2,819	9,316
Deferred membership dues	10,510	8,651
Deferred conference revenue	65,814	(650)
Other deferred revenue	6,250	-
	541,687	274,573
Net Cash Provided by Operating Activities		
	541,687	274,573
Net Increase in Cash and Cash Equivalents		
	1,011,865	737,292
Cash and Cash Equivalents, Beginning of Year		
	\$ 1,553,552	\$ 1,011,865
Cash and Cash Equivalents, End of Year		
	\$ 1,553,552	\$ 1,011,865

See Accompanying Notes and Independent Auditors' Report.

## THE COMMUNICATIONS NETWORK

Notes to Financial Statements

December 31, 2016 and 2015

### 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.

#### Basis of Presentation

Information regarding the financial position and activities of the Organization are reported in three classes of net assets as applicable: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted Net Assets—Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Organization as it currently does not receive any restricted resources. Board designated amounts are part of unrestricted net assets.
- Temporarily Restricted Net Assets—Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions).
- Permanently Restricted Net Assets—Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income can be expended.



## THE COMMUNICATIONS NETWORK

Notes to Financial Statements

December 31, 2016 and 2015

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

#### 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.

#### 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
---	-------------

#### Deferred Revenue

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

## **THE COMMUNICATIONS NETWORK**

Notes to Financial Statements

December 31, 2016 and 2015

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

#### **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).

Based on Standards established by the Financial Accounting Standards Board (FASB), the Organization has determined that there are no uncertain tax positions to be disclosed and recognized in the financial statements.

The Organization files Form 990, Return of Organization Exempt from Income Tax with the Federal government. Management believes that the Organization has appropriate support for all positions taken on its tax returns and has no income tax liability as of December 31, 2016. Income tax returns filed by the Organization are subject to examination by tax authorities until May 15, 2020.

#### **Note D – Temporarily Restricted Net Assets**

Temporarily restricted net assets at the end of the year represent grants that have been received and designated as temporarily restricted by the grantor. As these funds are expended, the temporary restrictions expire and the temporarily restricted net assets are reclassified to unrestricted net assets on the statement of activities.

Temporarily restricted net assets as of December 31, 2016 represent \$234,584 of grants to support operations that have time and/or purpose restrictions that expire during 2017 - 2018.

## **THE COMMUNICATIONS NETWORK**

Notes to Financial Statements

December 31, 2016 and 2015

### **Note E – Donated Services**

During the year ended December 31, 2016, the Organization received donated services to design an issue of The Network's Change Agent journal and donated services to rebuild the ComNetwork.org website. The value of these services has been estimated at \$470,425 and have been recorded in the financial statements.

Other than mentioned above, no other 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 in the Organization's program and support services.

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

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) 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' 403(b) plans. There was a \$9,015 and \$3,328 contribution made by the Organization for the years ended December 31, 2016 and 2015, respectively.

### **Note G – Subsequent Events**

The Organization has determined that no material events or transactions occurred subsequent to December 31, 2016 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.

**SUPPLEMENTARY INFORMATION**

**BARNES, GIVENS & BARNES, LTD.**

CERTIFIED PUBLIC ACCOUNTANTS  
200 EAST EVERGREEN AVENUE, SUITE 117  
MOUNT PROSPECT, ILLINOIS 60056-3240  
224-764-2442 FAX: 224-764-2448  
bgbcpas.com

**INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION**

Board of Directors  
The Communications Network

We have audited the financial statements of The Communications Network, (the "Organization") (a nonprofit organization) as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 12, 2017, which expressed an unqualified opinion on those financial statements, appears on page 1-2. Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Schedules of Functional Expenses on page 11 is presented for purposes of additional analysis of the financial statements and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on page 11 is fairly stated in all material respects in relation to the financial statements as a whole.

*Barnes, Givens & Barnes, Ltd.*

Mount Prospect, Illinois  
April 12, 2017

BARNES  
GIVENS  
BARNES

**THE COMMUNICATIONS NETWORK**  
Schedules of Functional Expenses  
For the Years Ended December 31, 2016 and 2015

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Audit	\$ -	\$ 3,515	\$ -	\$ 3,515	\$ 3,650
Bank and credit card fees	17,602	2,670	-	20,272	14,626
Board activities	-	29,305	-	29,305	50,113
Conference	309,548	-	-	309,548	291,038
Consultants	41,718	-	12,000	53,718	89,238
Depreciation	-	724	-	724	724
Insurance	-	1,518	-	1,518	2,408
Management services	24,000	36,000	-	60,000	77,000
Membership/communication:	273,109	-	-	273,109	11,298
Miscellaneous	-	4,814	-	4,814	833
Online workshop	1,745	-	-	1,745	4,767
Photocopies	-	41	-	41	311
Postage/delivery	-	1,462	-	1,462	1,782
Rent and office	-	19,798	-	19,798	15,721
Salaries and benefits	219,297	25,062	68,922	313,281	249,656
Staff training	-	5,673	-	5,673	-
Subscriptions	-	10,299	-	10,299	9,865
Supplies	-	2,477	-	2,477	2,271
Telephone/fax	-	509	-	509	681
Travel	10,448	1,194	3,283	14,925	20,487
Web hosting	-	-	-	-	1,049
Web site	255,000	-	-	255,000	1,905
	<u>\$ 1,152,467</u>	<u>\$ 145,061</u>	<u>\$ 84,205</u>	<u>\$ 1,381,733</u>	<u>\$ 849,423</u>

See Independent Auditors' Report on Supplementary Information.