

**THE COMMUNICATIONS NETWORK**

**Financial Statements**

**December 31, 2020 and 2019**

# 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, 2020 and 2019, and the related statements of activities, statements of cash flows and statements of functional expenses 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, 2020 and 2019, 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  
July 22, 2021

**THE COMMUNICATIONS NETWORK**  
 Statements of Financial Position  
 December 31, 2020 and 2019

	2020	2019
<b><u>ASSETS</u></b>		
Assets		
Cash and cash equivalents	\$ 650,362	\$ 403,507
Investments - cash	2,308,461	2,307,011
Accounts receivable	27,260	-
Insurance proceeds receivable	579,906	-
Prepaid expenses	50,382	8,256
Grants receivable	10,000	7,000
Property and equipment - net of depreciation of \$1,175 in 2020 and \$250 in 2019	1,581	1,299
Total Assets	\$ 3,627,952	\$ 2,727,073
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Liabilities		
Accounts payable	\$ 3,543	\$ 7,435
Deferred membership dues	71,981	72,646
Deferred conference revenue	-	76,086
Total Liabilities	75,524	156,167
Net Assets		
Without donor restrictions	3,226,003	2,525,906
With donor restrictions-		
Time-restricted for future periods	306,056	25,000
Donor restrictions for specific purposes	20,369	20,000
Total net assets with donor restrictions	326,425	45,000
Total Net Assets	3,552,428	2,570,906
Total Liabilities and Net Assets	\$ 3,627,952	\$ 2,727,073

See Accompanying Notes to Financial Statements

**THE COMMUNICATIONS NETWORK**  
 Statements of Activities  
 For the Years Ended December 31, 2020 and 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2019 Total
<b>Support and Revenue</b>						
Grant income	\$ 633,639	\$ 425,369	\$ 1,059,008	\$ 138,411	\$ 84,000	\$ 222,411
In-kind contribution	-	-	-	32,500	-	32,500
Conference and program income	157,123	-	157,123	1,241,453	133,490	1,374,943
Membership dues	327,144	-	327,144	311,703	-	311,703
Investment income	1,450	-	1,450	13,724	-	13,724
Other income	-	-	-	168	-	168
Insurance proceeds	579,906	-	579,906	-	-	-
Net assets released from restriction	143,944	(143,944)	-	570,157	(570,157)	-
<b>Total Support and Revenue</b>	<u>1,843,206</u>	<u>281,425</u>	<u>2,124,631</u>	<u>2,308,116</u>	<u>(352,667)</u>	<u>1,955,449</u>
<b>Expenses</b>						
Program	505,831	-	505,831	935,044	-	935,044
Management and general	546,113	-	546,113	612,464	-	612,464
Fundraising	91,165	-	91,165	112,987	-	112,987
<b>Total Expenses</b>	<u>1,143,109</u>	<u>-</u>	<u>1,143,109</u>	<u>1,660,495</u>	<u>-</u>	<u>1,660,495</u>
<b>Change in Net Assets</b>	700,097	281,425	981,522	647,621	(352,667)	294,954
<b>Net Assets, Beginning of Year</b>	<u>2,525,906</u>	<u>45,000</u>	<u>2,570,906</u>	<u>1,878,285</u>	<u>397,667</u>	<u>2,275,952</u>
<b>Net Assets, End of Year</b>	<u>\$ 3,226,003</u>	<u>\$ 326,425</u>	<u>\$ 3,552,428</u>	<u>\$ 2,525,906</u>	<u>\$ 45,000</u>	<u>\$ 2,570,906</u>

See Accompanying Notes to the Financial Statements

**THE COMMUNICATIONS NETWORK**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 981,522	\$ 294,954
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	675	548
(Gain) loss on sale of assets	-	(168)
Decrease (increase) in operating assets-		
Accounts receivable	(27,260)	50,000
Insurance proceeds receivable	(579,906)	-
Prepaid expenses	(42,126)	23,809
Grants receivable	(3,000)	5,000
Increase (decrease) in operating liabilities-		
Accounts payable	(3,892)	(27,076)
Deferred membership dues	(665)	(9,118)
Deferred conference revenue	(76,086)	12,380
	<u>249,262</u>	<u>350,329</u>
Net Cash Provided by Operating Activities		
Cash Flows from Investing Activities		
Purchase of equipment	(957)	(1,799)
Purchase of investments	(1,450)	(313,724)
Proceeds from sale of equipment	-	700
	<u>(2,407)</u>	<u>(314,823)</u>
Net Cash (Used in) Investing Activities		
Net Increase in Cash and Cash Equivalents	246,855	35,506
Cash and Cash Equivalents, Beginning of Year	<u>403,507</u>	<u>368,001</u>
Cash and Cash Equivalents, End of Year	<u>\$ 650,362</u>	<u>\$ 403,507</u>
* * * * *		
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for:		
Income tax	<u>\$ -</u>	<u>\$ -</u>
Interest	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

**THE COMMUNICATIONS NETWORK**  
Statement of Functional Expenses  
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 2,522	\$ 15,704	\$ 1,009	\$ 19,235
Board activities	-	2,044	-	2,044
Comnetwork startup	2,738	-	-	2,738
Conference	31,141	-	-	31,141
Consultants	5,000	4,276	16,500	25,776
Depreciation	-	675	-	675
Design	44,625	-	-	44,625
Development	-	-	-	-
Insurance	-	4,770	-	4,770
Intern	-	3,605	-	3,605
Legal and professional	-	10,173	-	10,173
Local leaders summit	-	-	-	-
Management services	15,257	39,670	6,103	61,030
Meals	4,257	-	-	4,257
Membership/communications	-	-	-	-
Miscellaneous	1,906	7,391	2,263	11,560
Podcast	-	10,000	-	10,000
Postage/delivery	-	-	-	-
Printing and photocopies	-	648	1,275	1,923
Rent and office	-	(247)	-	(247)
Research	-	-	-	-
Salaries and benefits	158,468	412,017	63,387	633,872
Software	-	19,055	-	19,055
Staff training	960	2,495	384	3,839
Subscriptions	-	3,003	-	3,003
Supplies	-	295	-	295
Telephone/fax	-	2,123	-	2,123
Travel	-	6,826	-	6,826
Virtual conference	237,845	-	-	237,845
Webinar	726	586	90	1,402
Web site	386	1,004	154	1,544
	<u>\$ 505,831</u>	<u>\$ 546,113</u>	<u>\$ 91,165</u>	<u>\$ 1,143,109</u>

See Accompanying Notes to Financial Statements



**THE COMMUNICATIONS NETWORK**  
Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Bank and credit card fees	\$ 12,793	\$ 43,576	\$ 5,117	\$ 61,486
Board activities	-	25,707	-	25,707
Comnetwork startup	10,005	-	-	10,005
Conference	619,893	-	-	619,893
Consultants	17,182	4,036	-	21,218
Depreciation	-	548	-	548
Design	4,150	-	-	4,150
Development	-	-	34,209	34,209
Insurance	-	1,501	-	1,501
Intern	-	1,500	-	1,500
Legal and professional	-	4,925	-	4,925
Local leaders summit	1,921	-	-	1,921
Management services	15,056	39,144	6,022	60,222
Meals	10,319	-	-	10,319
Membership/communications	-	-	-	-
Miscellaneous	5,140	5,254	563	10,957
Postage/delivery	1,320	-	-	1,320
Printing and photocopies	-	2,091	7,548	9,639
Rent and office	-	51,300	-	51,300
Research	-	5,100	-	5,100
Salaries and benefits	142,979	371,745	57,191	571,915
Software	-	17,459	-	17,459
Staff training	5,375	13,974	2,149	21,498
Subscriptions	-	5,440	-	5,440
Supplies	-	2,683	-	2,683
Telephone/fax	-	2,379	-	2,379
Travel	2,527	12,837	-	15,364
Webinar	915	46	-	961
Web site	85,469	1,219	188	86,876
	<u>\$ 935,044</u>	<u>\$ 612,464</u>	<u>\$ 112,987</u>	<u>\$ 1,660,495</u>

See Accompanying Notes to Financial Statements

## **THE COMMUNICATIONS NETWORK**

Notes to Financial Statements

December 31, 2020 and 2019

### **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, 2020 and 2019

### 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 represents other revenues that benefit future periods.

#### 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.

## **THE COMMUNICATIONS NETWORK**

Notes to Financial Statements

December 31, 2020 and 2019

### **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).

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, 2020. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at December 31, 2020. The Organization's 2018-2020 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.

### **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, 2020 represent \$326,425 of grants to support operations that have time and/or purpose restrictions that expire during 2021 - 2023.

Net assets with donor restrictions as of December 31, 2019 represent \$45,000 of grants to support operations that have time and/or purpose restrictions that expire during 2020 - 2021.

## **THE COMMUNICATIONS NETWORK**

Notes to Financial Statements

December 31, 2020 and 2019

### **Note E – Donated Services**

During the year ended December 31, 2020, the Organization did not receive any donated services.

During the year ended December 31, 2019, the Organization received donated services to support the planning, organizing, executing, and summarizing model alternative evaluation approaches at ComNet19, as well as Board meeting space. The value of these services has been estimated at \$32,500 and has 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 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 \$14,916 and \$12,763 contribution made by the Organization for the years ended December 31, 2020 and 2019, respectively.

### **Note G – Management Contracts**

In September 2017, the Organization renewed its agreement with the Williams Management Resources (WMR), an association management company, to provide professional and administrative staff, office space, and equipment on a contractual basis. The Organization also reimburses WMR for out-of-pocket costs such as postage, telephone, printing, and staff travel. The agreement may be terminated at any time without cause by either party upon not less than 90 days prior written notice to the other party.

## THE COMMUNICATIONS NETWORK

Notes to Financial Statements

December 31, 2020 and 2019

### **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.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 650,362	\$ 403,507
Investments - cash	2,308,461	2,307,011
Accounts receivable	27,260	-
Grants receivable	10,000	7,000
Less contractual or donor-imposed restrictions:		
Time-restricted for future periods	(306,056)	(25,000)
Donor restrictions for specific purposes	(20,369)	(20,000)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,669,658</u>	<u>\$ 2,672,518</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, 2020 and 2019, the Organization had \$421,196 and \$163,393 in excess of the FDIC insured limit, respectively.

### **Note J – Insurance Settlement**

As a result of the Organization having to cancel the 2020 COMNET meeting due to the global pandemic, a claim was made against the event cancellation insurance policy. The policy was meant to cover the lost revenue associated with the cancellation of the 2020 COMNET meeting. As of December 31, 2020, it was determined that the loss amount totaled \$579,906 and has been recognized on the Statement of Activities. This amount remains due and is included in Insurance Proceeds Receivable at December 31, 2020.

## **THE COMMUNICATIONS NETWORK**

Notes to Financial Statements

December 31, 2020 and 2019

### **Note K – Subsequent Events**

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in disruption to the Organization's members and revenue streams (including attendance of future conferences and events), and a decline in value of the Organization's marketable securities.

The Organization has decided to cancel the in person 2021 COMNET meeting, but has an event cancellation policy with a communicable disease rider and will pursue an insurance claim for lost revenue and costs incurred prior to cancellation that cannot be recovered.

Also, effective January 1, 2021, Williams Management Resources has merged and is now a division of Frontline Co. The current management agreement with the Organization remains intact through December 31, 2021.

Other than the matters noted above, the Organization has determined that no material events or transactions occurred subsequent to December 31, 2020 and through the date of the independent accountants' review report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.