

LAND GRANT UNIVERSITY TAX
EDUCATION FOUNDATION, INC.

Audited Financial Statements

For the Years Ended
December 31, 2018 and 2017



MCDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Land Grant University Tax Education Foundation, Inc.

We have audited the accompanying financial statements of Land Grant University Tax Education Foundation, Inc. (a nonprofit corporation), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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 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 organization'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 organization'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Land Grant University Tax Education Foundation, Inc. as of December 31, 2018 and 2017, and 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.

McDonald Jacobz, P.C.

Portland, Oregon
April 2, 2019

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 221,008	\$ 78,412
Certificates of deposit	289,000	289,000
Accounts receivable	<u>185,492</u>	<u>178,071</u>
 TOTAL ASSETS	 <u>\$ 695,500</u>	 <u>\$ 545,483</u>
LIABILITIES AND NET ASSETS		
Liabilities	\$ -	\$ -
Net assets without donor restrictions	<u>695,500</u>	<u>545,483</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 695,500</u>	 <u>\$ 545,483</u>

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
 STATEMENTS OF ACTIVITIES
 For the years ended December 31, 2018 and 2017

	2018	2017
Change in net assets without donor restrictions:		
Revenue:		
Sales - Tax Workbooks	\$ 832,307	\$ 734,584
Sales - handbooks and subscriptions	192,964	172,731
Reimbursed costs	44,316	47,682
Total sales	1,069,587	954,997
Cost of sales:		
Editorial services	307,735	316,436
Prepress services	62,709	51,090
Printing	190,146	183,309
Purchases - handbooks and subscriptions	166,106	160,185
Postage and shipping	43,876	46,168
Total cost of sales	770,572	757,188
Gross profit	299,015	197,809
Interest income	3,806	3,169
Total revenue	302,821	200,978
Expenses:		
Program services	73,300	56,021
Administrative	79,504	67,504
Total expenses	152,804	123,525
Change in net assets	150,017	77,453
Net assets without donor restrictions:		
Beginning of year	545,483	468,030
End of year	\$ 695,500	\$ 545,483

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2018

	Program Services	Management and General	Total
Cost of book sales	\$ 770,572	\$ -	\$ 770,572
Officer services and compensation	-	56,913	56,913
Project manager fees	-	2,000	2,000
Meeting expenses	45,917	-	45,917
Office and other expenses	-	7,676	7,676
Website	383	-	383
Professional fees	-	11,410	11,410
Purchases	27,000	-	27,000
Insurance	-	1,505	1,505
	<u>843,872</u>	<u>79,504</u>	<u>923,376</u>
Less expenses deducted directly from revenue	<u>(770,572)</u>	<u>-</u>	<u>(770,572)</u>
Total expenses	<u>\$ 73,300</u>	<u>\$ 79,504</u>	<u>\$ 152,804</u>

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services	Management and General	Total
Cost of book sales	\$ 757,188	\$ -	\$ 757,188
Officer services and compensation	-	56,687	56,687
Meeting expenses	55,638	-	55,638
Office and other expenses	-	2,188	2,188
Website	383	-	383
Professional fees	-	11,523	11,523
Insurance	-	1,505	1,505
Bad debt recovery	-	(4,399)	(4,399)
	<u>813,209</u>	<u>67,504</u>	<u>880,713</u>
Less expenses deducted directly from revenue	<u>(757,188)</u>	<u>-</u>	<u>(757,188)</u>
Total expenses	<u>\$ 56,021</u>	<u>\$ 67,504</u>	<u>\$ 123,525</u>

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
 STATEMENTS OF CASH FLOWS
 For the years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 150,017	\$ 77,453
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in:		
Accounts receivable	(7,421)	(26,349)
Accounts payable	-	(37,973)
Net cash flows from operating activities	142,596	13,131
Cash flows from investing activities:		
Additions to certificates of deposit	-	(100,000)
Net cash flows from investing activities	-	(100,000)
Net change in cash and cash equivalents	142,596	(86,869)
Cash and cash equivalents - beginning of year	78,412	165,281
Cash and cash equivalents - end of year	\$ 221,008	\$ 78,412

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Land Grant University Tax Education Foundation, Inc. (the Organization or LGUTEF) is a nonprofit organization organized by representatives of land grant universities that teach tax education programs for professional tax practitioners. Annually, LGUTEF plans, writes, develops and publishes the "National Income Tax Workbook" which is used to teach workshops, institutes, seminars, and forums in more than 25 states for over 25,000 tax professionals. The Organization's mission is to coordinate the development of educational materials to support the tax educational programs of land grant universities; to provide a vehicle to share educational materials; to provide a method for giving professional recognition to faculty and staff who have developed tax education material; and to support members in acquiring teaching material and skills and other professional development activities.

Revenues are primarily from sales of tax education materials.

The Organization is governed by a board of directors made up of representatives of participating land grant universities.

A summary of significant accounting policies is as follows:

Basis of Presentation

Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as without donor restrictions or with donor restrictions. Net assets without donor restriction are those that are not subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. At December 31, 2018 and 2017, the Organization had only net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Accounts Receivable

Accounts receivable are unsecured and consist of amounts due from various land grant universities and educational institutions for costs associated with the published materials. Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management provides for estimated uncollectible amounts through a charge to revenue and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There are no balances over 90 days past due at December 31, 2018 and 2017.

Income Tax Status

Land Grant University Tax Education Foundation, Inc. is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. Based on certain tax law changes, the Organization may be subject to unrelated business income tax. Any provision for income taxes associated with these changes is reflected in the accompanying financial statements. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

Shipping and Handling Costs

The Organization classifies shipping and handling costs billed to customers as revenue.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and in the statements of functional expenses. There are no costs allocated among the program and supporting services. All cost are either directly related to program services or supporting services.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *Continued*

Change in Accounting Principle

The Organization has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Update modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through April 2, 2019, the date the financial statements were available to be issued.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets available for general expenditure, within one year of the statement of financial position date comprise of cash and cash equivalents of \$221,000 and accounts receivable of \$185,500.

As part of the Organization's liquidity management plan, cash in excess of daily requirements are invested in certificates of deposit and can be liquidated at management's discretion. See Note 3 for information on the Organization's certificates of deposit.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2018 and 2017

3. **CERTIFICATES OF DEPOSIT**

Certificates of deposit are with various financial institutions, earning interest at rates ranging from 1.3% to 2.6% at December 31, 2018 (1.0% to 1.3% at December 31, 2017). Certificates held as of December 31, 2018 mature at various times from June 2020 through January 2021.

4. **CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in two financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit.

At December 31, 2018, approximately 60% of total accounts receivable are from four universities. At December 31, 2017, approximately 83% of total accounts receivable are from four universities.

5. **RELATED PARTY DISCLOSURES**

Sales of books to universities and institutions where board members are employed approximated \$451,000 and \$405,000 during 2018 and 2017, respectively, with related accounts receivable balances of approximately \$73,100 and \$77,400, at December 31, 2018 and 2017 respectively.

During 2018 and 2017, the Organization incurred fees totaling approximately \$259,000 and \$229,000, respectively, to officers and directors for editorial services and administration.