

LAND GRANT UNIVERSITY TAX  
EDUCATION FOUNDATION, INC.

Audited Financial Statements

For the Years Ended  
December 31, 2019 and 2018



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, 2019 and 2018, 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, 2019 and 2018, 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 12, 2020

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 314,613	\$ 221,008
Certificates of deposit	289,000	289,000
Accounts receivable	<u>139,018</u>	<u>185,492</u>
TOTAL ASSETS	<u>\$ 742,631</u>	<u>\$ 695,500</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 38,451	\$ -
Total liabilities	<u>38,451</u>	<u>-</u>
Net assets without donor restrictions	<u>704,180</u>	<u>695,500</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 742,631</u>	<u>\$ 695,500</u>

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Change in net assets without donor restrictions:</b>		
<b>Revenue:</b>		
Sales - Tax Workbooks	\$ 775,972	\$ 832,307
Sales - handbooks and subscriptions	121,265	192,964
Reimbursed costs	<u>43,900</u>	<u>44,316</u>
Total sales	<u>941,137</u>	<u>1,069,587</u>
Cost of sales:		
Editorial services	327,456	307,735
Prepress services	67,370	62,709
Printing	239,617	190,146
Purchases - handbooks and subscriptions	115,076	166,106
Postage and shipping	<u>41,727</u>	<u>43,876</u>
Total cost of sales	<u>791,246</u>	<u>770,572</u>
Gross profit	149,891	299,015
Interest income	<u>4,580</u>	<u>3,806</u>
Total revenue	<u>154,471</u>	<u>302,821</u>
<b>Expenses:</b>		
Program services	62,668	73,300
Administrative	<u>83,123</u>	<u>79,504</u>
Total expenses	<u>145,791</u>	<u>152,804</u>
Change in net assets	8,680	150,017
<b>Net assets without donor restrictions:</b>		
Beginning of year	<u>695,500</u>	<u>545,483</u>
End of year	<u>\$ 704,180</u>	<u>\$ 695,500</u>

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2019

	Program Services	Management and General	Total
Cost of book sales	\$ 791,246	\$ -	\$ 791,246
Officer services and compensation		59,759	59,759
Project manager fees		2,000	2,000
Meeting expenses	62,285	-	62,285
Office and other expenses	-	6,941	6,941
Website	383	-	383
Professional fees	-	12,835	12,835
Insurance	-	1,588	1,588
	<u>853,914</u>	<u>83,123</u>	<u>937,037</u>
Less expenses deducted directly from revenue	<u>(791,246)</u>	<u>-</u>	<u>(791,246)</u>
Total expenses	<u>\$ 62,668</u>	<u>\$ 83,123</u>	<u>\$ 145,791</u>

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
Book right purchases	27,000	-	27,000
Insurance	-	1,505	1,505
	843,872	79,504	923,376
Less expenses deducted directly from revenue	(770,572)	-	(770,572)
 Total expenses	 \$ 73,300	 \$ 79,504	 \$ 152,804

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 8,680	\$ 150,017
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in:		
Accounts receivable	46,474	(7,421)
Accounts payable	<u>38,451</u>	<u>-</u>
Net cash flows from operating activities	<u>93,605</u>	<u>142,596</u>
Net change in cash and cash equivalents	93,605	142,596
Cash and cash equivalents - beginning of year	<u>221,008</u>	<u>78,412</u>
Cash and cash equivalents - end of year	<u>\$ 314,613</u>	<u>\$ 221,008</u>

See notes to financial statements.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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.

A summary of significant accounting policies is as follows:

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.

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, 2019 and 2018.

Revenue Recognition

The Organization publishes and sells tax educational materials and subscriptions. Revenue is recognized at the time the sales transaction is executed, at the time the goods are shipped.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

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

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.

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.
- *Net Assets With Donor Restrictions* - Net assets subject to donor 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 while others 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 or when the purpose for which the resource was restricted has been fulfilled.

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. 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.

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.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 December 31, 2019 and 2018

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

Change in Accounting Principle

The Organization has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning in 2019. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

Subsequent Events

The Organization has evaluated all subsequent events through April 12, 2020, 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 consist of the follow at December 31, 2019 and 2018:

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 314,613	\$ 221,008
Accounts receivable	139,018	185,491
Financial assets available for general expenditure	\$ 453,631	\$ 406,499

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, 2019 and 2018

3. **CERTIFICATES OF DEPOSIT**

Certificates of deposit are with various financial institutions, earning interest at rates ranging from 2.4% to 2.75% at December 31, 2019 (1.3% to 2.6% at December 31, 2018). Certificates held as of December 31, 2019 mature at various times from May 2020 through January 2021.

4. **REVENUE FROM CONTRACTS WITH CUSTOMERS**

For revenues from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable and customer advances and deposits (contract liabilities). The Organization's sales agreements are performance based with revenue recognized upon customer purchase. The Organization acts as the intermediary between the customer (schools) and publishers, who ship the books once the Organization places the orders. Once purchases are shipped to the customer, there is secondary invoicing to cover the shipping costs. Refunds are provided within a set period of time not to exceed one year from the original purchase. All revenues are recognized in this manner and all contract receivables represent monies owed under these agreements. Customer billings are typically due within 30 days.

5. **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. Balances in excess of insured limits were approximately \$77,000 as of December 31, 2019.

At December 31, 2019, approximately 71% of total accounts receivable are from three universities. At December 31, 2018, approximately 60% of total accounts receivable are from four universities.

6. **RELATED PARTY DISCLOSURES**

Sales of books to universities and institutions where board members are employed approximated \$423,000 and \$451,000 during 2019 and 2018, respectively, with related accounts receivable balances of approximately \$25,900 and \$73,100, at December 31, 2019 and 2018 respectively.

During 2019 and 2018, the Organization incurred fees totaling approximately \$282,000 and \$259,000, respectively, to officers and directors for editorial services and administration.

LAND GRANT UNIVERSITY TAX EDUCATION FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

7. SUBSEQUENT EVENT

Subsequent to year-end, the Organization is evaluating the potential impact and effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources. Management is anticipating a sales shift from hardback to digital format and no significant changes to its customer base or revenue platforms. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.