



MULTISTATE TAX COMMISSION
Working Together Since 1967 to Preserve Federalism and Tax Fairness

To: Members, Executive Committee
From: Rich Jackson, Treasurer
Date: April 22, 2014
Subject: Financial Statements for the nine-month period ended March 31, 2014

OVERALL COMMENTS:

Attached are the financial statements for the nine-month period ended March 31, 2013.

The budget column amounts in the attached report are computed and are based on the amounts in the approved fiscal year 2013/2014 budget. The budget amounts for this fiscal year were approved at a meeting of the Commission on July 24, 2013 in San Diego, California.

Membership Assessments, Audit Fees, and Nexus fees are recognized ratably throughout the year.

Administrative Services department expenses are allocated to all other departments based on the relative expenses of each department.

Favorable variances (for revenue or expense items) are shown as a positive numbers and unfavorable variances (for revenue or expense items) are shown as a negative numbers.

BUDGET AND FUND SUMMARY:

TOTAL OPERATIONS - Overview

For the nine months ended March 31, 2014 the actual overall surplus from operations was \$45,314 versus a budgeted deficit of \$(2,895). The actual year-to-date surplus is the result of a number of large items; the effects of which move in opposite directions:

Items with a positive effect on the surplus are:

- 4 vacancies (3 audit positions and the general counsel position)
- Change in the health insurance plan benefits which reduced the monthly premium

Items with a negative effect on the surplus are:

- Interest and dividend income at a level lower than anticipated
- Loss of a state participating in the audit program for FY 2014

General Operations Program – Variance explanations

Item	Variance	Explanation / Comments
Revenue	\$(27,163)	Investment earnings less than anticipated
Expense	\$(28,939)	Higher than anticipated meeting costs in San Diego and Denver partially as a result of larger than anticipated attendance. This unfavorable variance will become favorable by the end of the year due to the vacancy in the General Counsel position.

Audit Program – Variance explanations

Item	Variance	Explanation / Comments
Revenue	\$(112,079)	A state did not participate in the audit program as budgeted
Expense	\$227,795	Three auditor position vacancies.

Nexus Program – Variance explanations

Item	Variance	Explanation / Comments
Revenue	\$7,287	One state joined the Nexus Program that was not anticipated in the budget for FY 2014
Expense	\$(30,537)	Unanticipated consultant costs in regards to the Nexus database and meeting related costs. This unfavorable variance will be reduced in June when the MTC gets a rent abatement from the D.C. landlord

Training and Education Program – Variance explanations

Item	Variance	Explanation / Comments
Revenue	\$45,273	More schools than budgeted and larger than usual number of attendees
Expense	\$(33,431)	Certain variable expenses of the schools track with the number of schools and the number of attendees.

INCOME STATEMENT - Revenues:

New Hampshire rejoined the Nexus Program for this fiscal year after the budget was approved. Thus, this unanticipated revenue results in favorable variances in the **Nexus Program Fees** and the **General Operations Support Fees – Nexus**.

Minnesota was budgeted to participate in the Audit Program for this fiscal year. However, Minnesota is not participating in the Audit Program this year resulting in an unfavorable variance of \$112,079 in the **Audit Program Fees** for the nine months ended March 31, 2014.

A spreadsheet is attached to this report detailing the variances in the program fees noted above.

The favorable variance of \$45,273 in **Training & Education revenues** is a result of a number of items:

1. Audit Sampling Training — three schools have been held, but two were expected.
2. Income Tax Training — larger than normal enrollment in Colorado
3. Nexus Training — a) larger than normal enrollment at the Hawaii Nexus School and b) most of the attendees at the Massachusetts Nexus School were from non-Compact / non-Sovereignty member states, thus the fees for these attendees were higher than for Compact or Sovereignty Member state attendees.

INCOME STATEMENT - Expenditures:

Salaries show a favorable variance of \$42,087 due to vacancies in three audit positions and the general counsel position.

Employee Insurance shows a favorable variance of \$117,080 due to action to reduce the cost of employee group health insurance. Group health insurance was budgeted to provide for up to an 8% rate increase on the policy anniversary date of September 1, 2013. However, as a result of the loss of the audit program fee revenue (noted above) action was taken to change the coverage thereby reducing rates by 10% in order to mitigate the financial effect of the loss of the audit fees.

Rent and Utilities shows an unfavorable variance of \$20,917. This unfavorable variance will disappear in June when the D.C. office of the MTC receives a \$25,000 (rounded) rent abatement for June as contained in the lease.

Conferences and Meetings shows an unfavorable variance of \$30,783 due to costs higher than budgeted at the July annual conference in San Diego and winter committee meetings in Denver. Some of this variance was due to an increase in attendance at both of these meetings.

MULTISTATE TAX COMMISSION						
VARIANCES IN FEE REVENUE FOR FY 2014						
Fees For the Fiscal Year (12 months) ending June 30, 2014						
Description	As Budgeted	Final/Actual	Variance	Variance per month	Number of months in March, 2014 Financial Report	Computed Variance: Favorable or (Unfavorable)
Membership Fee					9	\$0
General Operations Support Fee - Audit						
Total	0	0	0	0	9	\$0
Audit Fees (Net of General Operations Support Fee)						
Minnesota	149,438	0	(149,438)	(12,453)		
Total	149,438	0	(149,438)	(12,453)	9	(\$112,079)
General Operations Support Fee -Nexus						
New Hampshire	0	2,429	2,429	202		
Total	0	2,429	2,429	202	9	\$1,822
Nexus Fees (Net of General Operations Support Fee)						
New Hampshire	0	9,715	9,715	810		
Total	0	9,715	9,715	810	9	\$7,286
NOTES ON THE ABOVE:						
Minnesota - Was budgeted to participate in the audit program, but did not.						
New Hampshire - Entered the Nexus Program after the fiscal year started.						
-----Compact and Sovereignty members do not pay the 20% General Operations Support fee-----						

	Current Period			Year-to-Date		
	Budget	Actual	Variance	Budget	Actual	Variance
OPERATIONS BY PROGRAM & TOTAL						
GENERAL OPERATIONS PROGRAM						
Revenues	\$136,734	\$134,045	(\$2,689)	\$1,246,110	\$1,218,947	(\$27,163)
Expenses	144,425	143,984	441	1,264,276	1,293,215	(28,939)
SURPLUS/DEFICIT - GEN OPERATIONS	(7,691)	(9,939)	(2,248)	(18,166)	(74,268)	(56,102)
ADMINISTRATIVE SERVICES						
Expenses		(3)	3	(1)	(1)	
SURPLUS/DEFICIT - ADMIN. SERVICES		3	3	1	1	
AUDIT PROGRAM						
Revenues and Transfers	359,487	347,033	(12,454)	3,235,379	3,123,300	(112,079)
Expenses	361,459	318,177	43,282	3,232,529	3,004,734	227,795
SURPLUS/DEFICIT - AUDIT	(1,972)	28,856	30,828	2,850	118,566	115,716
NEXUS PROGRAM						
Revenues and Transfers	64,325	65,945	1,620	578,927	586,214	7,287
Expenses	65,418	63,057	2,361	566,010	596,547	(30,537)
SURPLUS/DEFICIT - NEXUS PROGRAM	(1,093)	2,888	3,981	12,917	(10,333)	(23,250)
TRAINING & EDUCATION						
Revenues and Transfers	36,000	3,345	(32,655)	157,600	202,873	45,273
Expenses	31,937	49,453	(17,516)	158,095	191,526	(33,431)
SURPLUS/DEFICIT - TRAINING & EDUCATION	4,063	(46,108)	(50,171)	(495)	11,347	11,842
OTHER PROJECTS (ALAS)						
Revenues and Transfers	5,730	1,781	(3,949)	5,730	1,781	(3,949)
Expenses	5,730	1,781	3,949	5,730	1,781	3,949
TOTAL OPERATIONS						
Revenues and Transfers	602,276	551,137	(51,139)	5,223,745	5,133,116	(90,629)
Expenses	608,968	576,449	32,519	5,226,640	5,087,802	138,838
SURPLUS/DEFICIT - TOTAL OPERATIONS	(6,692)	(25,312)	(18,620)	(2,895)	45,314	48,209

ASSETS

CURRENT ASSETS

Money Market Accounts	\$35,053.34
Cash in Banks	2,259,531.68
Investments	4,395,108.55
Petty Cash	903.07
Accounts Receivable - Audit	63,130.00
Accounts Receivable - Other	56,135.00
Prepaid Maintenance	2,131.31
Prepaid Rent	33,777.26
Prepaid Subscriptions	19,480.09
Accrued Interest	<u>29,307.31</u>

TOTAL CURRENT ASSETS \$6,894,557.61

PROPERTY AND EQUIPMENT

Office Furniture & Equipment	\$629,509.07
Leasehold Improvements	236,147.39
Less: Accum Depred & Amortization	<u>(679,436.52)</u>

TOTAL PROPERTY AND EQUIPMENT \$186,219.94

OTHER ASSETS

Expense Account Advances	\$7,600.00
Rent Deposits	<u>6,165.00</u>

TOTAL OTHER ASSETS \$13,765.00

TOTAL ASSETS \$7,094,542.55

LIABILITIES & FUND BALANCE

CURRENT LIABILITIES

Accounts Payable	\$42,803.75
Accrued Vacation Pay	389,399.11
Payroll Taxes Payable	(0.02)
Unearned Program Fees	<u>1,622,908.98</u>

TOTAL CURRENT LIABILITIES

\$2,055,111.82

FUND BALANCE

Appropriated Fund Bal-Enterprise Automation Project	\$555,715.16
Appropriated Fund Bal-Equipment Reserve	44,206.16
Restricted Fund Balance-Cumm	1,183,507.06
Restricted Fund Balance-Current	(8,552.00)
Unappropriated Fund Bal-Current Adj	8,552.00
Unappropriated Fund Balance-Cummula	3,206,204.24
Unappropriated Fund Balance-Current	<u>45,313.87</u>

TOTAL FUND BALANCE

\$5,034,946.49

Add Back Asset Exp from Budget Rept

4,484.24

TOTAL LIABILITIES & FUND BALANCE

\$7,094,542.55

Multistate Tax Commission
INCOME STATEMENT
For the Nine Months Ending March 31, 2014

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES						
MEMBER ASSESSMENTS	\$102,391	\$102,391	\$0	\$921,516	\$921,515	(\$1)
GEN OPS SUPPORT FEE-AUDIT	14,944	14,944	0	134,494	134,494	0
GEN OPS SUPPORT FEE-NEXUS	5,192	5,596	404	46,725	48,547	1,822
AUDIT PROGRAM FEES	359,487	347,033	(12,454)	3,235,379	3,123,300	(112,079)
INVESTMENT INCOME	14,167	11,114	(3,053)	127,500	93,974	(33,526)
NEXUS PROGRAM FEES	64,325	65,945	1,620	578,927	586,214	7,287
ARM'S LENGTH SERVICE ADJUSTMENT	5,730	1,781	(3,949)	5,730	1,781	(3,949)
CONFERENCE FEES	0	0	0	15,500	20,415	4,915
MISCELLANEOUS REVENUE	42	0	(42)	375	3	(372)
TRAINING PROGRAM FEES	36,000	3,345	(32,655)	157,600	202,873	45,273
TOTAL REVENUES	\$602,278	\$552,149	(\$50,129)	\$5,223,746	\$5,133,116	(\$90,630)
EXPENSES						
SALARIES	\$334,450	\$293,530	\$40,920	\$2,910,501	\$2,868,414	\$42,087
RETIREMENT	41,472	36,610	4,862	360,903	353,306	7,597
EMPLOYEE INSURANCE	94,406	90,678	3,728	868,869	751,789	117,080
ADVERTISING	167	150	17	1,500	150	1,350
SUBSCRIPTIONS & PUBLICATIONS	2,692	5,724	(3,032)	24,224	41,196	(16,972)
TRAVEL	25,760	26,147	(387)	213,591	215,962	(2,371)
TRAVEL-MEMBERS	3,650	908	2,742	13,000	6,460	6,540
RENT AND UTILITIES	31,303	34,152	(2,849)	281,725	302,642	(20,917)
OFFICE SUPPLIES	2,738	2,944	(206)	28,088	20,759	7,329
POSTAGE, POST EQUIP RENTAL & FREIGHT	2,477	1,739	738	22,968	24,475	(1,507)
PRINTING, COPYING & COPIER RENTAL	2,338	1,813	525	16,210	18,634	(2,424)
TELEPHONE SERVICE&VIDEO CONFERENC	3,477	3,026	451	31,291	24,387	6,904
INTERNET ACCESS	2,463	3,473	(1,010)	22,163	35,526	(13,363)
TRAINING	1,225	5,090	(3,865)	11,025	7,506	3,519
CONFERENCES & MEETINGS	21,333	30,818	(9,485)	98,350	129,133	(30,783)
CONSULTANTS TRAVEL	830	1,344	(514)	830	3,227	(2,397)
CONTRACT SERVICES	6,317	9,010	(2,693)	22,050	31,140	(9,090)
CONSULTING FEES/LEGAL	208	130	78	1,875	225	1,650
PENSION TRUSTEES FEES	208	0	208	1,875	1,466	409
INVESTMENT ADVISORY FEES	2,083	0	2,083	18,750	17,698	1,052
LEGISLATIVE - CONSULTING	13,333	12,500	833	120,000	115,531	4,469
INSURANCE & BONDS	1,417	1,501	(84)	12,750	12,904	(154)
MAINTENANCE	1,750	3,608	(1,858)	15,750	17,479	(1,729)
BOND AMORTIZATION	5,833	5,705	128	52,500	51,108	1,392
MISCELLANEOUS	1,750	1,055	695	16,750	9,008	7,742
ACCOUNTING	333	311	22	14,500	15,232	(732)
SOFTWARE LICENCES	1,000	0	1,000	9,000	7,957	1,043
ADMINISTRATIVE SERVICE ALLOCAT	(3)	0	(3)	(22)	0	(22)
TOTAL OPERATION EXPENSES	\$605,010	\$571,966	\$33,044	\$5,191,016	\$5,083,314	\$107,702
FURNITURE & EQUIPMENT	\$3,958	\$4,484	(\$526)	\$35,625	\$4,484	\$31,141
EXCESS REVENUE (EXPENSES)	(\$6,690)	(\$24,301)	(\$17,611)	(\$2,895)	\$45,318	\$48,213

Multistate Tax Commission
REVENUE SUMMARY
For the Nine Months Ending March 31, 2014

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES BY PROGRAM TYPE						
GENERAL OPERATIONS						
MEMBER ASSESSMENTS	\$102,391	\$102,391	\$0	\$921,516	\$921,515	(\$1)
GEN OPS SUPPORT FEE-AUDIT	14,944	14,944	0	134,494	134,494	0
GEN OPS SUPPORT FEE-NEXUS	5,192	5,596	404	46,725	48,547	1,822
INVESTMENT INCOME	14,167	11,114	(3,053)	127,500	93,974	(33,526)
CONFERENCE FEES-ANNUAL MEETING	0	0	0	15,500	20,415	4,915
MISCELLANEOUS REVENUE	42	0	(42)	375	3	(372)
TOTAL REVENUES - GENERAL OPERATIO	<u>\$136,736</u>	<u>\$134,045</u>	<u>(\$2,691)</u>	<u>\$1,246,110</u>	<u>\$1,218,948</u>	<u>(\$27,162)</u>
ADMINISTRATIVE SERVICES						
AUDIT PROGRAM						
AUDIT PROGRAM FEES	<u>359,487</u>	<u>347,033</u>	<u>(12,454)</u>	<u>3,235,379</u>	<u>3,123,300</u>	<u>(112,079)</u>
TOTAL REVENUES - AUDIT	<u>\$359,487</u>	<u>\$347,033</u>	<u>(\$12,454)</u>	<u>\$3,235,379</u>	<u>\$3,123,300</u>	<u>(\$112,079)</u>
NEXUS PROGRAM						
NEXUS PROGRAM FEES	<u>64,325</u>	<u>65,945</u>	<u>1,620</u>	<u>578,927</u>	<u>586,214</u>	<u>7,287</u>
TOTAL REVENUES - SPECIAL PROJECTS	<u>\$64,325</u>	<u>\$65,945</u>	<u>\$1,620</u>	<u>\$578,927</u>	<u>\$586,214</u>	<u>\$7,287</u>
TRAINING & EDUCATION						
AUDIT SAMPLING SCHOOLS	0	3,345	3,345	31,600	49,205	17,605
INCOME TAX SCHOOLS	36,000	0	(36,000)	72,000	81,435	9,435
NEXUS SCHOOLS	0	0	0	54,000	72,233	18,233
TOTAL REVENUES-TRAINING & EDUCATI	<u>\$36,000</u>	<u>\$3,345</u>	<u>(\$32,655)</u>	<u>\$157,600</u>	<u>\$202,873</u>	<u>\$45,273</u>
ARM'S LENGTH SERVICE ADJUSTMENT						
TOTAL REVENUES-ALAS	<u>5,730</u>	<u>1,781</u>	<u>(3,949)</u>	<u>5,730</u>	<u>1,781</u>	<u>(3,949)</u>
TOTAL REVENUES	<u>\$602,278</u>	<u>\$552,149</u>	<u>(\$50,129)</u>	<u>\$5,223,746</u>	<u>\$5,133,116</u>	<u>(\$90,630)</u>

Multistate Tax Commission
EXPENDITURE SUMMARY
For the Nine Months Ending March 31, 2014

	Current Period			Year-to Date		
	Budget	Actual	Variance	Budget	Actual	Variance
EXPENDITURES BY PROGRAM TYPE						
GENERAL OPERATIONS						
PERSONNEL	\$72,735	\$63,314	\$9,421	\$654,616	\$646,067	\$8,549
OPERATING EXPENSES	48,079	59,063	(10,984)	397,165	418,540	(21,375)
EQUIPMENT	583	0	583	5,250	0	5,250
ADMINISTRATIVE SERVICES	23,027	21,607	1,420	207,245	228,608	(21,363)
TOTAL EXPENSES - GENERAL OPERATIO	<u>\$144,424</u>	<u>\$143,984</u>	<u>\$440</u>	<u>\$1,264,276</u>	<u>\$1,293,215</u>	<u>(\$28,939)</u>
ADMINISTRATIVE SERVICES						
PERSONNEL	\$69,425	\$22,258	\$47,167	\$624,827	\$587,179	\$37,648
OPERATING EXPENSES	22,628	44,166	(21,538)	203,649	216,662	(13,013)
EQUIPMENT	1,208	4,484	(3,276)	10,875	4,484	6,391
ADMIN. SERVICES ALLOCATION	(93,261)	(70,910)	(22,351)	(839,352)	(808,327)	(31,025)
TOTAL EXPS - ADMIN. SERVICES	<u>\$0</u>	<u>(\$2)</u>	<u>\$2</u>	<u>(\$1)</u>	<u>(\$2)</u>	<u>\$1</u>
AUDIT						
PERSONNEL	\$270,058	\$248,082	\$21,976	\$2,430,526	\$2,274,304	\$156,222
OPERATING EXPENSES	29,931	28,928	1,003	248,778	246,604	2,174
EQUIPMENT	1,667	0	1,667	15,000	0	15,000
ADMIN. SERVICES ALLOCATION	59,803	41,168	18,635	538,226	483,825	54,401
TOTAL EXPS - AUDIT	<u>\$361,459</u>	<u>\$318,178</u>	<u>\$43,281</u>	<u>\$3,232,530</u>	<u>\$3,004,733</u>	<u>\$227,797</u>
NEXUS PROGRAM						
PERSONNEL	\$37,773	\$42,041	(\$4,268)	\$339,954	\$346,688	(\$6,734)
OPERATING EXPENSES	16,800	12,881	3,919	128,448	153,966	(25,518)
EQUIPMENT	417	0	417	3,750	0	3,750
ADMIN. SERVICES ALLOCATION	10,429	8,135	2,294	93,859	95,894	(2,035)
TOTAL DIRECT EXPS - NEXUS PROGRAM	<u>\$65,419</u>	<u>\$63,057</u>	<u>\$2,362</u>	<u>\$566,011</u>	<u>\$596,548</u>	<u>(\$30,537)</u>
TRAINING & EDUCATION						
PERSONNEL	\$20,337	\$45,124	(\$24,787)	\$90,351	\$119,271	(\$28,920)
OPERATING EXPENSES	11,516	4,330	7,186	66,994	72,255	(5,261)
EQUIPMENT	83	0	83	750	0	750
TOTAL EXPS - TRAINING & EDUCATION	<u>\$31,936</u>	<u>\$49,454</u>	<u>(\$17,518)</u>	<u>\$158,095</u>	<u>\$191,526</u>	<u>(\$33,431)</u>
SPECIAL PROJECTS (ALAS)						
OPERATING EXPENSES	5,730	1,781	3,949	5,730	1,781	3,949
TOTAL SPECIAL PROJECTS (ALAS)	<u>\$5,730</u>	<u>\$1,781</u>	<u>\$3,949</u>	<u>\$5,730</u>	<u>\$1,781</u>	<u>\$3,949</u>
TOTAL EXPENDITURES	<u>\$608,968</u>	<u>\$576,452</u>	<u>\$32,516</u>	<u>\$5,226,641</u>	<u>\$5,087,801</u>	<u>\$138,840</u>