
MULTISTATE TAX COMMISSION

**Financial Statements, Supplementary
Information and Report
of Independent Certified
Public Accountants**

**For the Years Ended
June 30, 2015 and 2014**

LSWVG

Linton Shafer Warfield & Garrett, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

MULTISTATE TAX COMMISSION

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Linton Shafer Warfield & Garrett, P.A.
Certified Public Accountants & Business Consultants

Report of Independent Certified Public Accountants

To the Executive Committee of
Multistate Tax Commission

We have audited the accompanying financial statements of Multistate Tax Commission, which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of revenue and expenses and changes in fund balance – unappropriated funds, changes in fund balance – appropriated funds, changes in fund balance – restricted funds 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.

Auditor's Responsibility (continued)

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 Multistate Tax Commission as of June 30, 2015 and 2014, and the changes in its fund balances and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Linton Shafer Warfield & Garrett

Rockville, Maryland
August 25, 2015

MULTISTATE TAX COMMISSION

MULTISTATE TAX COMMISSION

Balance Sheets

June 30,

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 951,850	\$ 1,008,392
Accounts receivable		
Other	204	-
Accrued interest	22,180	26,435
Prepaid expenses	28,521	20,056
Total Current Assets	<u>1,002,755</u>	<u>1,054,883</u>
Property and Equipment - at Cost		
Office furniture and equipment	546,106	637,664
Leasehold improvements	236,147	236,147
Less: accumulated depreciation and amortization	<u>(622,352)</u>	<u>(697,555)</u>
Property and Equipment - Net	<u>159,901</u>	<u>176,256</u>
Other Assets		
Investments	4,507,923	4,505,799
Expense account advances	6,000	7,600
Deposits	5,484	6,165
Total Other Assets	<u>4,519,407</u>	<u>4,519,564</u>
TOTAL ASSETS	<u>\$ 5,682,063</u>	<u>\$ 5,750,703</u>

LIABILITIES

	2015	2014
Current Liabilities		
Accounts payable	\$ 30,785	\$ 57,315
Accrued salaries and vacation pay	378,749	361,464
Unearned membership, program and registration fees	150,495	256,053
Total Current Liabilities	560,029	674,832
 TOTAL LIABILITIES	 560,029	 674,832
 Fund Balances		
Unappropriated	3,376,052	3,305,308
Appropriated	612,421	599,921
Restricted	1,133,561	1,170,642
Total Fund Balances	5,122,034	5,075,871
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 5,682,063	 \$ 5,750,703

The accompanying notes are an integral part of these statements.

MULTISTATE TAX COMMISSION
Statements of Revenue and Expenses
and Changes in Fund Balance
Unappropriated Funds
For the Years Ended June 30,

	2015	2014
Revenue - Unappropriated and Appropriated		
Membership assessments and program fees	\$ 5,808,700	\$ 5,633,586
Interest and dividends	146,743	127,354
Realized gain (loss) on investments	2,942	365
Unrealized gain (loss) on investments	(24,901)	61,523
Other income (loss)		
Training fees	286,926	206,465
ALAS fees	55,884	12,351
Conference fees	20,085	20,415
Loss on disposal of fixed assets	(4,777)	(21,953)
Total Revenue	6,291,602	6,040,106
Expenses - Unappropriated and Appropriated		
Auditing and payroll services	17,143	16,331
Business insurance	21,574	17,406
Conferences and training schools	152,021	124,280
Depreciation	72,086	69,458
Bond amortization	76,010	67,649
Employee benefits	788,234	884,857
Miscellaneous	26,759	26,928
Consumable and durable supplies	74,586	31,111
Postage	19,485	22,094
Printing and duplicating	25,918	15,918
Professional services	307,438	238,863
Publications and electronic resources	43,592	45,478
Recruitment	1,500	545
Rent	233,804	241,559
Repairs and maintenance	16,529	21,212
Retirement plan	438,415	426,412
Salaries	3,562,694	3,436,204
Software licenses	7,014	9,139
Staff training	15,474	10,488
Subscriptions, publications, dues	46,478	46,657
Unified communications	31,933	28,766
Travel	372,798	293,081
Allocation of administrative expenses	(143,127)	(133,434)
Total Expenses	\$ 6,208,358	\$ 5,941,002

(continued)

MULTISTATE TAX COMMISSION
Statements of Revenue and Expenses
and Changes in Fund Balance
Unappropriated Funds
For the Years Ended June 30,

	<u>2015</u>	<u>2014</u>
Excess of Revenue Over (Under) Expenses	\$ 83,244	\$ 99,104
Transfer (to) from Appropriated Fund Balance	(12,500)	(12,500)
Total Amount Transferred	<u>(12,500)</u>	<u>(12,500)</u>
 FUND BALANCE - Unappropriated -		
Beginning of Year	<u>3,305,308</u>	<u>3,218,704</u>
 FUND BALANCE - Unappropriated -		
End of Year	<u>\$ 3,376,052</u>	<u>\$ 3,305,308</u>

The accompanying notes are an integral part of these financial statements.

MULTISTATE TAX COMMISSION
Statements of Changes in Fund Balance
Appropriated Funds
For the Years Ended June 30, 2015 and 2014

	Equipment Reserve	Enterprise Automation Project	Total
Fund Balance - June 30, 2013	\$ 31,706	\$ 555,715	\$ 587,421
Transfer (to) from Unappropriated Fund Balance	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Net Amount Transferred (To) From From Unappropriated Fund Balance	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Fund Balance - June 30, 2014	44,206	555,715	599,921
Transfer (to) from Unappropriated Fund Balance	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Net Amount Transferred (To) From From Unappropriated Fund Balance	<u>12,500</u>	<u>-</u>	<u>12,500</u>
Fund Balance - June 30, 2015	<u>\$ 56,706</u>	<u>\$ 555,715</u>	<u>\$ 612,421</u>

The accompanying notes are an integral part of these statements.

MULTISTATE TAX COMMISSION
Statements of Changes in Fund Balance
Restricted Funds
For the Years Ended June 30, 2015 and 2014

	4R Project	Nexus Program	Total
Fund Balance - June 30, 2013	\$ 42,694	\$ 1,140,813	\$ 1,183,507
Revenue	-	781,619	781,619
Expenses	-	794,484	794,484
Revenue Over (Under) Expenses	-	(12,865)	(12,865)
Fund Balance - June 30, 2014	42,694	1,127,948	1,170,642
Revenue	-	797,921	797,921
Expenses	-	835,002	835,002
Revenue Over (Under) Expenses	-	(37,081)	(37,081)
Fund Balance - June 30, 2015	<u>\$ 42,694</u>	<u>\$ 1,090,867</u>	<u>\$ 1,133,561</u>

The accompanying notes are an integral part of these statements.

MULTISTATE TAX COMMISSION
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows From Operating Activities		
Excess of revenue over expenses	\$ 46,163	\$ 86,239
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities		
Depreciation	75,575	73,590
Bond amortization	76,010	67,649
Loss on disposal of property and equipment	11,537	21,956
Unrealized (gain) loss on investments	24,901	(61,523)
Realized (gain) loss on sale of investments	(2,942)	(365)
Changes in assets and liabilities		
Accounts receivable		
Schools	-	8,135
Other	(204)	-
Prepaid expenses and accrued interest	(4,210)	12,201
Expense account advances and deposits	2,281	800
Accounts payable	(26,530)	39,601
Accrued salaries and vacation pay	17,285	(27,935)
Unearned membership, program and registration fees	(105,558)	62,657
Net Cash Provided by Operating Activities	114,308	283,005
Cash Flows From Investing Activities		
Purchase of property and equipment	(70,758)	(90,066)
Proceeds from sale of property and equipment	-	-
Purchase of investments	(151,559)	(2,226,283)
Proceeds from sale of investments	51,467	2,125,382
Net Cash (Used in) Investing Activities	(170,850)	(190,967)
Net Increase (Decrease) in Cash and Cash Equivalents	(56,542)	92,038
Cash and Cash Equivalents - Beginning of Year	1,008,392	916,354
Cash and Cash Equivalents - End of Year	\$ 951,850	\$ 1,008,392
Supplemental Disclosures		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies

The Multistate Tax Commission (the Commission) was organized in 1967. It was established by the Multistate Tax Compact, which became effective August 4, 1967. The Commission is an intergovernmental state tax agency working on behalf of states and taxpayers to administer, equitable and efficiently, tax laws that apply to multistate and multinational enterprises.

Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Commission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life of one year or more. All property and equipment is stated at cost and depreciated using straight-line basis based upon estimated useful lives as follows: Leasehold Improvements - 5 years and Office Furniture and Equipment - 5 to 7 years.

Expenditures for maintenance and repairs are charged to the appropriate expense accounts as incurred. Expenditures for renewals or betterments which materially extend the useful lives of assets or increase their productivity are capitalized at cost. The costs and related allowances for depreciation of assets retired or otherwise disposed of are eliminated from the accounts. The resulting gains or losses are included in the determination of excess of revenue over expenses.

Unearned Membership, Program and Registration Fees

Membership assessments and program fees are due from the respective states on July 1st of each year (unless other specific arrangements are made with a State) and cover the following twelve-month period. Membership assessments and program fees received prior to July 1st for the following year are unearned and considered deferred income until recognized as revenue in the following year.

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2015 and 2014

1. Summary of Significant Accounting Policies (continued)

Income Taxes

In the opinion of legal counsel, the Commission is exempt from Federal income taxes as well as from other Federal taxes as an organization of a group of States or as an instrumentality of those States. Therefore, no provision has been made in the financial statements for Federal income taxes.

Fair Value

Financial Accounting Standards Board (FASB) Codification Standards defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements and establish a hierarchy for valuation inputs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2015 and 2014

2. Defined Contribution Plan

Effective June 30, 1986, the Commission adopted a defined contribution plan to be funded at a rate of 12.4% of each participating individual's annual salary. To participate in this plan, employees are required to work more than certain pre-determined hourly and monthly levels throughout the plan year. The total expense relating to the defined contribution plan for the years ended June 30, 2015 and 2014 was \$480,239 and \$466,518, respectively.

3. Commitments

The Commission rents its office facilities in Washington, D.C., New York, and Illinois under lease agreements with terms expiring on various dates through July 30, 2020. These leases provide for the following minimum annual base rentals exclusive of utility charges and certain escalation charges:

<u>Fiscal Year Ended:</u>	<u>Minimum Annual Payment</u>
2016	\$ 386,185
2017	363,726
2018	369,258
2019	377,770
2020	238,061

The leases include certain escalation charges based on various factors including utility, operating expense and property tax increases from a base year. Rent expense, exclusive of utility charges and real estate taxes, for the years ended June 30, 2015 and 2014 was \$386,126 and \$379,844, respectively.

4. Appropriated Fund Balances

The Commission's Executive Committee authorized the Enterprise Automation Project fund in the amount of \$73,000 during the year ended June 30, 1997. An additional \$882,218 has been authorized in subsequent years. The purpose of this fund is to provide support, through professional services, for developing enterprise-wide applications for managing the Commission information resources in a manner that enhances its operations. As of June 30, 2015 and 2014 the Enterprise Automation Project fund balance was \$555,715.

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2015 and 2014

4. Appropriated Fund Balances (continued)

The Commission's Executive Committee authorized the Equipment Reserve fund in the amount of \$17,500 during the year ended June 30, 2009. An additional \$80,000 has been authorized in subsequent years. The purpose of this fund is to provide support for purchases of computer equipment for the Commission's audit program and information technology department. As of June 30, 2015 and 2014, the Equipment Reserve fund balances were \$56,706 and \$44,206, respectively.

5. Restricted Fund Balances

During the year ended June 30, 1988, the 4R Project was established whereby contributions received are restricted to use for supporting education, lobbying and legal expenses related to this property tax project. The purpose of the project is to provide for research activities as well as to seek favorable changes in Federal laws which are related to property tax restrictions of state and local governments. As of June 30, 2015 and 2014, the 4R Project fund balances were \$42,694.

During the year ended June 30, 1991, the National Nexus program was established. This program, funded by participating states, aims to encourage and secure taxpayer compliance with current state laws, a liability resolution process, and information sharing among member states. The contributions received from the participating states are restricted for this purpose. As of June 30, 2015 and 2014, the National Nexus program fund balances were \$1,090,867 and \$1,127,948, respectively.

6. Deferred Compensation Plan

The Commission offers employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In accordance with federal law, participants' deferred compensation under the plan is trusteed and thus shielded against the claims of the creditors of the Commission and therefore, not included in these financial statements.

The Commission believes it has no liability for losses under the plan but does have a duty of due care that would be required of an ordinary prudent investor. Investments are managed by the plan's trustee, and the plan provides approximately twenty investment options or a combination thereof. The participants make the choice of the investment option(s).

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2015 and 2014

7. Investments

The following is a summary of investments along with their respective fair values, all of which are considered level one:

	Cost 2015	Market 2015	Cost 2014	Market 2014
Investments				
Mutual funds	\$ 1,463,859	\$ 1,417,088	\$ 1,429,699	\$ 1,445,879
Money market funds	52,143	52,143	38,482	38,482
Corporate bonds	298,707	298,502	309,539	309,356
Corporate stock	276,299	332,834	212,612	253,025
US Government and Agency securities	<u>2,386,638</u>	<u>2,407,356</u>	<u>2,449,942</u>	<u>2,459,057</u>
Total Investments	<u>\$ 4,477,646</u>	<u>\$ 4,507,923</u>	<u>\$ 4,440,274</u>	<u>\$ 4,505,799</u>

The Commission invests in a professionally managed portfolio that contains mutual funds. Such investments are exposed to various risks such as interest rates, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements. For the years ended June 30, 2015 and 2014, the Commission paid investment fees of \$24,667 and \$23,813, respectively.

8. Allocation of Administrative Expenses

The administrative costs of providing the various programs and other activities have been allocated among the programs and supporting services, based on total operating costs.

9. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reporting period, and disclosures. Actual results could differ from those estimates.

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2015 and 2014

10. Concentration of Credit Risk

Cash held by the Commission in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes the Commission is not exposed to any significant credit risk related to cash.

11. Subsequent Events

Management has evaluated subsequent events through August 25, 2015, the date that the financial statements were available to be issued. There were no significant events to report.

ADDITIONAL INFORMATION



**Report of Independent Certified Public Accountants
on Additional Information**

To the Executive Committee of
Multistate Tax Commission

We have audited the financial statements of Multistate Tax Commission as of and for the year ended June 30, 2015, and have issued our report thereon dated August 25, 2015, which expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The schedule of expenses is presented for the purposes of additional analysis and is 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 audit 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Linton Shafer Warfield & Garrett

Rockville, Maryland
August 25, 2015

MULTISTATE TAX COMMISSION

Schedule of Expenses
For the Year Ended

June 30, 2015

	Unappropriated and Appropriated Funds				Restricted Funds			
	Total				Total			
	General Expenses	Audit Program	Administrative Expenses	Training and Education	Unappropriated and Appropriated Funds	National Nexus Program	Total Restricted Funds	Total All Funds
Auditing and payroll services	\$ 12,000	-	\$ 5,143	\$ -	\$ 17,143	\$ -	\$ -	\$ 17,143
Business insurance	-	-	21,574	-	21,574	-	-	21,574
Conferences and training schools	96,706	13,645	2,631	39,039	152,021	18,130	18,130	170,151
Depreciation	-	12,164	59,922	-	72,086	3,489	3,489	75,575
Bond amortization	76,010	-	-	-	76,010	-	-	76,010
Employee benefits	121,952	489,139	141,609	35,534	788,234	89,237	89,237	877,471
Miscellaneous	277	7,809	9,789	8,884	26,759	96	96	26,855
Consumable and durable supplies	4,361	23,457	42,456	4,312	74,586	845	845	75,431
Postage	4,325	8,472	3,127	3,561	19,485	5,750	5,750	25,235
Printing and duplicating	6,569	2,974	931	15,444	25,918	157	157	26,075
Professional services	230,096	24,345	29,197	23,800	307,438	24,668	24,668	332,106
Publications and electronic resources	2,421	26,421	14,750	-	43,592	21	21	43,613
Recruitment	-	950	550	-	1,500	60	60	1,560
Rent	52,067	75,894	105,843	-	233,804	152,322	152,322	386,126
Repairs and maintenance	272	550	14,706	1,001	16,529	334	334	16,863
Retirement plan	90,594	264,960	69,423	13,438	438,415	41,824	41,824	480,239
Salaries	738,782	2,153,986	561,556	108,370	3,562,694	330,441	330,441	3,893,135
Software licenses	-	524	6,490	-	7,014	-	-	7,014
Staff training	5,515	1,249	8,710	-	15,474	1,860	1,860	17,334
Subscriptions, publications, dues	25,635	9,877	10,141	825	46,478	7,912	7,912	54,390
Unified communications	11,011	13,586	7,103	233	31,933	3,134	3,134	35,067
Travel	73,509	229,867	34,608	34,814	372,798	11,595	11,595	384,393
Allocation of administrative expenses	311,089	696,043	(1,150,259)	-	(143,127)	143,127	143,127	-
Total Expenses	\$ 1,863,191	\$ 4,055,912	\$ -	\$ 289,255	\$ 6,208,358	\$ 835,002	\$ 835,002	\$ 7,043,360

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