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October 27, 2020

To the Executive Committee of
Multistate Tax Commission
444 North Capitol Street, N.W. Suite 425
Washington, DC 20011

We have audited the financial statements of Multistate Tax Commission (the Commission) for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated August 4, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Multistate Tax Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2020. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The Commission's operating expenses have been allocated between program and supporting services based on direct identification when possible and allocation of estimated time if a single expenditure benefits more than one function.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following **material** misstatements detected as a result of audit procedures were corrected by management:

- Record unrealized gain on investments of approximately \$74,000.
- Adjust tenant improvement liability of approximately \$23,000.
- Record fixed asset activity, increase related expenses of approximately \$14,000.
- Adjust accrued vacation balance of approximately \$48,000.

The net effect of all misstatements was to increase net income by approximately \$35,000.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

New Lease Accounting Standard

The Financial Accounting Standards Board (FASB) has issued ASU 2016-02, *Leases*, which under current guidance will have an effective date for Multistate Tax Commission as of July 1, 2022. In this case, modified retrospective application will require adoption in 2021 if the Organization plans to issue comparative statements in 2021. The new standard requires that all leases with lease periods greater than one year be recognized as a right of use asset, which will have a corresponding liability for the lease payments required during the lease period.

This information is intended solely for the use of the Executive Committee and management of Multistate Tax Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Linton Shafer Warfield & Garrett, P.A.