PROPERTY TAX EDUCATION COALITION INCORPORATED

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017
with Report of Independent Auditors

PROPERTY TAX EDUCATION COALITION INCORPORATED

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

Table of Contents

whitleypenn

640 Taylor Street
Suite 2200
Fort Worth, Texas 76102
817.259.9100 Main

whitleypenn.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Property Tax Education Coalition Incorporated

We have audited the accompanying financial statements of Property Tax Education Coalition Incorporated, which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities 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 ("GAAP"); 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.

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 Property Tax Education Coalition Incorporated as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with GAAP.

Whitley Penn LLP

Fort Worth, Texas
August 22, 2019

PROPERTY TAX EDUCATION COALITION INCORPORATED

STATEMENTS OF FINANCIAL POSITION

	December 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	$ 520,396	$ 600,398
Accounts receivable	-	691
Prepaid expenses	517	896
Property and equipment, net	-	123
Total assets	$ 520,913	$ 602,108
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ -	$ 44,446
Net assets without donor restrictions	520,913	557,662
Total liabilities and net assets	$ 520,913	$ 602,108

See accompanying notes to financial statements.

PROPERTY TAX EDUCATION COALITION INCORPORATED

STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2018	2017
Revenue, gains, and other support:		
Program service revenue	$ 87,007	$ 115,495
Interest income	6,670	4,106
Total revenue, gains, and other support	93,677	119,601
Expenses:		
Program activities:		
Course revisions and materials	60,165	17,038
Copyright fees	10,400	-
Total program activities	70,565	17,038
Support activities - management and general:		
Administrator expense	43,020	32,520
Other general and administrative	6,511	7,880
Professional services	10,330	4,349
Related-party reimbursements	-	52,250
Total support activities - management and general	59,861	96,999
Total expenses	130,426	114,037
Change in net assets	(36,749)	5,564
Net assets at beginning of year	557,662	552,098
Net assets at end of year	$ 520,913	$ 557,662

See accompanying notes to financial statements.

PROPERTY TAX EDUCATION COALITION INCORPORATED

STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2018	2017
Cash flows from operating activities:		
Change in net assets	$ (36,749)	$ 5,564
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	123	-
Changes in net assets and liabilities:		
Accounts receivable	691	3,700
Prepaid expenses	379	81
Accounts payable and accrued expenses	(44,446)	44,446
Net cash provided by (used in) operating activities	(80,002)	53,791
Net increase (decrease) in cash and cash equivalents	(80,002)	53,791
Cash and cash equivalents at beginning of year	600,398	546,607
Cash and cash equivalents at end of year	$ 520,396	$ 600,398

See accompanying notes to financial statements.

PROPERTY TAX EDUCATION COALITION
INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

A. Nature of Activities

The Property Tax Education Coalition Incorporated (the "Organization") is a non-profit organization that was incorporated on October 8, 2009. The Organization's purpose is to provide state required education for appraisers, assessors, and collectors.

B. Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Under GAAP, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The Organization does not have any net assets with donor restrictions as of December 31, 2018 or 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Contributions

The Organization accounts for any contributions in accordance with GAAP, which requires contributions received to be recorded depending on the existence and/or nature of any donor restrictions. Restricted contributions are required to be reported as with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Revenue Recognition

Program service revenue of the Organization consists principally of licensing fees and course material revenue, which are recognized at the time that the license or course material has been passed to the customer, which generally occurs upon payment for the products.

PROPERTY TAX EDUCATION COALITION
INCORPORATED

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Organization held cash equivalents which had a balance of approximately $275,000 and $374,000 at December 31, 2018 and 2017, respectively. The Organization maintains cash, money market deposits, and certificates of deposit in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC"). The Organization has not experienced any losses related to amounts in excess of FDIC and SIPC limits.

Accounts Receivable

Accounts receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances 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. No allowance for doubtful accounts was considered necessary at December 31, 2018 and 2017.

Property and Equipment

Property and equipment that has been donated to the Organization is recorded at its fair market value on the date of donation, and property and equipment that has been purchased is recorded at cost. The Organization considers all capital expenditures in excess of $1,000 for capitalization. Depreciation has been recorded using the straight-line method over the estimated useful lives of the respective assets. The estimated life of the computer and office equipment ranged from 3 to 5 years.

The cost of assets sold or retired, as well as any accumulated depreciation, is removed from the accounts at the time of disposal, and any resulting gains or losses are included in the statement of activities of the respective period.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis. Generally, the Organization records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage.

B. Summary of Significant Accounting Policies – continued

Federal Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code, as an organization other than a private foundation. Therefore, no provision for federal income taxes has been included in the accompanying financial statements.

GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements.

The Organization files Form 990 in the United States federal jurisdiction and no tax returns are currently under examination by any tax authorities. The Organization did not incur any penalties or interest during the years ended December 31, 2018 and 2017.

New Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the ASU effective January 1, 2018, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented; however, there were no adjustments necessary to prior year reported total changes in net assets or net assets as a result of adoption.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

C. Availability and Liquidity

The following represents the Organization's financial assets which are available to meet general expenditures over the next twelve months at December 31, 2018:

Financial assets at year-end:	
Cash and cash equivalents	$ 520,396

PROPERTY TAX EDUCATION COALITION
INCORPORATED

NOTES TO FINANCIAL STATEMENTS *(continued)*

C. Availability and Liquidity – continued

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2018, the Organization has approximately $520,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash and cash equivalents of approximately $520,000. The Organization invests cash in excess of annual operating requirements, if any, in cash equivalents or short-term investments, including money market accounts and certificates of deposit. The Organization's financial assets are not subject to donor restriction or board designation at December 31, 2018.

D. Property and Equipment

As of December 31, 2018 and 2017, property and equipment, net, consisted of certain computer and equipment assets with a total balance of approximately $1,200 less accumulated depreciation of approximately $1,200 and $1,100, respectively. Depreciation expense was approximately $120 for the year ended December 31, 2018. There was no depreciation expense for the year ended December 31, 2017.

E. Related-Party Transactions

The Organization receives licensing fees for its course materials from the Texas Association of Appraisal Districts, the Texas Association of Appraisal Officers, and the Texas Assessor/Collector Association. These organizations have representation on the Organization's Board of Directors. Revenues from these organizations totaled approximately $42,000 and $50,000 for the years ended December 31, 2018 and 2017, respectively.

During 2017, the Organization's Board of Directors approved certain amounts to be paid out to its founding member organizations as a return of funds that were originally paid in to seed the Organization. The Organization paid out cash of approximately $17,000 in 2017 and $35,000 in January 2018, which is recorded within accounts payable and accrued expenses on the accompanying statements of financial position as of December 31, 2017. The total expense of approximately $52,000 has been recorded as related-party reimbursements on the accompanying statements of activities for the year ended December 31, 2017.

F. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through August 22, 2019, the date the financial statements were available for issuance.