

**PROPERTY TAX EDUCATION COALITION
INCORPORATED**

FINANCIAL STATEMENTS

**Years Ended December 31, 2019 and 2018
with Report of Independent Auditors**

**PROPERTY TAX EDUCATION COALITION
INCORPORATED**

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with GAAP.



Fort Worth, Texas
August 6, 2020

PROPERTY TAX EDUCATION COALITION INCORPORATED

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 521,689	\$ 520,396
Accounts receivable	2,720	-
Prepaid expenses	519	517
	<u> </u>	<u> </u>
Total assets	<u>\$ 524,928</u>	<u>\$ 520,913</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,275	\$ -
Net assets without donor restrictions	<u>517,653</u>	<u>520,913</u>
Total liabilities and net assets	<u>\$ 524,928</u>	<u>\$ 520,913</u>

See accompanying notes to financial statements.

PROPERTY TAX EDUCATION COALITION INCORPORATED

STATEMENTS OF ACTIVITIES

	Year Ended December 31,	
	2019	2018
	<u> </u>	<u> </u>
Revenue, gains, and other support:		
Program service revenue	\$ 68,085	\$ 87,007
Interest income	10,122	6,670
Total revenue, gains, and other support	<u>78,207</u>	<u>93,677</u>
Expenses:		
Program activities:		
Course revisions and materials	18,738	60,165
Copyright fees	825	10,400
Total program activities	<u>19,563</u>	<u>70,565</u>
Support activities - management and general:		
Administrator expense	40,020	43,020
Other general and administrative	9,692	6,511
Professional services	12,192	10,330
Total support activities - management and general	<u>61,904</u>	<u>59,861</u>
Total expenses	<u>81,467</u>	<u>130,426</u>
Change in net assets	(3,260)	(36,749)
Net assets at beginning of year	<u>520,913</u>	<u>557,662</u>
Net assets at end of year	<u><u>\$ 517,653</u></u>	<u><u>\$ 520,913</u></u>

See accompanying notes to financial statements.

PROPERTY TAX EDUCATION COALITION INCORPORATED

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
	<u> </u>	<u> </u>
Cash flows from operating activities:		
Change in net assets	\$ (3,260)	\$ (36,749)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	-	123
Changes in net assets and liabilities:		
Accounts receivable	(2,720)	691
Prepaid expenses	(2)	379
Accounts payable and accrued expenses	7,275	(44,446)
Net cash provided by (used in) operating activities	<u>1,293</u>	<u>(80,002)</u>
Net increase (decrease) in cash and cash equivalents	1,293	(80,002)
Cash and cash equivalents at beginning of year	<u>520,396</u>	<u>600,398</u>
Cash and cash equivalents at end of year	<u><u>\$ 521,689</u></u>	<u><u>\$ 520,396</u></u>

See accompanying notes to financial statements.

PROPERTY TAX EDUCATION COALITION INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

A. Nature of Activities

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, 2019 or 2018.

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 Revenue

Unconditional promises to give, including pledges receivable, are recorded as revenue in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Donor-restricted contributions that are received and expended within the same fiscal year are reported as resources without donor restrictions.

PROPERTY TAX EDUCATION COALITION INCORPORATED

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Contributions Revenue – continued

There were no contributions received by the Organization during 2019 or 2018.

Revenue Recognition

Program service revenue of the Organization consists principally of licensing fees and course material revenue. The revenue is derived from the underlying contract or agreement (referred to hereafter as “contract”), and the Organization determines the appropriate accounting treatment for each contract at the commencement of each contract.

A performance obligation is a promise in a contract to transfer a distinct good or service to the member or customer. Revenue is recognized when the performance obligation under the terms of the contact with a customer is satisfied. The Organization’s contracts generally have a single performance obligation. The contract prices are generally deemed to be the respective transaction prices and are recognized as revenue when, or as, the performance obligations are satisfied.

The Organization recognizes revenue at the time the license or course material has been passed to the customer, which generally occurs upon payment for the products.

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 \$285,000 and \$275,000 at December 31, 2019 and 2018, 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, 2019 and 2018.

PROPERTY TAX EDUCATION COALITION INCORPORATED

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

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.

Federal Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. 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, 2019 and 2018.

PROPERTY TAX EDUCATION COALITION INCORPORATED

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

New Accounting Pronouncements

During 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new revenue guidance defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. The Organization adopted this guidance on January 1, 2019, and the guidance was applied to contracts at the application date. There was no adjustment necessary to beginning net assets as a result of the adoption.

During 2019, the Organization adopted FASB ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU aims to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Specifically, this ASU assists entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Not-for-Profit Entities* (Topic 958), or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted this guidance on January 1, 2019.

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,:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	<u>\$ 521,689</u>	<u>\$ 520,396</u>

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, 2019 and 2018, the Organization has approximately \$522,000 and \$521,000, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting entirely of cash and cash equivalents. 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, 2019 or 2018.

PROPERTY TAX EDUCATION COALITION INCORPORATED

NOTES TO FINANCIAL STATEMENTS (continued)

D. Property and Equipment

As of December 31, 2019 and 2018, 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. There was no depreciation expense for the year ended December 31, 2019. Depreciation expense was approximately \$120 for the year ended December 31, 2018.

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 \$31,000 and \$42,000 for the years ended December 31, 2019 and 2018, respectively.

F. Subsequent Events

In preparing the accompanying financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through August 6, 2020, the date the financial statements were available for issuance.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on the Organization's activities, the impact to the Organization's results of operations and financial position cannot be reasonably estimated at this time.