

**TAXPAYERS' FEDERATION OF ILLINOIS**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTAL FINANCIAL INFORMATION**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2017 AND 2016**

**TENTATIVE AND PRELIMINARY**  
**FOR DISCUSSION PURPOSES ONLY**

Taxpayers' Federation of Illinois

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**TENTATIVE AND PRELIMINARY  
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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Trustees of  
Taxpayers' Federation of Illinois

We have reviewed the accompanying financial statements of Taxpayers' Federation of Illinois (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**TENTATIVE AND PRELIMINARY  
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### **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 internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

## Supplementary Information

The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information is the representation of management. We have reviewed the information and, based on our review, we are not aware of any material modifications that should be made to the information in order for it to be in accordance with accounting principles generally accepted in the United States of America. We have not audited the information and, accordingly, do not express an opinion on such information.

**TENTATIVE AND PRELIMINARY  
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Certified Public Accountants  
Springfield, Illinois

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Taxpayers' Federation of Illinois  
**STATEMENTS OF FINANCIAL POSITION**  
 December 31, 2017 and 2016

Statement 1

<u>Assets</u>	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$313,966	\$285,257
Investments .....	271,290	269,602
Accounts receivable .....	10,000	14,000
Prepaid expenses.....	<u>2,980</u>	<u>1,190</u>
Total current assets .....	<u>598,236</u>	<u>570,049</u>
<b>FIXED ASSETS</b>		
Office furniture and equipment .....	35,484	34,238
Less accumulated depreciation.....	( <u>29,114</u> )	( <u>27,451</u> )
Total fixed assets - net .....	<u>6,370</u>	<u>6,787</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$604,606</u></b>	<b><u>\$576,836</u></b>
 <u>Liabilities and Net Assets</u> 		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 8,051	\$ 7,010
Deferred revenue.....	115,000	112,175
Accrued payroll.....	42,791	42,439
Payable to Illinois Fiscal Policy Council.....	1,000	500
Lease payable – current portion.....	<u>2,648</u>	<u>7,944</u>
Total current liabilities.....	<u>169,490</u>	<u>170,068</u>
<b>NON-CURRENT LIABILITY</b>		
Lease payable, less current portion.....	_____ -	<u>1,986</u>
Total liabilities .....	<u>169,490</u>	<u>172,054</u>
<b>NET ASSETS</b>		
Unrestricted.....	<u>435,116</u>	<u>404,782</u>
<b>TOTAL LIABILITIES AND NET ASSETS .....</b>	<b><u>\$604,606</u></b>	<b><u>\$576,836</u></b>

See accompanying notes and independent accountant's review report.

**TENTATIVE AND PRELIMINARY**  
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Taxpayers' Federation of Illinois  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2017 and 2016

Statement 2

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUE</b>		
Membership dues.....	\$436,625	\$442,201
Annual meeting.....	34,050	44,625
Tax Policy conference .....	71,805	69,410
Spring meeting.....	29,650	28,950
Subscriptions.....	6,625	8,625
Publications.....	-	140
Legislative directory .....	8,550	-
Interest.....	3,076	2,364
Miscellaneous .....	-	-
Management contract.....	<u>10,000</u>	<u>10,000</u>
 Total operating revenue.....	 <u>600,381</u>	 <u>606,315</u>
<b>OPERATING EXPENSES</b>		
Salaries.....	315,108	331,490
Payroll taxes.....	22,264	24,809
Pension.....	22,274	19,902
Health insurance .....	-	18,672
Life and disability insurance.....	8,390	8,107
Contractual.....	51,000	51,000
Travel .....	16,034	13,390
Office expenses.....	75,124	80,220
Printing.....	1,925	3,280
Postage .....	1,612	1,634
Annual meeting.....	12,790	27,283
Tax Policy conference .....	18,089	17,160
Spring meeting.....	8,843	7,751
Other meetings.....	3,096	2,846
Memberships and registration .....	6,474	5,711
Publications/library .....	4,190	2,959
Bank charges.....	160	166
Depreciation.....	<u>2,674</u>	<u>3,885</u>
 Total operating expenses.....	 <u>570,047</u>	 <u>620,265</u>
 <b>EXCESS (DEFICIENCY) OF OPERATING REVENUE OVER OPERATING EXPENSES.....</b>	 <b>30,334</b>	 <b>( 13,950)</b>
 NET ASSETS - BEGINNING .....	 <u>404,782</u>	 <u>418,732</u>
 NET ASSETS - ENDING.....	 <u>\$435,116</u>	 <u>\$404,782</u>

See accompanying notes and independent accountant's review report.

**TENTATIVE AND PRELIMINARY  
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Taxpayers' Federation of Illinois  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended December 31, 2017 and 2016

Statement 3

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets .....	\$ 30,334	(\$ 13,950)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operations:		
Depreciation.....	2,674	3,885
(Increase) decrease in accounts receivable.....	4,000	( 5,150)
(Increase) decrease in prepaid expenses.....	( 1,790)	( 1,190)
Increase (decrease) in deferred revenue .....	2,825	( 109,500)
Increase (decrease) in accounts payable.....	1,041	( 3,885)
Increase (decrease) in accrued payroll .....	352	31,640
Increase (decrease) in payable to Council.....	500	( 2,500)
Increase (decrease) in lease payable.....	( 7,282)	9,930
Net cash provided by (used for) operations .....	<u>32,654</u>	<u>( 90,720)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments .....	( 1,688)	( 858)
Purchase of equipment.....	( 2,257)	( 3,023)
Net cash provided by (used for) investing activities.....	<u>( 3,945)</u>	<u>( 3,881)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>28,709</b>	<b>( 94,601)</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING .....</b>	<b>285,257</b>	<b>379,858</b>
<b>CASH AND CASH EQUIVALENTS – ENDING .....</b>	<b><u>\$313,966</u></b>	<b><u>\$285,257</u></b>

See accompanying notes and independent accountant's review report.

**TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY**

Taxpayers' Federation of Illinois  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended December 31, 2017 and 2016

**NOTE 1 - ORGANIZATION**

Taxpayers' Federation of Illinois (Federation) was founded in 1940 as a statewide non-partisan, not-for-profit organization wholly devoted to analyzing and making recommendations on tax and spending issues. The Federation has adopted a watchdog role to assure that taxes are fair and reasonable and that government uses tax dollars efficiently.

Since 1940, the Federation has worked toward finding solutions that assure that government spending is necessary and dollars come from appropriate sources. The Federation differs from hardline, single-issue, anti-tax groups because the Federation accepts the fact that certain taxes are needed for vital public services, and are part of the overall state economic picture. The Federation serves as a catalyst for finding workable and sensible solutions to state and local government revenue needs.

**TENTATIVE AND PRELIMINARY  
FOR DISCUSSION PURPOSES ONLY**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

1. Accrual Basis Accounting - The financial statements reflect accrual basis accounting whereby revenues are recognized when earned and expenses are recognized when the obligation is incurred.
2. Cash and Cash Equivalents - For the purpose of the cash flows statement, cash and cash equivalents consist of cash on hand and checking and savings accounts. The Federation considers all highly liquid investments with an original maturity date of ninety days or less to be cash equivalents.
3. Investments - Investments consist of certificates of deposit that are carried at cost which approximates fair value.
4. Accounts Receivable - The Federation considers accounts receivable to be fully collectible; therefore, there is no allowance for bad debts.
5. Membership Dues - Membership dues are recognized as revenue in the applicable membership period.
6. Fixed Assets - Office furniture and equipment is stated at cost. Depreciation is computed by the straight-line method over useful lives ranging from five to ten years. The Federation capitalizes fixed assets on a case-by-case basis.
7. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
8. Allocation of Expenses - The costs of providing program services and activities have been summarized on a functional basis and disclosed in the notes to financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefited.



Taxpayers' Federation of Illinois  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended December 31, 2017 and 2016

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES, Continued**

9. Concentration of Credit Risk - Financial instruments, which potentially subject the Federation to concentrations of credit risk, includes cash and cash equivalents and investments. The Federation places its cash and cash equivalents and investments with credit-worthy, high quality financial institutions. As of December 31, 2017, the Federation had no significant concentrations of credit risk.
10. Financial Statement Presentation - An organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**NOTE 3 – FIXED ASSETS AND DEPRECIATION**

Fixed assets at years-end consisted of the following:

	<u>2017</u>	<u>2016</u>
Office equipment .....	\$ 35,484	\$ 34,238
Less accumulated depreciation.....	( <u>29,114</u> )	( <u>27,451</u> )
 Total – net .....	 \$ <u>6,370</u>	 \$ <u>6,787</u>

Depreciation expense for 2017 was \$2,674. The 2016 total was \$3,885.

**NOTE 4 - PROGRAM SERVICES**

The Federation allocates its expenses by program services, management and general, and fund-raising. The allocation is as follows:

	<u>2017</u>	<u>2016</u>
Program Services:		
Member services.....	\$ <u>427,535</u>	\$ <u>465,324</u>
Supporting Services:		
Management and general.....	74,106	80,656
Fund-raising.....	<u>68,406</u>	<u>74,452</u>
 Total supporting services.....	 <u>142,512</u>	 <u>155,108</u>
 Total expenses .....	 \$ <u>570,047</u>	 \$ <u>620,432</u>

**TENTATIVE AND PRELIMINARY**  
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Taxpayers' Federation of Illinois  
**NOTES TO FINANCIAL STATEMENTS**  
For The Years Ended December 31, 2017 and 2016

**NOTE 5 - RETIREMENT PLAN**

The Federation has a retirement plan covering all eligible employees. To be eligible, an employee must complete 1,000 hours worked within a twelve month period and be at least 20 years of age. Employer contributions are at a base amount of 3% and a discretionary match of 4% of an employee's compensation, which is the amount reported to the federal government for federal income tax purposes. Vesting is 100% immediate and five years graded for employees hired after November 1, 2007. Total pension expense for 2017 was \$22,274. For 2016, the total was \$19,902.

**NOTE 6 - INCOME TAXES**

The Federation qualifies as a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code as a civic league not organized for profit. It is not involved in activities considered unrelated to its exempt purpose; therefore, there is no tax on unrelated business income.

The Federation has recognized in the financial statements the effects of all tax positions and continually evaluates expiring statutes of limitations, audits, changes in tax law, and new authoritative rulings. The Federation is not aware of any circumstances or events that make it reasonably possible that unrecognized tax benefits may increase or decrease within twelve months of the balance sheet date. Penalties and interest assessed by taxing authorities are included in the provision for income taxes, if applicable. There were no interest or penalties paid during 2017 or 2016.

The Federation files informational tax returns in the United States federal jurisdiction. The federal tax returns prior to 2014 are closed.

**NOTE 7 - LEASE COMMITMENT**

The Federation leased office space under a three year lease that expired December 31, 2015. A new lease agreement was signed that extended the term until December 31, 2018. Monthly rental payments are \$2,550.

Future lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ <u>30,600</u>

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In addition, the Federation paid \$9,806 to the Commercial Club Foundation for office space in Chicago.

Taxpayers' Federation of Illinois  
**NOTES TO FINANCIAL STATEMENTS**  
 For The Years Ended December 31, 2017 and 2016

**NOTE 8 - FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 – Inputs are based on unadjusted quoted market prices within active markets.
- Level 2 – Inputs are based primarily on quoted prices for similar assets in active or inactive markets.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair value of investments measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	<u>Fair Value</u>	<u>Level 2</u>
<u>December 31, 2017</u>		
Certificates of deposit	<u>\$271,290</u>	<u>\$271,290</u>
<u>December 31, 2016</u>		
Certificates of deposit	<u>\$269,602</u>	<u>\$269,602</u>

**TENTATIVE AND PRELIMINARY  
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**NOTE 9 - AFFILIATED ORGANIZATION**

The Federation is affiliated with the Illinois Fiscal Policy Council, a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

The Council operates as a separate and distinct organization with a separate Board of Directors

At December 31, 2017, the Federation owed \$1,000 to the Council. The prior year's total was \$500.

The Federation also has a management contract with the Council. In 2017, the Federation charged the Council \$10,000 for management services.

**NOTE 10 - SUBSEQUENT EVENTS**

The Federation reviewed events for inclusion in the financial statements through \_\_\_\_\_, the date through which subsequent events have been evaluated and the date the financial statements were available to be issued.

Taxpayers' Federation of Illinois  
**SCHEDULE OF REVENUE AND EXPENSES**  
**COMPARED TO BUDGET**  
For the Year Ended December 31, 2017

Schedule 1

	<u>2017</u> <u>Actual</u>	<u>2017</u> <u>Budget</u>
<b>REVENUE</b>		
Membership dues.....	\$436,625	\$440,000
Annual meeting.....	21,260	20,000
Tax Policy conference .....	53,716	45,000
Spring meeting.....	20,807	17,000
Subscriptions.....	6,625	7,500
Legislative directory .....	8,550	8,000
Interest.....	3,076	1,500
Management contract.....	<u>10,000</u>	<u>10,000</u>
Total revenue .....	<u>560,659</u>	<u>549,000</u>
<b>EXPENSES</b>		
Employee Expenses:		
Salaries.....	315,108	318,820
Benefits & employment taxes .....	<u>52,928</u>	<u>55,000</u>
Total employee expenses .....	<u>368,036</u>	<u>373,820</u>
Contractual services.....	<u>51,000</u>	<u>50,000</u>
Travel, conferences and memberships .....	<u>33,491</u>	<u>25,000</u>
Office Expenses:		
Rent.....	41,479	45,000
General office .....	<u>33,645</u>	<u>50,000</u>
Total office expenses.....	<u>75,124</u>	<u>95,000</u>
Depreciation.....	<u>2,674</u>	<u>4,000</u>
Total expenses .....	<u>530,325</u>	<u>547,820</u>
<b>EXCESS (DEFICIENCY) REVENUE OVER EXPENSES.....</b>	<b>30,334</b>	<b>1,180</b>
BEGINNING BALANCE .....	404,782	418,730
<b>ENDING BALANCE.....</b>	<b><u>\$435,116</u></b>	<b><u>\$419,910</u></b>

See independent accountant's review report.

**TENTATIVE AND PRELIMINARY**  
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