LIBERTARIAN NATIONAL COMMITTEE, INC.
(THE LIBERTARIAN PARTY)

LIBERTARIAN
Minimum Government Maximum Freedom

AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

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Frye & Company, CPAs
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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Libertarian National Committee, Inc.
Alexandria, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of Libertarian National Committee, which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and change in net assets and cash flows for the year 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 audit. We conducted our audit 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.

To the Board of Directors
Libertarian National Committee, Inc.

Auditor's Responsibility – Continued

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 Libertarian National Committee as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Frye & Company, CPAs

Frye & Company, CPAs
Manassas, Virginia
July 11, 2016

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2015

Assets		
Cash and cash equivalents	$	71,383
Bequests receivable, net		201,892
Prepaid expenses and other		21,820
Property and equipment:		
Land		347,881
Building and improvements		521,816
Furniture and equipment		62,001
Computer equipment		22,801
Computer software		84,645
Property and equipment, at cost		1,039,144
Accumulated depreciation		(160,175)
Property and equipment, net		878,969
Total Assets	$	1,174,064

Liabilities and Net Assets		
Liabilities		
Unsecured lines of credit	$	1,471
Accounts payable and accrued expenses		2,142
Accrued salaries and related benefits		6,879
Accrued vacation		24,628
Deferred registrations		44,921
Capital lease liabilities		23,758
Mortgage payable		461,955
Total liabilities		565,754
Net Assets		
Unrestricted		601,015
Temporarily restricted		7,295
Total net assets		608,310
Total Liabilities and Net Assets	$	1,174,064

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF ACTIVITIES
& CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions and membership	$ 1,050,831	$ 22,536	$ 1,073,367
Political campaign materials	30,360	-	30,360
Sponsorships and classifieds	13,968	-	13,968
Interest and dividends	56	-	56
Net assets released from restriction:			
Building, legal, and other funds	28,838	(28,838)	-
Total revenue and support	1,124,053	(6,302)	1,117,751
Expense			
Program services:			
Communications	198,741	-	198,741
Ballot access	126,051	-	126,051
Brand development	54,240	-	54,240
Campaign programs	44,216	-	44,216
Affiliate support	39,509	-	39,509
Outreach programs	39,309	-	39,309
Litigation and lobbying	16,007	-	16,007
Media relations	10,228	-	10,228
Campus outreach	6,573	-	6,573
Conventions and meetings	2,755	-	2,755
Total program services	537,629	-	537,629
Supporting services:			
Management and general	261,443	-	261,443
Fundraising and donor acquisition	310,434	-	310,434
Total supporting services	571,877	-	571,877
Total expense	1,109,506	-	1,109,506
Change in Net Assets	14,547	(6,302)	8,245
Net assets, beginning of year	566,370	13,597	579,967
Prior period adjustments	20,098	-	20,098
Net assets, beginning of year, restated	586,468	13,597	600,065
Net Assets, End of Year	$ 601,015	$ 7,295	$ 608,310

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

Cash Provided (Used) by Operating Activities		
Change in net assets	$	8,245
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization		36,803
Prior period adjustments		(20,098)
Changes in assets and liabilities:		
Bequests receivable		44,258
Prepaid expenses and other		(2,271)
Accounts payable and accrued expenses		483
Accrued salaries and related benefits		(22,058)
Accrued vacation		1,994
Deferred registrations		44,921
Total adjustments		84,032
Net cash provided (used) by operating activities		92,277
Cash Provided (Used) by Investing Activities		
Purchases of property and equipment		(2,220)
Net cash provided (used) by investing activities		(2,220)
Cash Provided (Used) by Financing Activities		
Principal payments on capital lease liability		(3,713)
Principal payments on mortgage payable		(33,816)
Net cash provided (used) by financing activities		(37,529)
Net Increase in Cash and Cash Equivalents		52,528
Cash and cash equivalents, beginning of year		18,855
Cash and Cash Equivalents, End of Year	$	71,383

Supplemental Cash Flows Information:		
Cash paid for income taxes	$	-
Cash paid for interest	$	24,586

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

Note A – Organization & Nature of Activities

Organization: The Libertarian National Committee, Inc. (the Committee) was founded in 1971 as a national, tax-exempt political organization which is the operational arm of the Libertarian Party, a grassroots political organization. The Committee was incorporated in February 1995 and its affairs are directed by its National Board of Directors, who are elected by delegates bi-annually at the national convention. The Committee, with the consent of the delegates, also establishes the platform of the Libertarian Party, which is based upon the basic premises of civil liberties and personal freedom, a free-market economy, free trade, and a foreign policy of non-intervention and peace. The Committee has approximately 9,900 contributing members.

Programs: The Committee's program activities consist of affiliate support, which comprises developing or supporting state and county affiliate parties; ballot access, which comprises getting candidates on ballots and includes corresponding lawsuits required to accomplish such; brand development, which is the process of developing an image in the minds of voters; campus outreach, which represents campus recruiting and support groups; candidate support, which comprises recruiting and supporting candidates with their electoral ambitions; litigation support, which includes proactive lawsuits to change public policy, other than ballot access; lobbying, which includes efforts to persuade legislators to change laws, including ballot access laws; media relations, which consists of direct communication with the media; member communications, which is comprised of the Libertarian Party News periodical and other member communications; outreach, which includes initiatives to reach the general public and outside groups; and voter registration, which consist of voter registration campaign initiatives.

Note B - Summary of Significant Accounting Policies

Basis of Accounting & Presentation: The Committee prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expense when obligations are incurred.

Income Tax Status: The Committee is recognized as a tax-exempt political organization under Section 527 of the Internal Revenue Code (IRC). Under IRC Section 527, the Committee’s exempt functions include all activities that relate to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to a public or political office. Certain activities unrelated to the exempt purpose, such as net investment income, are subject to applicable income taxes. During the year ended December 31, 2015, the Committee did not incur any significant income tax expense on its net investment income, which was under the specific deduction amount of $100 available on Form 1120-POL. Although the Committee has not received any notice of intent to examine its tax returns, the Committee’s tax returns remain subject to examination by tax authorities pursuant to various statutes of limitation. The Federal Election Commission (FEC) also oversees the Committee.

Note B – Summary of Significant Accounting Policies – Continued

Cash and Cash Equivalents: For financial statement presentation purposes, the Committee considers highly liquid debt instruments with maturities of three months or less, including money market funds, to be cash equivalents. The Committee periodically has cash balances in excess of federal insurance limits available for depository accounts.

Bequests Receivable: The Committee's bequests receivable consist of amounts due from decedent members' last wills and testaments. The most significant bequest pertains to a deceased member's unconditional promise-to-give the Committee a portion of the estate after liquidation of debts and payment of expenses. The Committee's portion of the net estate was determined to be approximately $235,600, which was transfer to a trustee and is being held in trust for the benefit of the Committee given the annual contribution limits allowable under Federal Election Commission (FEC) guidelines. The trustee and escrow agent is annually releasing the amount allowable under FEC guidelines to the Committee. The remaining funds resulting from the distributions from the decedent's estate is being held in trust at a federally insured financial institution in money market funds for the benefit of the Committee. The Committee received approximately $33,400 from the trustee during the year ended December 31, 2015 with the remaining bequest reflected at its net realizable value, which was determined by the Committee by initially discounting the initial bequest by an allowance for doubtful accounts and present value discount. Given the nature of the bequest and that the funds are being held in interest bearing accounts for the benefit of the Committee, the Committee determined that the present value discount and discount for collectability were unnecessary.

Prepaid Expenses and Other Assets: The Committee's prepaid expenses and other assets consist principally of prepaid rent, insurance, licenses, promotional supplies, and refundable deposits.

Property and Equipment: The Committee capitalizes property and equipment acquisitions at cost or fair value at time of donation and depreciates these items using the straight-line method of depreciation over their estimated useful lives, which range from approximately 3 to 5 years for furniture, equipment, and software and 15 to 39 years for building and related improvements. Expenditures for repairs and maintenance that do not extend the useful life of an asset, consumable supplies, and de minimus items are expensed as incurred. Depreciation and amortization expense was approximately $26,300 for the year ended December 31, 2015.

Deferred Rent: The Committee recognizes rent expense on its long-term operating leases on a straight-line basis. A deferred rent liability is reflected for the effects of rent escalation clauses and the difference between actual rental payments and the straight-line amortization. The Committee reported no leases with significant remaining escalation as of December 31, 2015.

Net Assets: The Committee classifies its net assets based upon the existence or lack of donor imposed restrictions.

Note B – Summary of Significant Accounting Policies – Continued

Net Assets – Continued: When the Committee receives contributions that are restricted by the donor or limited as to their use and the Committee has not met the donor's restriction by the end of the reporting year, then the Committee reports these amounts as temporarily restricted or permanently restricted depending upon the nature of the restriction. Contributions and donations with donor-imposed restrictions in which the Committee has met the donor's stipulations are reflected as net assets released from restriction in the accompanying financial statements. Temporarily restricted contributions and donations in which the Committee met the donor-imposed restriction during the same fiscal year as the contribution are reflected as unrestricted revenue and support. The components of the Committee's net assets are as follows:

- *Unrestricted – general operating* – Represents unrestricted resources that are available to support the Committee's operations at the discretion of the Board of Directors.
- *Temporarily restricted* – Represents amounts received and restricted by donors to support specific Committee programs and initiatives, such as the building fund, ballot access, candidacy initiatives, and college campus programs. Temporarily restricted net assets are released from restriction either by the passage of time or by the Committee meeting the donors' stipulations. The Committee reported temporarily restricted net assets of approximately $4,400 restricted for building fund purposes, $2,600 restricted for college campus programs, and $300 restricted for radio advertisements.
- *Permanently restricted* – Represents contributions with donor-imposed restrictions that stipulate that a certain amount or the corpus of the donation be held in perpetuity and generally with interest thereon restricted for certain purposes as directed by the donor. The Committee reported no permanently restricted net assets as of December 31, 2015.

Revenue Recognition: The Committee treats membership dues as contributions and donations in the accompanying financial statements given that members receive de minimis benefits in exchange for their dues. Revenue from contributions and donations are recognized at the earliest point an unconditional promise-to-give is both determinable and measurable. Revenue from any program service activities and conventions and events are recognized when earned.

Contributions and Donations: Contributions and donations are recognized at fair value in the period in which an unconditional promise-to-give is known or when a contribution is received, at the earliest point the contribution is both determinable and measurable by the Committee. Contributions are recognized as unrestricted, temporarily restricted, or permanently restricted revenue and support based upon the existence or lack of donor-imposed restrictions. Contributions and donations with donor-imposed restrictions in which the Committee has met the donor's stipulations are reflected as net assets released from restriction. Temporarily restricted contributions and donations in which the Committee met the donor-imposed restriction during the same fiscal year as the contribution are reflected as unrestricted revenue and support.

Note B – Summary of Significant Accounting Policies – Continued

Intentions-to-Give: The Committee receives commitment cards from members who many times provide their credit card information for future contribution purposes. The members are generally making recurring contributions to the Committee and do not commit to a specific number of payments or period of time for which the Committee may charge the recurring gifts. The members may also decline the charges or request that the Committee cease making charges against their credit card at any time and completely at their discretion. The Committee treats these recurring contributions as intentions-to-give or conditional promises to give and as such, revenue is not recognized until the contribution is both determinable and measurable, which generally occurs when the credit card is processed and receipt received by the Committee.

Functional Allocation of Expenses: The Committee summarizes the cost of providing its various programs and activities on a functional basis in the accompanying financial statements. Accordingly, certain expenses were allocated to the program and supporting services benefited.

Fair Value Measurements: The Committee established a reporting framework for measuring and disclosing fair value measurements. Fair value measurement disclosures are required for assets and liabilities measured and reported at fair value in the accompanying financial statements. The Committee determines fair value using a hierarchy based upon the lowest level of any input that is significant to the measurement with Level 3 being the lowest recognized level. The Corporation attempts to maximize the use of observable inputs (Level 1 and 2) and minimize unobservable inputs (Level 3). Accordingly, the Committee would classify financial instruments measured at fair value in any of the following categories: Level 1, which refers to instruments traded in an active market, Level 2, which refers to instruments not traded on an active market but for which observable market inputs are readily available or Level 1 instruments where there is a contractual restriction, and Level 3, which refers to instruments not traded in an active market and for which no significant observable market inputs are available. As of December 31, 2015, the Committee determined that no significant assets or liabilities were reported at fair value on a recurring basis in the accompanying financial statements. Disclosures about estimated fair values and fair value measurements were determined by the Committee based upon pertinent market data and other information available as of December 31, 2015. Considerable judgment may be necessary to interpret market and financial data and to develop fair value measurements in certain circumstances. The Committee's estimates of fair value may not be indicative of amounts realized at disposition.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and the difference could be material.

Note C – Concentration of Risk

Cash Balances: Financial instruments that subject the Committee to potential concentrations of risk consist of cash balances with banking institutions that exceed the federal insurance limits. As of December 31, 2015, the Committee reported no significant uninsured cash balances.

Bequests Receivable: As of December 31, 2015, all of the Committee's bequests receivable pertain to the remaining corpus, plus accrued interest, due from a decedent's estate held in trust by a financial institution for the benefit of the Committee. Accordingly, 17% of the Committee's total assets pertain to amounts due under a single bequest.

Note D – Related Party Transactions

During the year ended December 31, 2015, the Committee received approximately $17,100 in membership dues and contributions from current and former board members and headquarter' staff. Additionally during the year ended December 31, 2015, the Committee paid $96,500 to related state affiliates for ballot access petitioning related and travel related reimbursements.

Note E – Bequests Receivable

From time-to-time the Committee receives bequests and legacies from decedent members' last wills and testaments. In October 2014, the Committee received notification from the executor and trustee of a deceased member in which the Committee was a named beneficiary of the member's estate, less any debt and expenses. In September 2015, the Committee entered into a release and indemnification agreement with the executor of the member's last will and testament in which the Committee's share of the estate was valued at approximately $235,600. At the same time, the Committee entered into an escrow agreement with a trustee in which the Committee's interest in the member's estate was transfer and held in trust for the benefit of the Committee. The Committee receives annual distributions from the escrow in amounts allowed under the FEC regulations and guidelines. During the year ended December 31, 2014, the Committee received approximately $33,400 and the Committee also received the similar amount in January 2016 for the year ended December 2016. The remaining balance of approximately $201,900 is reflected as a bequest receivable and is being held in money market funds at a federally insured financial institution for the benefit of the Committee. The Committee reported the bequest receivable at its net realizable value by discounting the initial bequest for an allowance for doubtful accounts and present value discount, both of which were determined to be unnecessary by the Committee given the nature of the bequest and that the funds are held in interest bearing accounts. The Committee expects to receive approximately $33,400 annually from the trustee, which will be adjusted annually based upon FEC regulations, until the funds held in trust are fully liquidated to the Committee.

Note F – Unsecured Lines of Credit

The Committee maintains two unsecured lines of credit with financial institutions in the form of business credit cards. The business credit cards have total available credit of $78,000 as of December 31, 2015 and require monthly payments of interest at annual rates that range from approximately 9.15% to 11.24%. The Committee reported a total balance outstanding of approximately $1,500 on the lines of credit as of December 31, 2015, and no significant interest expense was incurred during the year then ended. The lines of credit are revolving and subject to restrictions and annual renewals. The terms and balances owed on the lines of credit are as follows as of December 31, 2015:

Unsecured lines of credit with regional financial institutions in the form of two credit card accounts with total available credit of $78,000. The lines are guaranteed by the authorized users and carry variable interest rates tied to the lenders' prime rates, which were approximately 9.15% and 11.24%. The Committee reported a total balance of approximately $1,500 on the lines of credit as of December 31, 2015, and no significant interest expense was incurred on the unsecured lines of credit during the year then ended. The lines of credit are revolving and subject to restrictions and renewals.	$ 1,471

Note G – Debt Obligations

Mortgage Payable: In April 2014, the Committee entered into a $500,000 secured promissory note with a regional financial institution in conjunction with the Committee's purchase of its administrative headquarters. The promissory note is collateralized by underlying real property and improvements and a security interest in all depository accounts held with the financial institution. The secured note payable requires 119 monthly payments of principal and interest of approximately $2,900 beginning in August 2014 at an annual fixed interest rate of 4.85%. The mortgage also requires a final balloon payment due in July 2014 that was originally projected to be approximately $371,600; however, the Committee has made certain principal prepayments since inception of the loan. The Committee incurred interest expense on the mortgage payable of approximately $23,500 during the year ended December 31, 2015. The outstanding principal balance and terms of the mortgage payable are as follow as of December 31, 2015:

Secured promissory note in the form of a mortgage secured by the land and building purchased as the Committee's headquarters. The original principal balance resulting from the purchase in April 2014 was approximately $500,000. The note agreement is secured by the Committee's headquarter.

Note G – Debt Obligations – Continued

Mortgage Payable - Continued:

The note agreement requires 119 monthly payments of principal of interest totaling approximately $2,900 with interest accruing at an annual interest rate of approximately 4.85%. The promissory note also requires a final final balloon payment due in July 2014 which was originally projected to be approximately $371,600. However, the Committee has made certain prepayments since inception. Interest expense incurred on the promissory note was approximately $23,500 during the year ended December 31, 2015.	$	461,955
Less current portion of notes payable		19,737
Long-term portion of notes payable	$	442,218

Capital Leases: During the year ended December 31, 2014, the Committee entered into two non-cancelable lease agreements for a digital copier and postage machine. The leases were determined by management to be capital leases and are secured by the underlying equipment. The leases are payable over 60 and 63 months, respectively, with monthly payments totaling approximately $600. The original principal balance at imputed annual interest rates of 2.89% and 11.03%, respectively, totaled approximately $33,000. As of December 31, 2015, the net book value of the capitalized assets were approximately $22,500 which was net of accumulated depreciation of approximately $10,500, including depreciation expense of approximately $6,500 on the capital leases assets during the year then ended. Interest expense incurred at the imputed interest rates noted above totaled approximately $1,100 during the year ended December 31, 2015. The outstanding principal balance and terms of the capital lease liabilities are as follows as of December 31, 2015:

Capital lease liabilities resulting from the purchase of a digital copies and postage machine. The lease agreements are secured by the underlying asset and are payable over 60 and 63 months, respectively. The original principal balances at inputted interest rates of approximately 2.89% and 11.03% totaled approximately $33,000 (or $28,400 and $4,600, respectively). The leases require monthly payments of principal and interest totaling approximately $600 (or $500 and $100, respectively). Interest expense on the capital lease agreements totaled approximately $1,100 (or $700 and $400, respectively) during the year ended December 31, 2015.	$	23,758

Note G – Debt Obligations – Continued

Mortgage Payable - Continued:

Less current portion of capital lease liabilities	6,401
Long-term portion of capital lease liabilities	$ 17,357

Future Principal Payments: Future principal payments on the mortgage payable and non-cancelable capital lease agreement are as follows for the years ending December 31:

	Mortgage	Digital Copier	Postage Machine	Total
2016	$ 19,737	$ 5,586	$ 815	$ 26,138
2017	13,657	5,750	909	20,316
2018	14,334	5,918	1,015	21,267
2019	15,045	3,024	741	18,810
2020	15,736	-	-	15,736
Thereafter	383,446	-	-	383,446
	$ 461,955	$ 20,278	$ 3,480	$ 485,713

Total future payments required on the capital lease agreements, including interest at inputted annual interest rates of 2.89% and 11.03% are as follows for the years ending December 31:

	Digital Copier	Postage Machine	Total
2016	$ 6,099	$ 1,158	$ 7,257
2017	6,099	1,158	7,257
2018	6,099	1,158	7,257
2019	3,049	772	3,821
	$ 21,346	$ 4,246	$ 25,592
Less imputed interest at an annual rates of 2.89% and 11.03%			(1,834)
Present value of net minimum lease payment			23,758
Less current portion of capital lease liabilities			6,401
Long-term portion of capital lease liabilities			$ 17,357

Note G – Debt Obligations – Continued

Interest Expense: Total interest expense incurred on the debt obligations, including the above mortgage payable and capital lease obligations, total approximately $24,600 during the year ended December 31, 2015.

Note H – Intentions-to-Give

The Committee receives commitment cards from members who many times provide their credit card information for future contribution purposes. The members are generally making recurring contributions to the Committee and do not commit to a specific number of payments or period of time for which the Committee may charge the recurring gifts. The members may also decline the charges or request that the Committee cease making charges against their credit card at any time and complete at their discretion. The Committee treats these recurring contributions as intentions-to-give or conditional promises to give and as such, revenue is not recognized until the contribution is both determinable and measurable, which generally occurs when the credit card is processed and receipt received by the Committee. During the year ended December 31, 2015, the Committee recognized approximately $323,500 from recurring contributions from members.

Note I – Temporarily Restricted Net Assets

The Committee's temporarily restricted net assets consist of various funds restricted for the building fund, college campus programs, and radio advertisements. The Committee's temporarily restricted net assets consist of the following as of December 31, 2015:

Building acquisition fund	$ 4,391
College campus programs	2,555
Radio advertising fund	349
	$ 7,295

The following net assets were released from restriction during the year ended December 31, 2015:

Building acquisition fund	$ 20,845
College campus programs	732
Legal offense fund	7,261
	$ 28,838

Note J – Retirement Plan

The Committee maintains a 401(k) defined contribution retirement plan that covers employees who meet certain minimum age and length of service requirements. As a qualified retirement plan, employees may contribute a portion of their salaries on a tax-deferred basis up to statutory limits. The Committee has elected to make matching contributions to the plan based upon 50% of employee contributions up to 6% of the participant's qualified salary. The Committee incurred matching contributions and plan administrative expenses totaling approximately $9,900 during the year ended December 31, 2015.

Note K – Commitments & Contingencies

Membership Commitment: The Committee provides nominal or token promotional items to contributors and members, such as a periodic newsletter designed to keep members informed of current developments, encourage participation in the political processes, and to promote the interests of the Committee and its candidates. Although there is no contractual or legal requirement for the Committee to provide such services, as a part of its purpose and out of courtesy to its contributors, the Committee is committed to providing timely information and promotional items to its members. The Committee recognizes expenses on these programs and items as incurred and, as such, no liability is accrued for any implied member commitment.

Federal Regulation: The Committee is subject to federal and state election laws and oversight by the Federal Election Commission (FEC). The Committee is subject to the Federal Election Campaign Act of 1971, the Bipartisan Campaign Reform Act of 2002 (BCRA), and various FEC and IRS regulations. As such, the Committee is required to file monthly and annual reports with the FEC regarding contributions and expenditures of its funds. Additionally, the Committee is precluded from receiving contributions from corporations, labor unions, and certain other third parties, and contributions received from individuals are limited to annual amounts as determined by the FEC, which was $33,400 for the year ended December 31, 2015. Furthermore, the Committee's books and records are subject to examination by regulatory bodies and such examinations can result in fines, penalties, or sanctions. Although the results of such examinations have not had a material impact upon the Committee to date, no assurance can be given regarding the uncertainty of any future compliance examinations.

Litigation and Disputes: The Committee is currently involved in several lawsuits stemming primarily from state ballot access and presidential candidacy issues. These suits involve various legal actions, claims and disputes with affiliates that arise from the normal course of business and that, in the opinion of management, will not have significant impact upon the Committee.

Employment Contracts: In July 2013, the Committee entered into an employment agreement with its Executive Director. The term of the contract is for three years ending June 2016.

Note K – Commitments & Contingencies – Continued

Employment Contracts – Continued: The employment contract provides for a base monthly salary, benefits, and performance incentives based upon financial and other performance indicators. The employment agreement allows either party to terminate the agreement with a one month written notice without any liquidating damages. In May 2015, the Committee entered into an employment agreement with its former Executive Director to assume the role of Political Director. The term of the contract is for two years ending June 2017. The employment contract provides for a base monthly salary, benefits, and performance incentives based upon financial and other performance indicators. The employment agreement allows for one month severance in addition to the monthly salary required for the notice period unless the Committee terminates the agreement for cause by three-fourths vote of the board of directors, in which case no notice of termination or severance is required.

Hotel Contracts: The Committee has hotel contracts for future conventions and meetings. These contracts contain cancellation clauses that require the Committee to pay certain liquidating damages in the event of cancellation. The amount of damages varies depending upon the date of cancellation, numbers of rooms reserved, percentage of rooms resold by the hotel, etc. Also, in the event of cancellation, the Committee risks forfeiture of any deposits made with these hotels.

Note L – Income Taxes

The Committee is recognized as a tax-exempt political organization under Section 527 of the Internal Revenue Code (IRC). Under IRC Section 527, the Committee’s exempt functions include all activities that relate to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to a public or political office. Certain activities unrelated to the exempt purpose, such as net investment income, are subject to applicable income taxes. During the year ended December 31, 2015, the Committee did not incur any significant income tax expense on its net investment income, which was under the specific deduction amount of $100 available on Form 1120-POL.

Although the Committee has not received any notice of intent to examine its tax returns, the Committee’s tax returns remain subject to examination by tax authorities pursuant to various statutes of limitations. Management believes that the Committee’s tax returns through the year ended December 31, 2011 are no longer subject to examination. Management is also unaware of any significant uncertain tax positions that are more likely than not to be sustained should the Committee’s tax returns be subject to examination. As such, the Committee did not incur or accrue any penalties and interest associated with uncertain tax positions during the years ended December 31, 2015 and 2014.

Note M – Prior Period Adjustments

During the year ended December 31, 2015, the Committee made several prior period adjustments correcting the account for its bequests, prepaid expenses, depreciation expense, accrued bonus incentives, and to correct accounting for its capital leases. The cumulative effect of the prior period adjustment was to increase the opening balance of retained earnings by approximately $20,100, from the previously stated net assets of approximately $580,000 to $600,100.

Note N – Subsequent Events Evaluation

Management has evaluated subsequent events for the period January 1, 2016 through July 11, 2016, the date on which these financial statements were available to be issued and during this period, there were no subsequent events that required recognition or disclosure in the accompanying financial statements.