DRAFT

LIBERTARIAN NATIONAL COMMITTEE, INC.
(THE LIBERTARIAN PARTY)

LIBERTARIAN
Minimum Government Maximum Freedom

AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

- CONTENTS -

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

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

DRAFT

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, 2016, 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Libertarian National Committee's financial statements as of and for the year ended December 31, 2015, and our report dated July 11, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

DRAFT

Frye & Company, CPAs
Manassas, Virginia
August 9, 2017

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2016
(*WITH 2015 COMPARATIVE TOTALS*)

	2016	2015
Assets		
Cash and cash equivalents	$ 239,852	$ 71,383
Bequests receivable, net	166,823	201,892
Prepaid expenses and other	27,899	21,820
Property and equipment:		
Land	347,881	347,881
Building and improvements	528,570	521,816
Furniture and equipment	63,206	62,001
Computer equipment	22,801	22,801
Computer software	84,645	84,645
Property and equipment, at cost	1,047,103	1,039,144
Accumulated depreciation	(184,840)	(160,175)
Property and equipment, net	862,263	878,969
Total Assets	$ 1,296,837	$ 1,174,064
Liabilities and Net Assets		
Liabilities		
Unsecured lines of credit	$ -	$ 1,471
Accounts payable and accrued expenses	24,161	2,142
Accrued salaries and related benefits	11,455	6,879
Accrued vacation	33,802	24,628
Deferred registrations	-	44,921
Capital lease liabilities	17,357	23,758
Mortgage payable	327,163	461,955
Total liabilities	413,938	565,754
Net Assets		
Unrestricted	877,044	601,015
Temporarily restricted	5,855	7,295
Total net assets	882,899	608,310
Total Liabilities and Net Assets	$ 1,296,837	$ 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, 2016
(*WITH 2015 COMPARATIVE TOTALS*)

	2016			
	Unrestricted	**Temporarily Restricted**	**Total**	**2015**
Revenue and Support				
Contributions and membership	$ 1,879,708	$ 15,560	$ 1,895,268	$ 1,073,367
Convention registrations income	398,690	-	398,690	-
Political campaign materials	316,269	-	316,269	30,360
Sponsorships and classifieds	15,836	-	15,836	13,968
Interest and dividends	215	-	215	56
Net assets released from restriction:				
Building, legal, and other funds	17,000	(17,000)	-	-
Total revenue and support	2,627,718	(1,440)	2,626,278	1,117,751
Expense				
Program services:				
Communications	306,091	-	306,091	198,741
Ballot access	444,485	-	444,485	126,051
Brand development	500,693	-	500,693	54,240
Campaign programs	94,308	-	94,308	44,216
Affiliate support	59,174	-	59,174	39,509
Outreach programs	23,470	-	23,470	39,309
Litigation and lobbying	7,338	-	7,338	16,007
Media relations	16,021	-	16,021	10,228
Campus outreach	3,580	-	3,580	6,573
Conventions and meetings	249,971	-	249,971	2,755
Total program services	1,705,131	-	1,705,131	537,629
Supporting services:				
Management and general	239,326	-	239,326	261,443
Fundraising and donor acquisition	407,232	-	407,232	310,434
Total supporting services	646,558	-	646,558	571,877
Total expense	2,351,689	-	2,351,689	1,109,506
Change in Net Assets	276,029	(1,440)	274,589	8,245
Net assets, beginning of year	601,015	7,295	608,310	579,967
Prior period adjustments	-	-	-	20,098
Net assets, beginning of year, restated	601,015	7,295	608,310	600,065
Net Assets, End of Year	$ 877,044	$ 5,855	$ 882,899	$ 608,310

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2016
(*WITH 2015 COMPARATIVE TOTALS*)

	2016	2015
Cash Provided (Used) by Operating Activities		
Change in net assets	$ 274,589	$ 8,245
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	24,665	36,803
Prior period adjustments	-	(20,098)
Changes in assets and liabilities:		
Bequests receivable	35,069	44,258
Prepaid expenses and other	(6,079)	(2,271)
Accounts payable and accrued expenses	20,548	483
Accrued salaries and related benefits	4,576	(22,058)
Accrued vacation	9,174	1,994
Deferred registrations	(44,921)	44,921
Total adjustments	43,032	84,032
Net cash provided (used) by operating activities	317,621	92,277
Cash Provided (Used) by Investing Activities		
Purchases of property and equipment	(7,959)	(2,220)
Net cash provided (used) by investing activities	(7,959)	(2,220)
Cash Provided (Used) by Financing Activities		
Principal payments on capital lease liability	(6,401)	(3,713)
Principal payments on mortgage payable	(134,792)	(33,816)
Net cash provided (used) by financing activities	(141,193)	(37,529)
Net Increase in Cash and Cash Equivalents	168,469	52,528
Cash and cash equivalents, beginning of year	71,383	18,855
Cash and Cash Equivalents, End of Year	$ 239,852	$ 71,383

Supplemental Cash Flows Information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 22,866	$ 24,586

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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 25,700 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 taxation. During the years ended December 31, 2016 and 2015, the Committee incurred no 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 Committee is also subject to oversight by the Federal Election Commission.

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 each of the years ended December 31, 2016 and 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 discounts for present value and 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 $24,700 and $26,300, respectively, for the years ended December 31, 2016 and 2015, and no significant loss on the dispositions or impairment of property and equipment was reported by the Committee during the years ended December 31, 2016 and 2016.

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, 2016.

Note B – Summary of Significant Accounting Policies – Continued

Net Assets: The Committee classifies its net assets based upon the existence or lack of donor imposed restrictions. 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 $5,900 and $7,300, respectively, as of December 31, 2016 and 2015.
- *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 significant permanently restricted net assets as of December 31, 2016 and 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 based upon management estimates of the time and effort devoted to each activity.

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, 2016, 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, 2016. 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, 2016 and 2015, the Committee reported no significant bank balance in excess of federal insurance limits.

Bequests Receivable: As of December 31, 2016 and 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, as of December 31, 2016 and 2015, the approximately 13% and 17%, respectively, of the Committee's total assets pertain to amounts due under from a single bequest.

Note D – Related Party Transactions

During the years ended December 31, 2016 and 2015, the Committee received approximately $29,800 and $17,100, respectively, in membership dues and contributions from current and former board members and current and former employees. Additionally during the year ended December 31, 2016, the Committee paid $206,100 and $96,500 to related state affiliates for ballot access petitioning and voter registration campaigns and related travel 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 each of the years ended December 31, 2016 and 2015, the Committee received approximately $33,400 from the trustee with the remaining balance of approximately $166,800 reflected as a bequest receivable as of December 31, 2016. The trustee is holding the remaining balance 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. The Committee determined that no significant discounts were necessary given the funds are held in interesting bearing, insured accounts.

Note E – Bequests Receivable – Continued

The Committee expects to receive approximately $33,900 annually from the trustee, which may be adjusted annual by the FEC based upon inflation, legislation and other regulatory matters.

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 $103,000 as of December 31, 2016 and require monthly payments of interest at annual rates that range from approximately 9.4% to 11.5% as of the year then ended. The Committee reported the outstanding balances on the lines of credit to be approximately $-0- and $1,500, respectively as of December 31, 2016 and 2015, and no significant interest expense was incurred during the years then ended. The lines of credit are revolving and subject to restrictions and annual renewals and call provisions of the lender. The terms and balances owed on the lines of credit are as follows as of December 31, 2016:

Unsecured lines of credit with regional financial institutions in the form of two credit card accounts with total available credit of $103,000. The lines are guaranteed by the authorized users and carry variable interest rates tied to the lenders' prime rates, which were approximately 9.4% and 11.5%. The Committee reported no significant outstanding balance on the lines of credit as of December 31, 2016, 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.	$ -

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 2024 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 of approximately $22,000 and $23,500, respectively, on the mortgage during the years ended December 31, 2016 and 2015.

Note G – Debt Obligations – Continued

Mortgage Payable - Continued: The outstanding principal balance and terms of the mortgage payable are as follow as of December 31, 2016:

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. 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 2024 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 $22,000 during the year ended December 31, 2016.	$ 327,163
Less current portion of notes payable	19,381
Long-term portion of notes payable	$ 307,782

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, 2016 and 2015, the net book values of the capitalized assets were approximately $16,000 and $22,500, respectively, which was net of accumulated depreciation of approximately $6,500 for each of the years then ended. Interest expense incurred at the imputed interest rates noted above totaled approximately $900 and $1,100, respectively, during the years ended December 31, 2016 and 2015. The outstanding principal balance and terms of the capital lease liabilities are as follows as of December 31, 2016:

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).

Note G – Debt Obligations – Continued

Capital Leases - Continued:

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 $900 (or $500 and $400, respectively) during the year ended December 31, 2016.	$	17,357
Less current portion of capital lease liabilities		6,659
Long-term portion of capital lease liabilities	$	10,698

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	
2017	$	19,381	$	5,750	$	909	$	26,040
2018		20,323		5,918		1,015		27,256
2019		21,331		3,024		741		25,096
2020		22,389		-		-		22,389
2021		23,499		-		-		23,499
Thereafter		220,240		-		-		220,240
	$	327,163	$	14,692	$	2,665	$	344,520

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	
2017	$	6,099	$	1,158	$	7,257
2018		6,099		1,158		7,257
2019		3,049		772		3,821
	$	15,247	$	3,088		18,335
Less imputed interest at an annual rates of 2.89% and 11.03%						(978)

Note G – Debt Obligations – Continued

Future Principal Payments – Continued:

Present value of net minimum lease payment	17,357
Less current portion of capital lease liabilities	6,659
Long-term portion of capital lease liabilities	$ 10,698

Interest Expense: Total interest expense incurred on the debt obligations, including the above mortgage payable and capital lease obligations, total approximately $22,900 and $24,600, respectively, during the years ended December 31, 2016 and 2015.

Note H – 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, 2016 and 2015:

	2016	**2015**
Building acquisition fund	$ 2,402	$ 4,391
College campus programs	2,555	2,555
Radio advertising fund	898	349
	$ 5,855	$ 7,295

The following net assets were released from restriction during the years ended December 31, 2016 and 2015:

	2016	**2015**
Building acquisition fund	$ 17,000	$ 20,845
College campus programs	-	732
Legal offense fund	-	7,261
	$ 17,000	$ 28,838

Note I – 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 years ended December 31, 2016 and 2015, the Committee recognized approximately $350,900 and $323,500, respectively, from recurring contributions from members.

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 $9,500 and $9,900, respectively, during the years ended December 31, 2016 and 2015.

Note K – Commitments & Contingencies

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.

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.

Note K – Commitments & Contingencies – Continued

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 each of the years ended December 31, 2016 and 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.

Employment Contracts: In June 2016, the Committee entered into an employment agreement with its Executive Director. The term of the contract is for a two and half year period ending December 2018. 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 office.

Note L – Income Taxes – Continued

Certain activities unrelated to the exempt purpose, such as net investment income, are subject to taxation as non-exempt income. During the years ended December 31, 2016 and 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. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Committee and to recognize a tax liability (or asset) if the Committee has taken uncertain tax positions that would more likely than not be sustained upon examination. Management is unaware of any significant uncertain tax positions arising during the years ended December 31, 2016 and 2015 that are more likely than not to be sustained should the Committee's tax returns be subject to examination. Accordingly, the Committee did not incur or accrue any penalties or interest associated with uncertain tax positions during the years ended December 31, 2016 and 2015.

Note M – Subsequent Events Evaluation

Management has evaluated subsequent events for the period January 1, 2017 through August 9, 2017, 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.