

Independent Auditors' Report

Note: The Center for Competitive Politics changed its name to the Institute for Free Speech, which was recognized by the Commonwealth of Virginia on October 16, 2017.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 16, 2017

The State Corporation Commission has found the accompanying articles submitted on behalf of
Institute for Free Speech (formerly Center for Competitive Politics)

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it
is ORDERED that this

CERTIFICATE OF AMENDMENT

be issued and admitted to record with the articles of amendment in the Office of the Clerk of the
Commission, effective October 16, 2017.

The corporation is granted the authority conferred on it by law in accordance with the articles,
subject to the conditions and restrictions imposed by law.

STATE CORPORATION COMMISSION

By

A handwritten signature in black ink that reads "Judith Williams Jagdmann". The signature is written in a cursive, flowing style.

Judith Williams Jagdmann
Commissioner

THE CENTER FOR COMPETITIVE POLITICS

(a not-for-profit organization)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2016

(with summarized comparative information for December 31, 2015)

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Center for Competitive Politics
Alexandria, Virginia

We have audited the accompanying financial statements of The Center for Competitive Politics (the Center), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2016, and the changes in its net assets 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 Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2016. 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses for the year ended December 31, 2016 with summarized comparative information for the year ended December 31, 2015 on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements as a whole.

Reimer and Company, CPA, P.C.

Alexandria, Virginia
August 25, 2017

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FINANCIAL POSITION

December 31, 2016

(with comparative information as of December 31, 2015)

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 864,960	\$ 2,479,448
Certificates of deposit - negotiable	2,000,000	-
Accounts receivable	158	146
Prepaid expenses	<u>15,229</u>	<u>19,048</u>
TOTAL CURRENT ASSETS	<u>2,880,347</u>	<u>2,498,642</u>
PROPERTY AND EQUIPMENT, at cost		
Furniture, fixtures, and equipment	107,608	105,921
Leasehold improvements	80,709	80,709
Software	16,031	16,031
Equipment under capital lease	17,498	17,498
Accumulated depreciation	<u>(211,070)</u>	<u>(206,141)</u>
TOTAL PROPERTY AND EQUIPMENT, net	<u>10,776</u>	<u>14,018</u>
OTHER ASSETS		
Security deposit	<u>200</u>	<u>200</u>
TOTAL ASSETS	<u><u>\$ 2,891,323</u></u>	<u><u>\$ 2,512,860</u></u>

See Notes to Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF FINANCIAL POSITION

December 31, 2016

(with comparative information as of December 31, 2015)

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 59,648	\$ 50,632
Accrued expenses	77,424	42,618
Capital lease obligation	3,646	3,478
Escrow	<u>1,631</u>	<u>2,551</u>
TOTAL CURRENT LIABILITIES	<u>142,349</u>	<u>99,279</u>
LONG-TERM LIABILITIES		
Capital lease obligation, net of current portion	<u>4,149</u>	<u>7,795</u>
TOTAL LIABILITIES	<u>146,498</u>	<u>107,074</u>
NET ASSETS		
Unrestricted	2,643,882	2,304,843
Temporarily restricted	<u>100,943</u>	<u>100,943</u>
TOTAL NET ASSETS	<u>2,744,825</u>	<u>2,405,786</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,891,323</u>	<u>\$ 2,512,860</u>

See Notes to Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2016

(with summarized comparative information for the year ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 2,021,188	\$ -	\$ 2,021,188	\$ 1,949,486
Litigation award	125,000	-	125,000	-
Donated services	90,720	-	90,720	88,569
Special events	-	-	-	70,300
Miscellaneous	8,381	-	8,381	1,385
Interest income	217	-	217	101
TOTAL SUPPORT AND REVENUE	2,245,506	-	2,245,506	2,109,841
EXPENSES				
Program services	1,653,947	-	1,653,947	1,479,693
Management and general	58,891	-	58,891	49,110
Development	193,629	-	193,629	221,303
TOTAL EXPENSES	1,906,467	-	1,906,467	1,750,106
CHANGE IN NET ASSETS	339,039	-	339,039	359,735
NET ASSETS, beginning of year	2,304,843	100,943	2,405,786	2,046,051
NET ASSETS, end of year	\$ 2,643,882	\$ 100,943	\$ 2,744,825	\$ 2,405,786

See Notes to Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS**STATEMENT OF CASH FLOWS****Year Ended December 31, 2016****(with comparative information for the year ended December 31, 2015)**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Support and revenue	\$ 2,245,277	\$ 2,110,247
Interest income	217	101
	<u>2,245,494</u>	<u>2,110,348</u>
Total cash received from operations		
	<u>2,245,494</u>	<u>2,110,348</u>
Cash disbursed by operations		
Payment to suppliers and employees	1,854,359	1,734,754
Interest expense	458	618
	<u>1,854,817</u>	<u>1,735,372</u>
Total cash disbursed by operations		
	<u>1,854,817</u>	<u>1,735,372</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>390,677</u>	<u>374,976</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,000,000)	-
Purchase of property and equipment	(1,687)	(2,596)
	<u>(2,001,687)</u>	<u>(2,596)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,001,687)</u>	<u>(2,596)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(3,478)	(3,318)
	<u>(3,478)</u>	<u>(3,318)</u>
NET (DECREASE) INCREASE IN CASH	<u>(1,614,488)</u>	<u>369,062</u>
CASH, beginning of year	<u>2,479,448</u>	<u>2,110,386</u>
CASH, end of year	<u>\$ 864,960</u>	<u>\$ 2,479,448</u>

See Notes to Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	<u>\$ 339,039</u>	<u>\$ 359,735</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation expense	4,929	4,286
Noncash occupancy costs	-	<u>(732)</u>
	<u>4,929</u>	<u>3,554</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH		
ASSETS		
Accounts receivable	(12)	507
Prepaid expenses	<u>3,819</u>	<u>(4,203)</u>
	<u>3,807</u>	<u>(3,696)</u>
LIABILITIES		
Accounts payable	9,016	16,817
Accrued expenses	34,806	(584)
Escrow	<u>(920)</u>	<u>(850)</u>
	<u>42,902</u>	<u>15,383</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>46,709</u>	<u>11,687</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 390,677</u></u>	<u><u>\$ 374,976</u></u>

See Notes to Financial Statements.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

The Center for Competitive Politics (the Center) is an independent, not-for-profit organization incorporated in Virginia in November 2005 that promotes and defends the First Amendment to the United States Constitution's rights to free political speech, assembly and petition through litigation, communication, research and education. The Center's major program activities are as follows:

1. Litigation - The litigation program of the Center pursues strategic litigation and files amicus briefs to defend the First Amendment rights to free political speech, assembly and petition.
2. Research and External Relations - The Center publishes research on the effects of laws and regulations on the First Amendment rights to free political speech, assembly and petition. The Center also tracks and analyzes proposed legislation and regulations at the federal and state levels that could affect these First Amendment rights.
3. Communication - The Center educates its supporters and the public at large of the benefits of the First Amendment rights to free political speech, assembly and petition and the importance of these rights to competitive elections to ensure integrity at all levels of the political process. It communicates this information through published articles in newspapers, websites and magazines, briefings of and interviews with journalists, appearances on television and radio, newsletters and an extensive website and blog.

Subsequent to the fiscal year, the Board of Directors approved changing the Center's name to the Institute for Free Speech and as of August 25, 2017 was in the process of adopting the name change.

Significant Accounting Policies

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and has been granted public charity status. The Center conducts no taxable activities. Accordingly, no provision for income taxes has been provided in the financial statements.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination. Management evaluated the Center's tax positions and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Significant Accounting Policies (Continued)

Basis of Accounting

The Center prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Revenues are recognized in the period in which they are earned; expenses are recognized in the period in which they are incurred.

Summarized Information

The financial statements include certain summarized comparative information in total but not by each class of net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Cash and Cash Equivalents

Cash consists of checking and money market accounts. The Center considers as cash equivalents highly liquid investments which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. There were no cash equivalents as of December 31, 2016 and 2015.

Investments

The Center's investment portfolio includes certificates of deposit and money held in interest bearing deposit accounts. Certificates of deposit with maturities no more than one year are classified as short-term investments. Certificates with maturities greater than one year are classified as other long-term investments. Certificates of deposit are reported at cost plus accrued interest which approximates fair value. The certificates of deposit bear interest ranging from 0.50% to 0.85% at December 31, 2016 and have maturities ranging from 3 months to 1 year as of December 31, 2016. The Center held no investments as of December 31, 2015.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Center provides for losses on accounts receivable using the allowance method. Management has determined that all significant receivables are collectible and, therefore, an allowance for doubtful accounts has not been established. Accounts receivable are considered past due if payments are not received within 30 days of the invoice date. Returns are recorded as accepted and accounts receivable deemed uncollectible are charged off based on individual credit evaluation and specific circumstances of the parties involved.

Property and Depreciation

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the appropriate fair value at the date of donation. Depreciation is computed using the straight-line method.

Intangible Assets

Intangible assets are carried at cost. Amortization is computed using the straight-line method based on the asset's estimated useful life. When the asset is retired or otherwise disposed of, the cost and related accumulated amortization are removed from the accounts, and any resulting gain or loss is recognized.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to the Center, the Center accounts for its resources in classes established according to their nature and purpose. As of December 31, 2016 and 2015, the net assets of the Center included both unrestricted and temporarily restricted net assets.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Significant Accounting Policies (Continued)

Classes of Assets

Unrestricted Net Assets include net assets which are available for general operations, as well as funds set aside by the Center's Board of Directors.

Temporarily Restricted Net Assets include net assets which are subject to donor-imposed restrictions for support of a particular operating activity.

Permanently Restricted Net Assets represent contributions received from donors to be held in perpetuity. There were no permanently restricted net assets as of December 31, 2016 and 2015.

Recognition of Contributions

The Center reports contributions with donor-imposed restrictions as restricted support; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. When the donor restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional contributions are recognized as refundable advances until they become unconditional, at which time they are recognized as support.

Donated Services

The center receives donated professional services for legal, research, and communication projects. These donated services have been recorded in the financial statements at their estimated fair value in the Statement of Activities.

Allocation of Functional Expenses

Expenses are charged directly to functional classifications of program, management and general, or development based on specific identification. Indirect expenses have been allocated to functional classifications based on level of effort.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made in the 2015 financial statement presentation to conform to the classifications used in the 2016 financial statements.

2. CASH

Cash as of December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Operating accounts	\$ 864,960	\$ 2,424,629
Payroll account	-	54,819
	<u>\$ 864,960</u>	<u>\$ 2,479,448</u>

The Center maintains cash balances at multiple financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of December 31, 2016 and 2015, the Center's cash balances in excess of federal deposit insurance coverage totaled \$628,613 and \$1,721,628 respectively.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

3. PROPERTY AND DEPRECIATION

Property and depreciation for the years ended December 31, 2016 and 2015 consisted of the following:

	2016			Useful life (years)
	Cost	Depreciation expense	Accumulated depreciation	
Furniture, fixtures, and equipment	\$ 107,608	\$ 1,429	\$ 104,122	3 - 5
Leasehold improvements	80,709	-	80,709	3 - 6
Equipment under capital lease	17,498	3,500	10,208	5
Software	16,031	-	16,031	3
	<u>\$ 221,846</u>	<u>\$ 4,929</u>	<u>\$ 211,070</u>	

	2015			Useful life (years)
	Cost	Depreciation expense	Accumulated depreciation	
Furniture, fixtures, and equipment	\$ 105,921	\$ 786	\$ 102,693	3-5
Leasehold improvements	80,709	-	80,709	3-6
Equipment under capital lease	17,498	3,500	6,708	5
Software	16,031	-	16,031	3
	<u>\$ 220,159</u>	<u>\$ 4,286</u>	<u>\$ 206,141</u>	

4. INVESTMENTS

Investments are recorded at fair value and consist of the following as of December 31, 2016:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
	Money market funds	\$ 339	\$ 339
Certificates of deposit	2,000,000	1,999,661	(339)
	<u>\$ 2,000,339</u>	<u>\$ 2,000,000</u>	<u>\$ (339)</u>

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

5. FAIR VALUE MEASUREMENTS

The Center records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Center's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of December 31, 2016:

	Fair Value	Level 1	Level 2
Money market fund	\$ 339	\$ 339	\$ -
Certificates of deposit	1,999,661	-	1,999,661
	<u>\$ 2,000,000</u>	<u>\$ 339</u>	<u>\$ 1,999,661</u>

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

6. CAPITAL LEASE

The Center entered into an agreement to lease a copier machine under a capital lease which commenced in February 2014 and expires January 2019. The assets and liabilities under the capital lease are recorded at the lower of the present value of the minimum lease payments or the market value of the asset and will be amortized over its estimated useful life. The capital lease obligation is secured by the leased assets.

Future minimum lease payments under this capital lease are as follows:

Fiscal year ending	Total Payments	Interest Portion	Net
2017	\$ 3,936	\$ 290	\$ 3,646
2018	3,936	114	3,822
2019	328	1	327
Total	<u>\$ 8,200</u>	<u>\$ 405</u>	<u>\$ 7,795</u>

Total interest expense for the years ended 2016 and 2015 was \$458 and \$618, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

	2016			
	Balance at January 1, 2016	Support and revenue	Net assets released from restrictions	Balance at December 31, 2016
Purpose restricted				
Advocacy restrictions project	<u>\$ 100,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,943</u>
	2015			
	Balance at January 1, 2015	Support and revenue	Net assets released from restrictions	Balance at December 31, 2015
Purpose restricted				
Advocacy restrictions project	<u>\$ 105,239</u>	<u>\$ -</u>	<u>\$ (4,296)</u>	<u>\$ 100,943</u>

8. RETIREMENT PLAN

The Center maintains a 401K plan into which employees can contribute up to \$12,000 of their compensation in pre-tax dollars. The Center matches employee contributions up to 3% of an employee's salary. Contribution expense for the Center totaled \$25,402 and \$21,465 for the years ended 2016 and 2015, respectively.

THE CENTER FOR COMPETITIVE POLITICS

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2016

(with comparative information for the year ended December 31, 2015)

9. COMMITMENTS - OFFICE LEASE

The Center entered into a lease agreement in September 2007 to lease office space in Alexandria, Virginia. The yearly base rent at the start of the lease was \$88,416 with a cost of living increase of 3% being incurred annually. The lease ended in February 2015 and the Center has not renewed the lease. By mutual agreement, the Center has renewed on a month to month lease basis until further notice. Rent expense for the years ended December 31, 2016 and 2015 was \$122,457 and \$118,185, respectively.

10. RELATED PARTY TRANSACTIONS

The Center has entered into an agreement with the Chairman of its Board of Directors for consulting services to provide legal services, assist the Center's communications activities, including but not limited to media interviews, articles, blog posts and speeches, assist with research and external relations, including testimony, letters and speeches, assist fundraising activities and provide other services as requested. The original agreement expired December 31, 2011; however it has been renewed through December 31, 2015 and will be automatically renewed on an annual basis unless cancelled in writing. The consulting services for the years ended December 31, 2016 and 2015 totaled \$66,000 for each year, respectively.

11. CONCENTRATIONS

During 2016, the Center received \$1,810,000 or 80.61% of its total revenue from seventeen donors. During 2015, the Center received \$1,750,000 or 82.94% of its total revenue from sixteen donors. No contracts or pledges exist as a guarantee that these levels of contributions will continue.

12. DONATED SERVICES

The fair value of donated services included as in-kind revenue and program services in the accompanying financial statements for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Legal	\$ 72,630	\$ 76,806
Communications	18,090	11,263
Research and external relations	-	500
	<u>\$ 90,720</u>	<u>\$ 88,569</u>

13. SUBSEQUENT EVENTS

In preparing the financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through August 25, 2017, the date of the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE CENTER FOR COMPETITIVE POLITICS

SCHEDULE OF FUNCTIONAL EXPENSES

Year ended December 31, 2016 (with summarized comparative information for the year ended December 31, 2015)

	2016							2015
	Program Services				Supporting Services			
	Communication	Legal	Research and External Relations	Total Program	Management and General	Development	Total	
Salaries	\$ 150,274	\$ 412,149	\$ 289,653	\$ 852,076	\$ 21,791	\$ 107,675	\$ 981,542	\$ 838,055
Payroll taxes	10,286	28,212	19,827	58,325	1,492	7,370	67,187	59,962
Employee benefits	17,661	48,438	34,041	100,140	2,561	12,654	115,355	92,960
Accounting fees	2,286	6,271	4,407	12,964	332	1,638	14,934	14,391
Bank fees	77	210	148	435	11	55	501	1,208
Business meals	-	245	944	1,189	8,721	53	9,963	937
Computer services	2,007	5,506	3,869	11,382	292	1,438	13,112	16,181
Conference	-	-	2,841	2,841	-	335	3,176	12,135
Depreciation	755	2,070	1,455	4,280	108	541	4,929	4,286
Donated services	18,090	72,630	-	90,720	-	-	90,720	88,569
Dues and subscriptions	564	44,376	18,170	63,110	147	680	63,937	38,046
Equipment rental	-	-	-	-	-	-	-	400
Insurance	-	7,239	-	7,239	779	-	8,018	7,021
Interest	70	192	135	397	11	50	458	618
Legal	-	47,702	-	47,702	-	11,367	59,069	41,805
Licenses and fees	-	97	300	397	2,252	-	2,649	2,263
Lobbying	-	-	-	-	-	-	-	30,000
Mailing, postage, and printing	11,032	18,726	2,921	32,679	2,098	9,681	44,458	24,061
Marketing	25	-	-	25	-	-	25	150
Meetings	2,000	2,269	1,200	5,469	1,828	(1,421)	5,876	70,742
Professional fees	98,265	27,175	83,051	208,491	11,250	14,735	234,476	171,786
Rent	18,748	51,420	36,137	106,305	2,718	13,434	122,457	118,185
Supplies	1,247	3,420	2,403	7,070	181	893	8,144	6,914
Telephone and internet	720	1,976	1,389	4,085	105	516	4,706	5,472
Travel	368	15,228	14,261	29,857	2,041	11,080	42,978	34,038
Grant expense	-	-	-	-	-	-	-	3,600
Miscellaneous	1,194	3,274	2,301	6,769	173	855	7,797	18,437
Total	\$ 335,669	\$ 798,825	\$ 519,453	\$ 1,653,947	\$ 58,891	\$ 193,629	\$ 1,906,467	\$ 1,702,222

See Independent Auditors' Report.