

EMPLOYEES POLITICAL ACTION COMMITTEE

FINANCIAL STATEMENTS

Years Ended December 31, 2014, 2013, and 2012

EMPLOYEES POLITICAL ACTION COMMITTEE

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December 31, 2014, 2013, and 2012

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Williams Overman Pierce, LLP
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Employees Political Action Committee
Raleigh, North Carolina

We have audited the accompanying financial statements of Employees Political Action Committee (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014, 2013, and 2012, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors consider 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 Employees Political Action Committee as of December 31, 2014, 2013, and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

William Overman Pierce, LLP

Raleigh, North Carolina
July 17, 2015

EMPLOYEES POLITICAL ACTION COMMITTEE
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2014, 2013 and 2012

ASSETS

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---------------------------|--------------------------|--------------------------|-------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ <u>129,650</u> | \$ <u>225,497</u> | \$ <u>13,771</u> |
| | \$ <u><u>129,650</u></u> | \$ <u><u>225,497</u></u> | \$ <u><u>13,771</u></u> |

LIABILITIES AND NET ASSETS

| | | | |
|------------------|--------------------------|--------------------------|-------------------------|
| Liabilities: | | | |
| Accounts payable | \$ _____ | \$ <u>165</u> | \$ _____ |
| Contingencies | | | |
| Net Assets: | | | |
| Unrestricted | <u>129,650</u> | <u>225,332</u> | <u>13,771</u> |
| | \$ <u><u>129,650</u></u> | \$ <u><u>225,497</u></u> | \$ <u><u>13,771</u></u> |

See accompanying notes to financial statements.

EMPLOYEES POLITICAL ACTION COMMITTEE
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Years Ended December 31, 2014, 2013, and 2012

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|------------------------------------|-------------------|-------------------|------------------|
| Support and revenue: | | | |
| Member contributions | \$ 326,579 | \$ 271,684 | \$ 326,729 |
| Promotional campaign contributions | 31,166 | 35,073 | 45,048 |
| Investment income | <u>1,415</u> | <u>796</u> | <u>1,589</u> |
| Total support and revenue | <u>359,160</u> | <u>307,553</u> | <u>373,366</u> |
| Expenses: | | | |
| Campaign contributions | 151,550 | 25,000 | 100,050 |
| Media advertising | 173,292 | | 491,749 |
| Direct mail expenses | 62,094 | 11,884 | 52,415 |
| Promotional campaign expenses | 35,738 | 31,032 | 35,724 |
| Travel and meeting expenses | 26,859 | 22,108 | 20,391 |
| Other | <u>5,309</u> | <u>5,968</u> | <u>14,106</u> |
| Total expenses | <u>454,842</u> | <u>95,992</u> | <u>714,435</u> |
| Change in net assets | (95,682) | 211,561 | (341,069) |
| Net assets at beginning of year | <u>225,332</u> | <u>13,771</u> | <u>354,840</u> |
| Net assets at end of year | <u>\$ 129,650</u> | <u>\$ 225,332</u> | <u>\$ 13,771</u> |

See accompanying notes to financial statements.

EMPLOYEES POLITICAL ACTION COMMITTEE
 STATEMENTS OF CASH FLOWS
 For the Years Ended December 31, 2014, 2013, and 2012

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash received from contributors | \$ 357,745 | \$ 306,757 | \$ 371,777 |
| Cash paid to candidates and suppliers | (455,007) | (95,827) | (714,435) |
| Investment income received | <u>1,415</u> | <u>796</u> | <u>1,589</u> |
| Net cash (used in) provided by operating activities | <u>(95,847)</u> | <u>211,726</u> | <u>(341,069)</u> |
| Net (decrease) increase in cash and cash equivalents | (95,847) | 211,726 | (341,069) |
| Cash and cash equivalents, beginning of year | <u>225,497</u> | <u>13,771</u> | <u>354,840</u> |
| Cash and cash equivalents, end of year | <u>\$ 129,650</u> | <u>\$ 225,497</u> | <u>\$ 13,771</u> |

| | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|--------------------|-------------------|---------------------|
| Reconciliation of changes in net assets to net cash (used in) provided by operating activities: | | | |
| Change in net assets | \$ <u>(95,682)</u> | \$ <u>211,561</u> | \$ <u>(341,069)</u> |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | | |
| (Decrease) increase in accounts payable | <u>(165)</u> | <u>165</u> | <u> </u> |
| Net cash (used in) provided by operating activities | <u>\$ (95,847)</u> | <u>\$ 211,726</u> | <u>\$ (341,069)</u> |

See accompanying notes to financial statements.

EMPLOYEES POLITICAL ACTION COMMITTEE
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Organization and Nature of Activities:

Employees Political Action Committee (the "Organization") is a subsidiary of the State Employees Association of North Carolina, Inc. ("SEANC"). The Organization was formed in 1984 and serves to influence and support the nomination and election of candidates for public office, regardless of political affiliation, who demonstrate a commitment to responsible government and to the welfare of state employees and their families. The Organization also serves to educate the membership of SEANC regarding issues affecting active and retired state employees.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The basis of accounting conforms to accounting principles generally accepted in the United States of America.

Basis of Presentation:

Financial statement presentation follows the recommendations of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets. These classes are as follows:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met either by action of the Organization and/or the passage of time are temporarily restricted net assets.

Permanently Restricted Net Assets

Net assets that are required by donor-imposed stipulations to be maintained permanently by the Organization are classified as permanently restricted net assets.

EMPLOYEES POLITICAL ACTION COMMITTEE
NOTES TO FINANCIAL STATEMENTS

Revenue Recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Contributed Services:

Numerous volunteers have contributed significant amounts of time to the Organization which have not been reflected in the accompanying statements of financial position as they did not meet the criteria for recognition as described in the Revenue Recognition for Contributions Received Topic of the FASB Accounting Standards Codification. Time contributed was primarily related to fundraising and administrative tasks.

Income Taxes:

Political action committees are generally granted tax exempt status by the Internal Revenue Service ("IRS") under Section 527 of the Internal Revenue Code. In order to receive this status, an organization must file an application for exempt status with the IRS. After exempt status is granted, an organization is required to file annual tax returns with the IRS.

The Organization is not able to determine if an exempt status application was made and if any annual returns have been filed with the IRS. The Organization could be subject to income taxes and/or penalties for late filings and possibly late payment of taxes. Management is unable to reasonably estimate expenses related to this matter.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

EMPLOYEES POLITICAL ACTION COMMITTEE
NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents:

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Advertising and Marketing Expense:

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing expenses for the years ended December 31, 2014 and 2012 totaled \$173,292 and \$491,749, respectively. There were no advertising or marketing expenses during the year ended December 31, 2013.

2. Concentrations of Credit Risk:

The Organization maintains cash balances at financial institutions located in North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, 2013, and 2012, all cash balances were fully insured.

The Organization receives a significant portion of its funding from employees of the State of North Carolina. This group is subject to changes in employment as funding of its employer is voted on by the North Carolina General Assembly annually. Changes in employment for this group could cause a significant decrease in contributions to the Organization.

3. Contingencies:

The Organization is required to file tax returns with the Internal Revenue Service ("IRS"). As of July 17, 2015 the Organization is unable to determine if annual returns have been filed with the IRS. See Note 1, Income Taxes, for additional information. At this time, management is unable to reasonably estimate expenses related to this matter. A penalty of \$20 per day could be assessed by the IRS for each late return not to exceed the lesser of \$10,000 or 5% of the Organization's gross receipts for the year.

The Organization is required to file certain financial reports with the North Carolina State Board of Elections pursuant to G.S. 163-278.9. The Organization determined the reports filed during the years ended December 31, 2014, 2013, and 2012 contained errors. Management plans to amend these reports and does not anticipate any fines or legal activity due to these errors.

The Organization is also required to report to the North Carolina State Board of Elections the allocable portion of the compensation of any officer or employee of SEANC that has devoted more than 35% of their time to the Organization, and disclose all in-kind contributions made by SEANC. Management has not tracked this information and is therefore unable to comply with these reporting requirements.

EMPLOYEES POLITICAL ACTION COMMITTEE
NOTES TO FINANCIAL STATEMENTS

The North Carolina State Bureau of Investigation ("SBI") has requested a copy of the most recent audited financial statements of the Organization in connection with an investigation of the former Executive Director of SEANC. Management does not anticipate any negative consequences resulting from this matter.

4. Subsequent Events:

The Organization has evaluated subsequent events through July 17, 2015, the date which the financial statements were available to be issued. No significant subsequent events were identified by management.