

August 26, 2015

Chairman Steve House
Colorado Republican Party
(Via email steve@cologop.org)

RE: Quarterly financial statements

Dear Chairman House:

We are following up on our letter of August 7, 2015 and other CRC members' letters to request that the party provide fairly stated financial statements to the CRC members. We also request that the party promptly file amended accurate FEC and SOS filings for 2015.

The financial schedules emailed by your office on July 30 are deficient and do not meet the requirement to provide the CRC members with "quarterly financial statements." The meaning of "financial statements" is well understood to include an income statement, a balance sheet and cash flow statement. We again request that you fulfill the requirements of the bylaws by providing fairly stated first and second quarter financial statements to the CRC members.

In an email to Jim Huffman on August 4, you committed that CRC would see corrections by month end. ["Once we get thru the August executive committee meeting you will see a major correction and amendment to this." And, "You will see the corrections before month end."] It is those corrections to the financial reports previously provided that we request by the end of this month.

We had expected to learn more about the party's financial condition, updated financial statements, regulatory compliance, loan covenant compliance, and the status of required audits at the Executive Committee meeting on August 21, 2015. However the discussion was held behind closed doors and decisions as to audits, campaign compliance reporting and remediation of reporting deficiencies were also made in private, and not recorded in the minutes available to CRC members. We believe that such decisions should not be concealed from the membership and

donors, even if the discussions leading up to formal decisions on financial matters are conducted in executive session.

We are concerned about the fairness and accuracy of the financial disclosures in state and federal campaign finance reports and the “quarterly financial statements” based on statements you have made about the party’s financial reporting. You have communicated:

--that “in our particular case” a currently prepared balance sheet would disclose a deficit of \$5.5 million in net assets, because of the “a whole lot of liabilities and small amount of cash.” (Discussed in the Pueblo meeting)

--that as of March 31, 2015 the party was in “dire financial straits.” (August 4, email to Jim Huffman.) Is this still true? If not, how was financial crisis remedied?

--that you will record bank loan proceeds as “income” on future financial statements. (Discussed in the Pueblo meeting.)

--that the party’s books are kept on a GAAP basis but financial statements are prepared on some other (undefined) basis. (in the Pueblo meeting and in email to Kim Herzfeldt 8/1/15)

--that “Generally Accepted Accounting Principles don't apply to a political committee and frankly would be nonsensical if published that way.” (in email to Kandee Evans, August 10)

--that disclosing amounts of unpaid bills and accrued expenses is a “gray area” and therefore has not been undertaken on your watch. (in email to Elaine Brofford, July 29)

--that there is over \$100,000 in unpaid legal bills. (in email to Huffman.) We find no such liability recorded on the campaign finance reports, including the August 20 report.

--that we should expect that the party will move in and out of “insolvency” during any particular year. (in the Pueblo meeting.)

--that the basic components of “financial statements” (balance sheets, income statements, and cash flow statements) are not appropriate for political party financial reporting.

--that the bank loan covenants do not require GAAP-based financial statements. (in email to Herzfeldt August 1, 2015)

--that the "accounting system is essentially broke and needs things to operate." (in email to Kandee Evans, August 10, 2015)

-- that a "balance sheet is not relevant" for the party, and not " required by the bylaws." (in email to Kandee Evans).

--that, "*Starting this month*, we will be giving the EC more information on outstanding bills and debt now that we have had time to review and process where we are." (July 30 email to CRC)

Tyler Hart stated on July 9 that an audit was being conducted on the first quarter financials prior to distribution to the CRC. However, apparently no audit was undertaken and the financial reports forwarded were materially deficient.

You stated on July 29 to Elaine Brofford that the party would be having discussions with relevant agencies to determine if unpaid bills and accrued liabilities must be reported. It is a reasonable request and we wish to know whether the issue has indeed been reported to the relevant agencies.

You stated repeatedly that you would be sharing the full details of the accounting problems, financial reporting issues and financial condition with the Executive Committee on August 21. If material issues or reporting deficiencies were disclosed to the Executive Committee that indicate that recent campaign finance reporting contains material inaccuracies, please ensure that such filings are promptly amended, and amend the Q1 and Q2 statements accordingly prior to forwarding them to the CRC.

These are but a few of the concerning assertions you have made that related to the fairness of the financial statements, and compliance with loan covenants, bylaws, and federal and state campaign finance reporting laws. The reputation of the Colorado Republican Party is at stake and confidence of members, donors and candidates will continue to erode unless the party is complying with financial disclosure requirements. Additionally, messaging from you and your office regarding the financial activities of the party must exemplify the ethics and goals of this state party---to be honest, ethical, transparent and above reproach.

Please honor our request to provide us with the fairly stated first and second quarters' financial statements.

Sincerely,

Nick Lundberg (Denver)

Doug Childress (Jefferson County)

Ken Clark (Denver)

Randy Corporon (Arapahoe County)

cc: Executive Committee members

Reince Priebus

Bob Balink, Treasurer