

***DRAFT***

**LIBERTARIAN NATIONAL COMMITTEE, INC.  
(THE LIBERTARIAN PARTY)**



**AUDITED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2017**

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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, 2017, 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, 2017, 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, 2016, and our report dated August 9, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

 **DRAFT** CPAs

***Frye & Company, CPAs***  
**Manassas, Virginia**  
**May 29, 2018**

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**STATEMENT OF FINANCIAL POSITION**

**AS OF DECEMBER 31, 2017**  
**(WITH 2016 COMPARATIVE TOTALS)**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 156,281	\$ 239,852
Bequests receivable, net	210,493	166,823
Prepaid expenses and other	37,003	27,899
Property and equipment:		
Land	347,881	347,881
Building and improvements	528,570	528,570
Furniture and equipment	63,206	63,206
Computer equipment	22,801	22,801
Computer software	84,645	84,645
Property and equipment, at cost	<u>1,047,103</u>	<u>1,047,103</u>
Accumulated depreciation	<u>(209,105)</u>	<u>(184,840)</u>
Property and equipment, net	<u>837,998</u>	<u>862,263</u>
<b>Total Assets</b>	<u><u>\$ 1,241,775</u></u>	<u><u>\$ 1,296,837</u></u>
 <b>Liabilities and Net Assets</b>		
Liabilities		
Unsecured lines of credit	\$ -	\$ -
Accounts payable and accrued expenses	27,581	24,161
Accrued salaries and related benefits	9,073	11,455
Accrued vacation	21,174	33,802
Deferred registrations	101,728	-
Capital lease liabilities	10,698	17,357
Mortgage payable	<u>236,318</u>	<u>327,163</u>
Total liabilities	406,572	413,938
Net Assets		
Unrestricted	827,529	877,044
Temporarily restricted	<u>7,674</u>	<u>5,855</u>
Total net assets	<u>835,203</u>	<u>882,899</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,241,775</u></u>	<u><u>\$ 1,296,837</u></u>

See accompanying auditors' report and notes to financial statements.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**STATEMENT OF ACTIVITIES  
& CHANGE IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2017  
(WITH 2016 COMPARATIVE TOTALS)**

	2017			
	Unrestricted	Temporarily Restricted	Total	2016
<b>Revenue and Support</b>				
Contributions and membership	\$ 1,356,375	\$ 72,308	\$ 1,428,683	\$ 1,895,268
Convention and other events	90,832	-	90,832	398,690
Political campaign materials	61,902	-	61,902	316,269
Sponsorships and classifieds	6,344	-	6,344	15,836
Interest and dividends	627	-	627	215
Net assets released from restriction:				
Building, legal, and other funds	70,489	(70,489)	-	-
Total revenue and support	1,586,569	1,819	1,588,388	2,626,278
<b>Expense</b>				
Program services:				
Communications	368,458	-	368,458	306,091
Ballot access	151,575	-	151,575	444,485
Brand development	110,731	-	110,731	500,693
Affiliate support	72,348	-	72,348	59,174
Campaign programs	63,889	-	63,889	94,308
Outreach programs	50,951	-	50,951	23,470
Media relations	15,961	-	15,961	16,021
Conventions and events	14,577	-	14,577	249,971
Litigation and lobbying	4,979	-	4,979	7,338
Campus outreach	3,477	-	3,477	3,580
Total program services	856,946	-	856,946	1,705,131
Supporting services:				
Management and general	286,448	-	286,448	239,326
Fundraising and donor acquisition	492,690	-	492,690	407,232
Total supporting services	779,138	-	779,138	646,558
Total expense	1,636,084	-	1,636,084	2,351,689
<b>Change in Net Assets</b>	(49,515)	1,819	(47,696)	274,589
Net assets, beginning of year	877,044	5,855	882,899	608,310
<b>Net Assets, End of Year</b>	<u>\$ 827,529</u>	<u>\$ 7,674</u>	<u>\$ 835,203</u>	<u>\$ 882,899</u>

See accompanying auditors' report and notes to financial statements.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2017**  
**(WITH 2016 COMPARATIVE TOTALS)**

	<u>2017</u>	<u>2016</u>
<b>Cash Provided (Used) by Operating Activities</b>		
Change in net assets	\$ (47,696)	\$ 274,589
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	24,265	24,665
Changes in assets and liabilities:		
Bequests receivable	(43,670)	35,069
Prepaid expenses and other	(9,104)	(6,079)
Accounts payable and accrued expenses	3,420	20,548
Accrued salaries and related benefits	(2,382)	4,576
Accrued vacation	(12,628)	9,174
Deferred registrations	101,728	(44,921)
Total adjustments	<u>61,629</u>	<u>43,032</u>
Net cash provided (used) by operating activities	<u>13,933</u>	<u>317,621</u>
<b>Cash Provided (Used) by Investing Activities</b>		
Purchases of property and equipment	<u>-</u>	<u>(7,959)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(7,959)</u>
<b>Cash Provided (Used) by Financing Activities</b>		
Principal payments on capital lease liability	(6,659)	(6,401)
Principal payments on mortgage payable	<u>(90,845)</u>	<u>(134,792)</u>
Net cash provided (used) by financing activities	<u>(97,504)</u>	<u>(141,193)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	(83,571)	168,469
Cash and cash equivalents, beginning of year	<u>239,852</u>	<u>71,383</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 156,281</u></u>	<u><u>\$ 239,852</u></u>
 <b>Supplemental Cash Flows Information:</b>		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 13,555</u>	<u>\$ 22,866</u>

See accompanying auditors' report and notes to financial statements.

## **LIBERTARIAN NATIONAL COMMITTEE, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

#### **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 13,800 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 expenses when obligations are incurred. The financial statements include certain prior-year summarized comparative information in total and not by net asset class. 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 Committee's financial statements as of and for the year ended December 31, 2016, from which the summarized information was derived. Certain prior year information was reclassified to adhere with the current financial statement presentation.

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.



**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**Note B – Summary of Significant Accounting Policies – Continued**

Income Tax Status - Continued: Certain activities unrelated to the exempt purpose, such as net investment income, are subject to taxation. During the years ended December 31, 2017 and 2016, 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.

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 \$33,900 and \$33,400, respectively, from the trustee during the years ended December 31, 2017 and 2016. 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 minimis items are expensed as incurred.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**Note B – Summary of Significant Accounting Policies – Continued**

Property and Equipment: Depreciation and amortization expense was approximately \$24,300 and \$24,700, respectively, for the years ended December 31, 2017 and 2016. No significant loss on the dispositions or impairment of property and equipment was reported by the Committee during the years ended December 31, 2017 and 2017.

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 escalations as of December 31, 2017.

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 \$7,700 and \$5,900, respectively, as of December 31, 2017 and 2016.
- *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, 2017 and 2016.

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.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**Note B – Summary of Significant Accounting Policies – Continued**

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.

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, 2017 and 2016, the Committee determined that no significant assets or liabilities were reported at fair value on a recurring basis in the accompanying financial statements.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**Note B – Summary of Significant Accounting Policies – Continued**

Fair Value Measurements – Continued: 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, 2017 and 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, 2017 and 2016, the Committee reported no significant bank balance in excess of federal insurance limits.

Bequests Receivable: As of December 31, 2017 and 2016, significantly all of the Committee's bequests receivable pertain to the remaining corpus from several decedent's estates. Accordingly, as of December 31, 2017 and 2016, the approximately \$131,500 (or 11%) and \$166,800 (or 13%), respectively, of the Committee's total assets pertain to amounts due from a single bequest.

**Note D – Related Party Transactions**

During the years ended December 31, 2017 and 2016, the Committee received approximately \$52,400 and \$29,800, respectively, in membership dues and contributions from current and former board members and current and former employees. Additionally during the years ended December 31, 2017 and 2016, the Committee paid \$29,100 and \$206,100, respectively, to related state affiliates for ballot access petitioning and voter registration campaigns and related travel.

**Note E – Bequests Receivable**

From time-to-time the Committee receives bequests and legacies from decedent members' last wills and testaments. Several bequests were outstanding as of December 31, 2017.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**Note E – Bequests Receivable – Continued**

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, 2017 and 2016, the Committee received approximately \$33,900 and \$33,400, respectively, from the trustee with the remaining balance of approximately \$131,500 and \$166,800, respectively, reflected as a bequest receivable as of December 31, 2017 and 2016. During the year ended December 31, 2017, the Committee received notification from the executor and trustee of an additional bequest in which the Committee was a beneficiary of a deceased member's estate. The executor and trustee of the estate estimated the Committee's portion of the estate to be approximately \$111,900 of which the Committee was eligible to receive \$33,900 during the year ended December 31, 2017 given the Committee's interpretation of FEC guidelines and regulations. The remaining balance outstanding on this bequest receivable was approximately \$78,000 as of December 31, 2017.

The executors and appointed trustees are holding the remaining outstanding bequests in interest bearing accounts at 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 interest bearing, insured accounts. The Committee expects to receive approximately \$33,900 annually from the trustee, which may be adjusted annual by the FEC guidelines and regulations.

**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, 2017 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 no significant outstanding balances on the lines of credit as of December 31, 2017 and 2016. Additionally, no significant interest expense was incurred during the years ended December 31, 2017 and 2016. 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, 2017:

**LIBERTARIAN NATIONAL COMMITTEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**Note F – Unsecured Lines of Credit – Continued**

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 9.4% and 11.5%. The Committee reported no significant outstanding balance on the lines of credit as of December 31, 2017, 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 to purchase the Committee's office 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 curtailments since inception of the loan. The Committee incurred interest expense of approximately \$13,000 and \$22,000, respectively, on the mortgage during the years ended December 31, 2017 and 2016. The outstanding principal balance and terms of the mortgage payable are as follow as of December 31, 2017:

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 significant principal curtailments. Interest expense incurred on the promissory note was approximately \$13,000 during the year ended December 31, 2017.

\$ 236,318

**LIBERTARIAN NATIONAL COMMITTEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**Note G – Debt Obligations – Continued**

Mortgage Payable - Continued:

Less current portion of notes payable	23,881
Long-term portion of notes payable	<u>\$ 212,437</u>

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, 2017 and 2016, the net book values of the capitalized assets were approximately \$9,400 and \$16,000, 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 \$600 and \$900, respectively, during the years ended December 31, 2017 and 2016. The outstanding principal balance and terms of the capital lease liabilities are as follows as of December 31, 2017:

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 \$600 (or \$350 and \$250, respectively) during the year ended December 31, 2017.	\$ 10,698
Less current portion of capital lease liabilities	<u>6,933</u>
Long-term portion of capital lease liabilities	<u>\$ 3,765</u>

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:

**LIBERTARIAN NATIONAL COMMITTEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2017**

**Note G – Debt Obligations – Continued**

Capital Leases - Continued:

	<u>Mortgage</u>	<u>Digital Copier</u>	<u>Postage Machine</u>	<u>Total</u>
2018	\$ 23,881	\$ 5,918	\$ 1,015	\$ 30,814
2019	25,051	3,024	741	28,816
2020	26,294	-	-	26,294
2021	27,598	-	-	27,598
2022	28,996	-	-	28,996
Thereafter	104,498	-	-	104,498
	<u>\$ 236,318</u>	<u>\$ 8,942</u>	<u>\$ 1,756</u>	<u>\$ 247,016</u>

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:

	<u>Digital Copier</u>	<u>Postage Machine</u>	<u>Total</u>
2018	\$ 6,099	\$ 1,158	\$ 7,257
2019	3,049	772	3,821
	<u>\$ 9,148</u>	<u>\$ 1,930</u>	11,078
Less imputed interest at an annual rates of 2.89% and 11.03%			<u>(380)</u>
Present value of net minimum lease payment			10,698
Less current portion of capital lease liabilities			<u>6,933</u>
Long-term portion of capital lease liabilities			<u>\$ 3,765</u>

Interest Expense: Total interest expense incurred on the debt obligations, including the above mortgage payable and capital lease obligations, total approximately \$13,600 and \$22,900, respectively, during the years ended December 31, 2017 and 2016.

**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 legal defense and radio advertising funds.



**LIBERTARIAN NATIONAL COMMITTEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note H – Temporarily Restricted Net Assets – Continued**

The Committee's temporarily restricted net assets consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building acquisition fund	\$ 5,209	\$ 2,402
College campus programs	1,806	2,555
Legal defense and radio fund	<u>659</u>	<u>898</u>
	<u>\$ 7,674</u>	<u>\$ 5,855</u>

The following net assets were released from restriction during the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building acquisition fund	\$ 69,000	\$ 17,000
College campus programs	750	-
Legal defense and radio fund	<u>739</u>	<u>-</u>
	<u>\$ 70,489</u>	<u>\$ 17,000</u>

**Note I – Intentions-to-Give**

The Committee receives commitment 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. During the years ended December 31, 2017 and 2016, the Committee recognized approximately \$360,000 and \$350,900, respectively, from recurring contributions from members.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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**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 \$9,800 and \$9,500, respectively, during the years ended December 31, 2017 and 2016.

**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.

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 \$33,900 and \$33,400, respectively, for each of the years ended December 31, 2017 and 2016. 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.

**LIBERTARIAN NATIONAL COMMITTEE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**

**Note K – Commitments & Contingencies – Continued**

Employment Contracts – Continued: 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.

Hotel Contracts: The Committee has contracts with hotels and other venues for conventions and other events. These contracts contain cancellation clauses that may require the Committee to pay certain liquidating damages in the event of cancellation. The amount of damages may vary 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 may also risk forfeiture of any deposits made with these hotels.

**Note L – Income Taxes**

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 office. 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, 2017 and 2016, 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 Forms 1120-POL.

Tax Contingencies: Although the Committee has not received any notice of intent to examine its tax returns, the Committee's tax returns remain subject to examination or review 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, 2017 and 2016 that are more likely than not to be sustained should the Committee's tax returns be subject to examination. Accordingly, the Committee also did not incur or accrue any significant penalties or interest associated with uncertain tax positions during the years ended December 31, 2017 and 2016.

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**Note M – Subsequent Events Evaluation**

Management has evaluated subsequent events for the period January 1, 2018 through May 29, 2018, 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.