

FINANCIAL STATEMENTS

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

**FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2011**

LIBERTARIAN NATIONAL COMMITTEE, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of December 31, 2012, with Summarized Financial Information for 2011	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2012, with Summarized Financial Information for 2011	5
EXHIBIT C - Statement of Cash Flows, for the Year Ended December 31, 2012, with Summarized Financial Information for 2011	6
NOTES TO FINANCIAL STATEMENTS	7 - 15



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Libertarian National Committee, Inc.
Washington, D.C.

We have audited the accompanying financial statements of the Libertarian National Committee, Inc., also known as the Libertarian Party (the Committee), which comprise the statement of financial position as of December 31, 2012, 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. 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 Committee as of December 31, 2012, and the change 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.

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Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the Committee's 2011 financial statements, which were audited by other auditors and, in their report dated April 25, 2012, they expressed an unmodified opinion on those statements.

Gelman Rosenberg & Freedman

February 6, 2014

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 193,784	\$ 311,790
Accounts receivable from employees	4,341	-
Bequests receivable, current (Note 6)	30,800	30,800
Inventory	2,000	2,000
Prepaid expenses	<u>26,745</u>	<u>39,402</u>
Total current assets	<u>257,670</u>	<u>383,992</u>
FIXED ASSETS		
Equipment	3,160	3,160
Furniture	37,618	37,618
Computer equipment and computer software	167,448	170,592
Capital lease asset (Note 2)	<u>6,827</u>	<u>6,827</u>
	215,053	218,197
Less: Accumulated depreciation and amortization	<u>(204,595)</u>	<u>(201,440)</u>
Net fixed assets	<u>10,458</u>	<u>16,757</u>
OTHER ASSETS		
Deposits	7,020	7,020
Bequest receivable, non-current (Note 6)	<u>15,721</u>	<u>46,380</u>
Total other assets	<u>22,741</u>	<u>53,400</u>
TOTAL ASSETS	<u>\$ 290,869</u>	<u>\$ 454,149</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 9,387
Accrued salaries and related benefits	<u>34,220</u>	<u>31,636</u>
Total current liabilities	<u>34,220</u>	<u>41,023</u>
LONG-TERM LIABILITIES		
Capital lease liability (Note 2)	299	1,975
Deferred rent (Note 4)	<u>2,995</u>	<u>-</u>
Total long-term liabilities	<u>3,294</u>	<u>1,975</u>
Total liabilities	<u>37,514</u>	<u>42,998</u>
NET ASSETS		
Unrestricted	126,764	273,879
Temporarily restricted (Note 3)	<u>126,591</u>	<u>137,272</u>
Total net assets	<u>253,355</u>	<u>411,151</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 290,869</u>	<u>\$ 454,149</u>

See accompanying notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011**

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Contributions and memberships	\$ 1,281,486	\$ 2,756	\$ 1,284,242	\$ 1,346,887
Interest/dividend income	142	-	142	1,523
Sponsorships and classifieds	2,335	-	2,335	7,900
Conventions	185,226	-	185,226	-
Other events	12,720	-	12,720	2,600
Other revenue	185	-	185	-
Net assets released from donor restrictions (Note 3)	13,437	(13,437)	-	-
Total revenue	1,495,531	(10,681)	1,484,850	1,358,910
EXPENSES				
Program Services:				
Affiliate Support	32,700	-	32,700	48,848
Ballot Access	433,490	-	433,490	90,089
Brand Development	42,672	-	42,672	65,280
Campaign Support	34,650	-	34,650	83,613
Campus Outreach	1,788	-	1,788	2,310
Litigation Support	13,364	-	13,364	34,020
Media Relations	23,799	-	23,799	32,219
Member Communications	206,510	-	206,510	198,613
Outreach	67,545	-	67,545	109,839
Total program services	856,518	-	856,518	664,831
Supporting Services:				
Conventions	255,853	-	255,853	-
Management and General	139,710	-	139,710	148,187
Fundraising and Donor Acquisition	390,565	-	390,565	477,465
Total supporting services	786,128	-	786,128	625,652
Total expenses	1,642,646	-	1,642,646	1,290,483
Change in net assets	(147,115)	(10,681)	(157,796)	68,427
Net assets at beginning of year	273,879	137,272	411,151	342,724
NET ASSETS AT END OF YEAR	\$ 126,764	\$ 126,591	\$ 253,355	\$ 411,151

See accompanying notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (157,796)	\$ 68,427
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	6,299	6,963
Loss on disposition of assets	-	108
Deferred rent abatement	2,995	-
(Increase) decrease in:		
Accounts receivable from employees	(4,341)	-
Bequests receivable	30,659	36,277
Prepaid expenses	12,657	(15,114)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(9,387)	(6,419)
Accrued salaries and related benefits	2,584	(11,879)
Deferred rent	<u>-</u>	<u>(16,304)</u>
Net cash (used) provided by operating activities	<u>(116,330)</u>	<u>62,059</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(7,740)
Proceeds from sale of property and equipment	<u>-</u>	<u>1,151</u>
Net cash used by investing activities	<u>-</u>	<u>(6,589)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease liability	<u>(1,676)</u>	<u>(1,487)</u>
Net cash used by financing activities	<u>(1,676)</u>	<u>(1,487)</u>
Net (decrease) increase in cash and cash equivalents	(118,006)	53,983
Cash and cash equivalents at beginning of year	<u>311,790</u>	<u>257,807</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 193,784</u>	<u>\$ 311,790</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 147</u>	<u>\$ 335</u>
Taxes Paid	<u>\$ -</u>	<u>\$ 1,099</u>

See accompanying notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

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 biannually 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 13,000 contributing members.

The Committee's program activities consist of the following:

- Affiliate support – developing or supporting state and county affiliate parties.
- Ballot access – getting candidates on ballots, including corresponding lawsuits.
- Brand development – developing an image in the minds of voters.
- Campaign support – efforts to support or oppose ballot initiatives.
- Campus outreach – on-campus recruiting and support groups.
- Candidate support – recruiting and supporting candidates with their electoral ambitions.
- Litigation support – proactive lawsuits to change public policy, other than ballot access.
- Lobbying – persuading legislators to change laws, including ballot access laws.
- Media relations – direct communication with the media.
- Member communications – Libertarian Party News periodical and other member communications.
- Outreach – initiatives to reach the general public and outside groups.
- Voter registration – voter registration drives.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Committee's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Cash and cash equivalents -

The Committee considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision").

The Committee maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000. Management believes the risk in these situations to be minimal.

Bequest receivable -

The Committee's bequest receivable consists 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 25% of his estate after specific bequests and payments of debts and expenses. The Committee's proportionate share of the estate was approximately \$217,700. Given the annual contribution limits allowable under Federal Election Commission (FEC) guidelines, the executor of the estate directed the remaining principal of the Committee's portion to be held by a trustee and escrow agent and to annually release the amount allowable under FEC guidelines to the Committee. The remaining funds resulting from the liquidating distribution from the decedent's estate is being held in trust at a federally insured financial institution in various money market and certificates of deposit accounts for the benefit of the Committee. The Committee received \$30,800 during the year ended December 31, 2012, with the remaining bequest reflected at its net realizable value, which was determined by the Committee by initially discounting the initial bequest by an allowance for doubtful accounts and present value discount.

Given the nature of the bequest and that the funds are being held in interest bearing accounts for the benefit of the Committee, the Committee determined that the present value discount and discount for collectibility were unnecessary. The Committee expects to receive approximately \$30,800 annually from the trustee, which will be adjusted annually based upon FEC regulations, until the funds held in trust are fully liquidated to the Committee. In January 2013, the FEC announced the new annual contribution limit is \$32,400. As such, the Committee expects to receive approximately \$32,400 annually from the trustee beginning January 2013 until such time the FEC adjusts the limit.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended December 31, 2012 totaled \$6,299.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Income taxes -

The Committee is recognized as a tax-exempt political organization under Section 527 of the Internal Revenue Code (IRC). Under IRC Section 527, the Committee's exempt functions includes all activities that relate to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to a public or political office. Certain activities unrelated to the exempt purpose, such as net investment income, are subject to applicable income taxes. During the year ended December 31, 2012, the Committee did not incur any income tax expense on its net investment income.

Uncertain tax positions -

For the year ended December 31, 2012, the Committee has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 1120-POL, *Return for Certain Political Organizations*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Inventory -

Inventory consists of promotional supplies.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Committee and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Committee and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in perpetuity by the Committee. The Committee reported no permanently restricted assets at December 31, 2012.

Contributions and donations -

Contributions and donations are recognized at their 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 or temporarily restricted revenue and support based upon the existence or lack of donor-imposed restrictions.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions and donations (continued) -

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.

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.

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 monthly contributions.

The members may also decline the charges or request that the Committee cease making charges against their credit card at any time and complete at their discretion. The Committee treats these reoccurring 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.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

2. CAPITAL LEASE OBLIGATION

In 2008, the Committee acquired a postage machine under a non-cancelable capital lease agreement. The lease is 60 months, beginning February 2008, and included a bargain purchase option of \$1 at the end of the lease. The lease requires monthly installments of approximately \$200.

The Committee is also responsible for the copier operating costs, including property taxes, repairs and maintenance. The Committee estimated the fair value of the leased equipment to be approximately \$6,800 at lease inception.

Depreciation expense was approximately \$1,400 on the capital lease asset during the year ended December 31, 2012, resulting in a zero net book value as of December 31, 2012.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2012:

Building Acquisition Fund	\$ 116,717
College Campus Programs	9,288
Radio Ad Project	<u>586</u>
	<u>\$ 126,591</u>

The following temporarily restricted net assets were released from donor restrictions by either refunding individuals' contributions or by permission from the donors to re-allocate the funds to be used for general operations:

Building Acquisition Fund	<u>\$ 13,437</u>
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4. LEASE COMMITMENTS

The Committee extended its lease agreement for its principal office space in January 2012, which expires April 30, 2013, with one month of rent abatement. The lease agreement requires annual rent escalations and the Committee is also responsible for its proportionate share of the building operating costs and real estate taxes. The extension executed by the Committee allows an early termination with 180 days' notice.

In April 2013, the Committee extended its lease agreement through April 30, 2016. In June 2013, the Executive Committee authorized management to provide notice to the landlord that the Committee intends to end the lease early (Reference Note 10).

The following is a schedule of the future minimum lease payments:

<u>Year Ending December 31,</u>	
2013	\$ 131,060
2014	135,923
2015	139,331
2016	<u>46,826</u>
	<u>\$ 453,140</u>

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

4. LEASE COMMITMENTS (Continued)

Rent expense for the year ended December 31, 2012 was \$123,551.

The Committee also leases storage space and office equipment under several non-cancelable operating leases, expiring at various times through the years ending December 31, 2015. The total future minimum payments under equipment leases through December 31, 2015 is \$21,000.

5. 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. Contributions to the plan during the year ended December 31, 2012 were \$6,242.

6. CONTINGENCY

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 \$30,800 for the year ended December 31, 2012. This amount was increased to \$32,400 in January 2013.

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.

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 a significant impact upon the Committee.

7. COMMITMENTS

The Committee has hotel contracts for future conventions and meetings. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increase through the date of the event.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

7. COMMITMENTS (Continued)

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 promote the interests of the Committee and its candidates.

Although there is no contractual or legal requirements 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.

Employment Contract - In December 2011, the Committee entered into an employment contract with a new Executive Director. The term of the contract is scheduled to end on June 30, 2013. The employment contract provides for a base monthly salary and performance incentives upon financial and other performance indicators. The employment agreement also allows for a three-month severance, moving costs and assumption of the unexpired rental lease terms of 12 months or less for termination for any other reason than serious cause with a 3/4 vote of the Board of Directors. The Committee may terminate the employment contract immediately for serious cause with no further compensation.

8. ALLOCATION OF EXPENSES

The Committee allocates payroll and overhead expenses to programs based on management estimates.

During the year ended December 31, 2012, payroll and overhead were allocated as follows:

	<u>Payroll</u>	<u>Overhead</u>	<u>Direct</u>	<u>Total</u>
Program Services:				
Affiliate Support	\$ 10,636	\$ 17,248	\$ 4,816	\$ 32,700
Ballot Access	12,630	20,481	400,379	433,490
Brand Development	15,229	24,696	2,747	42,672
Campaign Support	11,514	18,672	4,464	34,650
Campus Outreach	682	1,106	-	1,788
Litigation Support	3,061	4,962	5,341	13,364
Media Relations	9,078	14,721	-	23,799
Member Communications	64,104	103,954	38,452	206,510
Outreach	24,118	39,111	4,316	67,545
Conventions	35,833	58,109	161,911	255,853
Management and General	53,291	86,419	-	139,710
Fundraising and Donor Acquisition	<u>52,433</u>	<u>85,027</u>	<u>253,105</u>	<u>390,565</u>
TOTAL	\$ <u>292,609</u>	\$ <u>474,506</u>	\$ <u>875,531</u>	\$ <u>1,642,646</u>

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

9. RELATED PARTY

During the year ended December 31, 2012, the Committee received \$20,648 from Board members and \$415 from staff.

The Committee incurred \$80,280 of expenses paid to Board members or vendors that employed Board members as follows:

<u>Title</u>	<u>Service</u>	<u>Amount</u>
Alabama limited liability company owned by Board member	Ballot access petitioning services - gathering 7,590 signatures in Alabama, Maryland, North Dakota and West Virginia	\$ 30,523
Board member	Ballot access petitioning services - gathering 2,461 signatures in Illinois	5,903
Texas corporation owned by Board member	Booth supplies and shirts	3,551
Nevada corporation owned by two Board members	Fundraising commission - thirty percent (30%) of donations from new donors	1,000
Board member	Convention speaking fee	503
Board member	Services performed from May through December -- editing and co-authoring with the Executive Director approximately 22,500 words for fundraising appeals and news releases at a cost of about \$1.72 per word.	<u>38,800</u>
TOTAL		<u>\$ 80,280</u>

10. SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through February 6, 2014, the date the financial statements were issued.

Effective June 12, 2013, the Executive Committee authorized the purchase of 1101 King Street in Alexandria, Virginia. This authorization also included obtaining a mortgage to finance the purchase of the building and submitting a letter of intent to the landlord to give notice of termination of the existing lease (See Note 4). On July 29, 2013, a letter of intent to terminate the lease effective January 31, 2014 was submitted to the landlord. The negotiations did not result in a purchase and the letter of intent to terminate the lease was rescinded on August 29, 2013.

Effective October 29, 2013, the Executive Committee authorized the purchase of 1428 Duke Street (or an equivalent property in the complex) in Alexandria, Virginia along with obtaining a mortgage to finance its purchase. On January 24, 2014, the Committee executed a purchase agreement for 1444 Duke Street in Alexandria, Virginia for \$825,000 with the anticipation that the transaction shall be consummated within ninety days.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

10. SUBSEQUENT EVENTS (Continued)

The Committee has the right to terminate the agreement within sixty days of execution and the agreement is subject to the Committee obtaining acceptable fixed rate financing in the sum of \$590,000 or such lesser amount desired by the Committee. The Committee intends to delay resubmitting a letter of intent to the landlord to terminate the lease until after the loan approval.

The employment contract with the Executive Director expired June 30, 2013 and was not renewed.

On July 14, 2013, the Committee entered into an employment agreement with the now former Executive Director to assume the role of Political Director. The term of the contract commenced August 1, 2013 and ends on June 30, 2015. The employment contract provides for a base monthly salary, vacation accrued at the rate of three weeks annually during 2013 (and four weeks thereafter) and performance incentives upon achievement of financial targets. The employment agreement allows for a three-month severance for termination for any other reason than serious cause with a $\frac{3}{4}$ vote of the Board of Directors. The employment agreement allows for a two-month severance if the Committee gives less than three months' notice of any intention to not renew or extend the contract.

On July 14, 2013, the Committee entered into an employment contract with a new Executive Director. The term of the contract commenced August 1, 2013 and ends on June 30, 2016. The employment contract provides for a base monthly salary, vacation accrued at the rate of four weeks annually and performance incentives upon achievement of financial targets. The agreement allows either party to terminate employment with one month written notice.