

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



**AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019**

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**INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENTS**

To the Board of Directors
Libertarian National Committee, Inc.
Alexandria, Virginia

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, 2019, and the related statements of activities and change in net assets, functional expenses, 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, 2019, 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, 2018, and our report dated July 12, 2019 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Frye & Company, CPAs
Manassas, Virginia
June 15, 2020

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019
(WITH 2018 COMPARATIVE TOTALS)

	2019	2018
Assets		
Cash and cash equivalents	\$ 217,236	\$ 13,728
Bequests receivable, net	73,782	141,161
Prepaid expenses and other	13,898	3,861
Property and equipment:		
Land	347,881	347,881
Building and improvements	541,388	528,570
Furniture and equipment	42,675	63,206
Computer equipment	22,801	22,801
Computer software	134,614	109,771
Property and equipment, at cost	1,089,359	1,072,229
Accumulated depreciation	(223,300)	(233,372)
Property and equipment, net	866,059	838,857
Total Assets	\$ 1,170,975	\$ 997,607
 Liabilities and Net Assets		
Liabilities		
Unsecured lines of credit	\$ -	\$ 12,257
Accounts payable and accrued expenses	14,222	111,792
Accrued salaries and related benefits	10,717	11,132
Accrued vacation	13,795	12,583
Deferred registrations	217,987	10,250
Capital lease liabilities	-	3,765
Mortgage payable	103,105	207,018
Total liabilities	359,826	368,797
Net Assets		
Without donor restrictions	799,024	620,875
With donor restrictions	12,125	7,935
Total net assets	811,149	628,810
Total Liabilities and Net Assets	\$ 1,170,975	\$ 997,607

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

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

**YEAR ENDED DECEMBER 31, 2019
(WITH 2018 COMPARATIVE TOTALS)**

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018
Revenue and Support				
Contributions and membership	\$ 1,275,103	\$ 113,412	\$ 1,388,515	\$ 1,334,149
Convention and other events	40,974	-	40,974	369,830
Political campaign materials	68,670	-	68,670	67,852
Sponsorships and classifieds	2,045	-	2,045	210
Interest and dividends	1,114	-	1,114	1,395
Net assets released from restrictions:				
Building, legal, and other funds	109,222	(109,222)	-	-
Total revenue and support	1,497,128	4,190	1,501,318	1,773,436
Expense				
Program services:				
Communications and membership	485,516	-	485,516	533,504
Special projects and other programs	153,749	-	153,749	253,274
Candidate and campaign programs	107,143	-	107,143	230,901
Affiliate support	76,919	-	76,919	69,364
Conventions and events	18,206	-	18,206	303,555
Ballot access	10,182	-	10,182	168,089
Total program services	851,715	-	851,715	1,558,687
Supporting services:				
Management and general	244,175	-	244,175	171,504
Fundraising and donor acquisition	223,089	-	223,089	249,638
Total supporting services	467,264	-	467,264	421,142
Total expense	1,318,979	-	1,318,979	1,979,829
Change in Net Assets	178,149	4,190	182,339	(206,393)
Net assets, beginning of year	620,875	7,935	628,810	835,203
Net Assets, End of Year	\$ 799,024	\$ 12,125	\$ 811,149	\$ 628,810

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

(WITH 2018 COMPARATIVE TOTALS)

	2019						Total Program Services	Supporting Services		Total Supporting Services	Total	2018
	Communications Membership	Special Projects	Campaign Programs	Affiliate Support	Conventions & Events	Ballot Access		Management & General	Fundraising & Acquisition			
Expenses												
Salaries and wages	\$ 167,291	\$ 41,981	\$ 9,934	\$ 8,422	\$ 9,120	\$ 5,100	\$ 241,848	\$ 108,140	\$ 38,290	\$ 146,430	\$ 388,278	\$ 411,070
Other program expenses	-	-	87,312	60,105	-	-	147,417	5,093	146,650	151,743	299,160	459,470
Direct program expenses	151,539	69,938	-	-	-	-	221,477	-	-	-	221,477	657,662
Professional fees	45,387	11,390	2,695	2,285	2,474	1,384	65,615	29,339	10,388	39,727	105,342	88,657
Computer expenses	25,532	6,407	1,516	1,286	1,392	778	36,911	16,504	5,844	22,348	59,259	78,457
Occupancy expense	20,204	5,070	1,200	1,017	1,101	616	29,208	13,060	4,624	17,684	46,892	49,437
Employee benefits	17,596	4,416	1,045	886	958	536	25,437	11,375	4,028	15,403	40,840	44,100
Employer payroll taxes	12,856	3,226	763	647	701	392	18,585	8,310	2,943	11,253	29,838	32,283
Contractors and interns	-	-	-	-	-	-	-	23,194	-	23,194	23,194	45,361
Depreciation and amortization	9,862	2,475	586	496	538	301	14,258	6,375	2,257	8,632	22,890	24,266
Travel and meetings	8,716	2,187	517	439	475	266	12,600	5,634	1,995	7,629	20,229	26,792
Telephone and data services	6,366	1,597	378	321	347	194	9,203	4,115	1,457	5,572	14,775	15,933
Printing and reproduction	4,633	1,163	275	233	252	141	6,697	2,995	1,060	4,055	10,752	4,731
Postage and shipping	3,891	976	231	196	212	119	5,625	2,515	890	3,405	9,030	11,510
Insurance expense	3,593	902	213	181	196	110	5,195	2,322	822	3,144	8,339	7,758
Office supplies and materials	3,330	836	198	168	182	101	4,815	2,153	762	2,915	7,730	8,070
Bank and other fees	2,928	735	174	147	160	89	4,233	1,893	670	2,563	6,796	9,578
Payroll processing fees	951	239	56	48	52	29	1,375	615	217	832	2,207	2,521
Equipment leases	841	211	50	42	46	26	1,216	543	192	735	1,951	2,173
2019 Total Expenses	<u>\$ 485,516</u>	<u>\$ 153,749</u>	<u>\$ 107,143</u>	<u>\$ 76,919</u>	<u>\$ 18,206</u>	<u>\$ 10,182</u>	<u>\$ 851,715</u>	<u>\$ 244,175</u>	<u>\$ 223,089</u>	<u>\$ 467,264</u>	<u>\$ 1,318,979</u>	<u>\$ 1,979,829</u>
2018 Total Expenses	<u>\$ 533,504</u>	<u>\$ 253,274</u>	<u>\$ 230,901</u>	<u>\$ 69,364</u>	<u>\$ 303,555</u>	<u>\$ 168,089</u>	<u>\$ 1,558,687</u>	<u>\$ 171,504</u>	<u>\$ 249,638</u>	<u>\$ 421,142</u>		<u>\$ 1,979,829</u>

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH 2018 COMPARATIVE TOTALS)

	2019	2018
Cash Provided (Used) by Operating Activities		
Change in net assets	\$ 182,339	\$ (206,393)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	22,890	24,266
Changes in assets and liabilities:		
Bequests receivable	67,379	69,332
Prepaid expenses and other	(10,037)	33,142
Accounts payable and accrued expenses	(97,570)	84,211
Accrued salaries and related benefits	(415)	2,059
Accrued vacation	1,212	(8,591)
Deferred registrations	207,737	(91,478)
Total adjustments	191,196	112,941
Net cash provided (used) by operating activities	373,535	(93,452)
Cash Provided (Used) by Investing Activities		
Purchases of property and equipment	(50,092)	(25,125)
Net cash provided (used) by investing activities	(50,092)	(25,125)
Cash Provided (Used) by Financing Activities		
Principal advances on lines of credit	196,708	268,442
Principal repayments on lines of credit	(208,965)	(256,185)
Principal payments on capital lease liability	(3,765)	(6,933)
Principal payments on mortgage payable	(103,913)	(29,300)
Net cash provided (used) by financing activities	(119,935)	(23,976)
Net Increase in Cash and Cash Equivalents	203,508	(142,553)
Cash and cash equivalents, beginning of year	13,728	156,281
Cash and Cash Equivalents, End of Year	\$ 217,236	\$ 13,728
Supplemental Cash Flows Information:		
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 9,150	\$ 12,256

See accompanying auditors' report and notes to financial statements.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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 14,000 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 and 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, 2018, 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, 2019

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, 2019 and 2018, 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.

Revenue Recognition: Contributions and donations and bequests and legacies are recorded when received or when the unconditional promise-to-give is known at the earliest point determinable and measurable. They are recorded by the Committee as increases to its net assets without donor restrictions or to net assets with donor restrictions based upon the existence or lack of donor-imposed restrictions. Any restricted amounts received and release from restriction in the same reporting period are reported as net assets without donor restrictions. Restricted resources from prior years in which the Committee meets the donor's restriction during the current year are reflected as net assets released from restrictions. Donated goods or contributed services meeting the requirements for recognition under accounting principles generally accepted in the United States of America are reported at fair value at the time of donation. 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 conditional promises-to-give are recognized as the donor or grantor's conditions are substantially met. Revenue from any program service activities and conventions and events are recognized when earned.

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 transferred 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 are being held in trust at a federally insured financial institution in money market funds for the benefit of the Committee.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note B – Summary of Significant Accounting Policies – Continued

Bequests Receivable – Continued: The Committee received approximately \$72,000 and \$68,800, respectively, from the trustees holding the bequests during the years ended December 31, 2019 and 2018. 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. Depreciation and amortization expense was approximately \$22,900 and \$24,300, respectively, for the years ended December 31, 2019 and 2018. No significant loss on the dispositions or impairment of property and equipment was reported by the Committee during the years ended December 31, 2019 and 2019.

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, 2019.

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 net assets with donor restrictions. Restricted net assets in which the Committee has met the donor's stipulations during the fiscal year are reflected as net assets released from restrictions in the accompanying financial statements. Any restricted amounts received and released from restriction in the same reporting period are reported as net assets without donor restrictions. The components of the Committee's net assets are as follows:

- *Without donor restrictions* – Represents unrestricted resources that are available to support the Committee's operations at the discretion of the Board of Directors and management.
- *With donor restrictions* – 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.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note B – Summary of Significant Accounting Policies – Continued

Net Assets – Continued:

Net assets with donor restrictions are released from restriction either by the passage of time or by the Committee meeting the donors' stipulations. The Committee reported net assets with donor restrictions of approximately \$12,100 and \$7,900, respectively, as of December 31, 2019 and 2018, earmarked by the original donors for specific program initiatives.

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 revenue and support without donor restrictions or with donor restrictions 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 restrictions. Revenue and support with donor restrictions in which the Committee met the donor-imposed restriction during the same fiscal year as the contribution are reflected as revenue and support without donor restrictions. Conditional promises-to-give are recognized when the conditions set forth by the donor are substantially met.

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 as reflected in the statement of functional expenses. Expenses are allocated on a reasonable basis that is consistently applied by management. Expenses that are allocated include compensation and benefits, which are allocated based upon estimates of time and efforts devoted to the functional categories, while joint costs are allocated based upon the percentage of communications devoted to functional categories. Significant estimates are required to functionally allocate expenses and to allocate joint costs to the program and supporting services benefited.

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.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note B – Summary of Significant Accounting Policies – Continued

Fair Value Measurements – Continued: 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 Committee 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, 2019 and 2018, the Committee determined that no significant assets or liabilities were reported at fair value on a recurring basis in the accompanying financial statements. 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, 2019 and 2018. 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, 2019 and 2018, the Committee reported no significant bank balance in excess of federal insurance limits.

Bequests Receivable: As of December 31, 2019 and 2018, significantly all of the Committee's bequests receivable pertain to the remaining corpus from several decedent's estates. Accordingly, as of December 31, 2019 and 2018, the approximately \$73,800 (or 6%) and \$141,200 (or 14%), respectively, of the Committee's total assets pertain to amounts due from bequests.

Note D – Related Party Transactions

During the years ended December 31, 2019 and 2018, the Committee received approximately \$41,100 and \$31,000, respectively, in contributions and dues from board members and employees.

LIBERTARIAN NATIONAL COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note D – Related Party Transactions – Continued

In addition to the contributions and membership dues from current and former board members and key employees, these individuals also volunteer to serve the Committee and in various capacities. Additionally, the Committee paid \$3,400 and \$101,200, respectively, to related state affiliates for ballot access petitioning and voter registration campaigns and related travel reimbursements to key employees during the years ended December 31, 2019 and 2018.

Note E – Liquidity and Availability of Financial Assets

The following schedule reflects the Committee’s financial assets as of December 31, 2019 and 2018 reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the fiscal years ended December 31:

	2019	2018
Financial assets at end of year	\$ 291,018	\$ 154,889
Amounts unavailable for general expenditure within one year of reporting period:		
Bequest receivable due in more than one year	25,230	69,161
Donor restricted for payment of debt service	10,394	6,129
Donor restricted for program related initiatives	1,731	1,806
Financial assets available to meet cash needs for general expenditure within one year	\$ 253,663	\$ 77,793

As part of the Committee’s liquidity management, management may invest any excess funds in short-term investments, such as bank savings or market funds.

Note F – 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, 2019 and 2018. 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.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note F – Bequests Receivable – Continued

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 transferred 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 the years ended December 31, 2019 and 2018, the Committee received approximately \$35,500 and \$33,900, respectively, from the trustee representing the bequest with the remaining balances of approximately \$60,700 and \$94,500, respectively, reflected as a component of bequests receivable as of December 31, 2019 and 2018.

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 receivable approximately \$35,500 and \$33,900, respectively, during the years ended December 31, 2019 and 2018 given the Committee's interpretation of FEC guidelines and regulations. The remaining balance outstanding on this bequest receivable was approximately \$13,100 and \$45,700, respectively, as of December 31, 2019 and 2018.

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 \$35,500 annually from the trustee representing each bequest during the years ending December 31, 2020 as set by the FEC. The FEC contribution limits for the year ended December 31, 2021 are pending.

Note G – 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 \$103,000 as of December 31, 2019 and require monthly payments of interest at annual rates that range from approximately 10.7% and 13.2% as of the year then ended. The Committee reported outstanding balances on the lines of credit totaling approximately \$-0- and \$12,300, respectively, as of December 31, 2019 and 2018. Interest expense incurred on the lines of credit totaled approximately \$200 and \$900, respectively, during the years ended December 31, 2019 and 2018. The lines of credit are revolving and subject to restrictions and annual renewals and call provisions of the lenders. The terms and balances owed on the lines of credit are as follows as of December 31, 2019:

LIBERTARIAN NATIONAL COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note G – Unsecured Lines of Credit – Continued

Unsecured lines of credit with regional financial institutions in the form of credit card accounts with total available credit of \$103,000. The lines are guaranteed by the authorized users and carry variable interest rates tied to the lenders' prime rates, which were approximately 10.7% and 13.2%. The Committee reported balances of approximately \$-0- and \$12,300, respectively as of December 31, 2019 and 2018 with interest expense of approximately \$200 and \$900, respectively, during the years then ended. The lines of credit are revolving and subject to restrictions and renewals.

\$ -

Note H – 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 significant principal curtailments since inception of the loan. The Committee incurred interest expense of approximately \$8,800 and \$11,000, respectively, on the mortgage during the years ended December 31, 2019 and 2018. The outstanding principal balance and terms of the mortgage payable are as follow as of December 31, 2019:

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 periodic significant principal curtailments. Interest expense incurred on the promissory note totaled approximately \$8,800 and \$11,000, respectively, for the years ended December 31, 2019 and 2018.

\$ 103,105

LIBERTARIAN NATIONAL COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note H – Debt Obligations – Continued

Mortgage Payable - Continued:

Less current portion of notes payable	30,479
Long-term portion of notes payable	\$ 72,626

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, 2019 and 2018, the net book values of the capitalized assets were approximately \$-0- and \$2,900, respectively, which was net of accumulated depreciation of approximately \$33,000 and \$30,100, respectively, for each of the years then ended. Interest expense incurred at the imputed interest rates noted above totaled approximately \$200 and \$300, respectively, during the years ended December 31, 2019 and 2018. The outstanding principal balance and terms of the capital lease liabilities are as follows as of December 31, 2019:

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 \$200 and \$300, respectively, during the years ended December 31, 2019 and 2018.	\$ -
Less current portion of capital lease liabilities	-
Long-term portion of capital lease liabilities	\$ -

Future Principal Payments: Future principal payments on the mortgage payable and non-cancelable capital lease agreements are as follows for the years ending December 31:

LIBERTARIAN NATIONAL COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Note H – Debt Obligations – Continued

Future Principal Payments – Continued:

	<u>Mortgage</u>	<u>Digital Copier</u>	<u>Postage Machine</u>	<u>Total</u>
2020	\$ 30,479	\$ -	\$ -	\$ 30,479
2021	31,985	-	-	31,985
2022	33,571	-	-	33,571
2023	7,070	-	-	7,070
	<u>\$ 103,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,105</u>

Interest Expense: Total interest expense incurred on the debt obligations, including the above mortgage payable and capital lease obligations, total approximately \$9,200 and \$11,300, respectively, during the years ended December 31, 2019 and 2018.

Note I – Temporarily Restricted Net Assets

The Committee’s net assets consist of various funds restricted for the building fund, college campus programs, and legal defense and radio advertising funds. The Committee’s net assets with donor restrictions consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions:		
Building acquisition fund	\$ 10,394	\$ 6,129
College campus programs	1,731	1,806
Legal defense and radio fund	-	-
	<u>\$ 12,125</u>	<u>\$ 7,935</u>

The following net assets were released from restrictions during the years ended December 31, 2019 and 2018:

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note I – Temporarily Restricted Net Assets – Continued

	<u>2019</u>	<u>2018</u>
Net assets released from restrictions:		
Building acquisition fund	\$ 100,958	\$ 5,500
College campus programs	75	-
Legal defense and radio fund	<u>8,189</u>	<u>669</u>
	<u>\$ 109,222</u>	<u>\$ 6,169</u>

Note J – 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, 2019 and 2018, the Committee recognized approximately \$366,100 and \$360,200, respectively, from recurring contributions from members.

Note K – 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 \$12,900 and \$12,400, respectively, during the years ended December 31, 2019 and 2018.

Note L – Commitments & Contingencies

Litigation and Disputes: The Committee is currently involved in several lawsuits stemming primarily from state ballot access and presidential candidacy issues.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note L – Commitments & Contingencies – Continued

Litigation and Disputes – Continued: 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 \$35,500 and \$33,900, respectively, for each of the years ended December 31, 2019 and 2018. 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 April 2020, the Committee entered into an employment agreement with its Executive Director through January 15, 2021. The employment contracts provide 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.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Note M – 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, 2019 and 2018, 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, 2019 and 2018 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, 2019 and 2018.

Note N – Subsequent Events Evaluation

Management has evaluated subsequent events for the period January 1, 2020 through June 15, 2020, the date on which these financial statements were available to be issued and during this period, the World Health Organization (WHO) declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from international, federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. These forced closures are impacting the manner in which business is conducted and could negatively impact the Committee's operations. While the closures and limitations on movement, domestically and internationally, are expected to be temporary, the duration of these disruptions, and related financial impact, cannot be estimated at this time. Management is currently evaluating the impact of the COVID-19 pandemic on its operations and while it is possible that the virus could have a negative effect on the Committee, management is currently unable to determine the specific impact as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.