



January 20, 2016

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

We have audited the financial statements of the Libertarian National Committee, Inc., also known as the Libertarian Party (the Committee), for the year ended December 31, 2014, and have issued our report thereon dated January 20, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 3, 2015.

Professional standards also require that we communicate to you the following information related to our audit.

- **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Committee are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the Committee during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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The most sensitive estimate affecting the financial statements was management's estimate of the allocation of expenses to programs, which is based on an allocation of the actual time spent on each program. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

- **Difficulties Encountered in Performing the Audit**

There were no difficulties encountered while performing and completing our audit.

- **Discussions Prior to Retention**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Committee's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

- **Planned Scope and Timing of the Audit**

We performed our audit according to the planned scope and timing previously communicated to you in our engagement letter and our other letter on planning of the engagement dated March 3, 2015.

- **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated January 20, 2016.

- **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

All other misstatements detected as a result of audit procedures and corrected by management were not material, either individually or in the aggregate, to the financial statements taken as a whole.

We proposed eight adjusting journal entries that decreased the net assets by \$26,971. The most significant entry was to reduce the amount of a bequest that was received in 2014.

- **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

- **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Committee's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

- **Independence and Non-Audit Services Provided by Audit Firm**

In accordance with professional standards, during the fiscal year and currently, all members of our firm were independent with respect to the Committee.

During the year under audit, we provided corporate tax preparation services (Form 1120-POL) and additional tax advice. All other time and expenses incurred by us were in connection with our annual audit.

This information is intended solely for the use of the Audit Committee, Board of Directors and management of the Libertarian National Committee, Inc., and is not intended to be, and should not be, used by anyone other than these specified parties.

Gelman Rosenberg & Freedman

January 20, 2016

FINANCIAL STATEMENTS

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

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

LIBERTARIAN NATIONAL COMMITTEE, INC.

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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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net asset, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

January 20, 2016

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LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,855	\$ 392,984
Bequest receivable, current	32,400	15,744
Prepaid expenses	<u>12,345</u>	<u>24,311</u>
Total current assets	<u>63,600</u>	<u>433,039</u>
FIXED ASSETS		
Land	347,881	-
Buildings	477,119	-
Equipment	3,160	3,160
Furniture	25,879	16,818
Computer equipment and computer software	107,446	107,446
Building improvements	42,477	-
Capital lease asset (Note 2)	<u>15,760</u>	<u>6,827</u>
	1,019,722	134,251
Less: Accumulated depreciation and amortization	<u>(144,326)</u>	<u>(127,716)</u>
Net fixed assets	<u>875,396</u>	<u>6,535</u>
OTHER ASSETS		
Deposits	-	7,020
Bequest receivable, non-current	<u>192,600</u>	<u>-</u>
Total other assets	<u>192,600</u>	<u>7,020</u>
TOTAL ASSETS	<u>\$ 1,131,596</u>	<u>\$ 446,594</u>

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Mortgage payable, current portion (Note 3)	\$ 10,663	\$ -
Capital lease, current portion (Note 2)	1,335	-
Accounts payable and accrued liabilities	3,130	3,153
Accrued salaries and related benefits	37,570	49,043
Deferred rent (Note 5)	<u>-</u>	<u>7,921</u>
Total current liabilities	<u>52,698</u>	<u>60,117</u>
LONG-TERM LIABILITIES		
Mortgage payable, net of current portion (Note 3)	485,108	-
Capital lease, net of current portion (Note 2)	<u>13,823</u>	<u>-</u>
Total long-term liabilities	<u>498,931</u>	<u>-</u>
Total liabilities	<u>551,629</u>	<u>60,117</u>
NET ASSETS		
Unrestricted	566,370	53,594
Temporarily restricted (Note 4)	<u>13,597</u>	<u>332,883</u>
Total net assets	<u>579,967</u>	<u>386,477</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,131,596</u>	<u>\$ 446,594</u>

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Contributions and memberships	\$ 1,132,079	\$ 77,249	\$ 1,209,328	\$ 1,040,436	\$ 244,009	\$ 1,284,445
Bequests	225,000	-	225,000	5,000	-	5,000
Conventions	137,849	-	137,849	-	-	-
Sponsorships and classifieds	7,959	-	7,959	1,000	-	1,000
Interest income	1	-	1	23	-	23
Other events	-	-	-	705	-	705
Net assets released from donor restrictions (Note 4)	396,535	(396,535)	-	37,717	(37,717)	-
Total revenue	<u>1,899,423</u>	<u>(319,286)</u>	<u>1,580,137</u>	<u>1,084,881</u>	<u>206,292</u>	<u>1,291,173</u>
EXPENSES (Note 9)						
Program Services:						
Affiliate Support	40,432	-	40,432	30,827	-	30,827
Ballot Access	132,594	-	132,594	28,789	-	28,789
Brand Development	30,410	-	30,410	27,856	-	27,856
Campus Outreach	1,642	-	1,642	2,231	-	2,231
Candidate Support	57,229	-	57,229	32,294	-	32,294
Litigation Support	5,944	-	5,944	11,768	-	11,768
Media Relations	22,013	-	22,013	24,899	-	24,899
Member Communications	279,758	-	279,758	238,881	-	238,881
Outreach	73,575	-	73,575	90,786	-	90,786
Total program services	<u>643,597</u>	<u>-</u>	<u>643,597</u>	<u>488,331</u>	<u>-</u>	<u>488,331</u>
Supporting Services:						
Conventions	136,895	-	136,895	-	-	-
Management and General	210,092	-	210,092	183,378	-	183,378
Fundraising and Donor Acquisition	396,063	-	396,063	484,342	-	484,342
Total supporting services	<u>743,050</u>	<u>-</u>	<u>743,050</u>	<u>667,720</u>	<u>-</u>	<u>667,720</u>
Total expenses	<u>1,386,647</u>	<u>-</u>	<u>1,386,647</u>	<u>1,156,051</u>	<u>-</u>	<u>1,156,051</u>
Changes in net assets before other item	512,776	(319,286)	193,490	(71,170)	206,292	135,122
OTHER ITEM						
Loss on disposal of inventory	-	-	-	(2,000)	-	(2,000)
Changes in net assets	512,776	(319,286)	193,490	(73,170)	206,292	133,122
Net assets at beginning of year	<u>53,594</u>	<u>332,883</u>	<u>386,477</u>	<u>126,764</u>	<u>126,591</u>	<u>253,355</u>
NET ASSETS AT END OF YEAR	<u>\$ 566,370</u>	<u>\$ 13,597</u>	<u>\$ 579,967</u>	<u>\$ 53,594</u>	<u>\$ 332,883</u>	<u>\$ 386,477</u>

LIBERTARIAN NATIONAL COMMITTEE, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 193,490	\$ 133,122
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	23,438	3,923
Loss on disposition of assets	-	2,000
(Increase) decrease in:		
Accounts receivable from an employee	-	4,341
Bequest receivable	(209,256)	30,777
Prepaid expenses	11,966	2,434
Deposits	7,020	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	(23)	3,153
Accrued salaries and related benefits	(11,473)	14,823
Deferred rent	<u>(7,921)</u>	<u>4,926</u>
Net cash provided by operating activities	<u>7,241</u>	<u>199,499</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(876,539)</u>	<u>-</u>
Net cash used by investing activities	<u>(876,539)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease liability	(602)	(299)
Proceeds from mortgage payable	500,000	-
Payments on mortgage payable	<u>(4,229)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>495,169</u>	<u>(299)</u>
Net (decrease) increase in cash and cash equivalents	(374,129)	199,200
Cash and cash equivalents at beginning of year	<u>392,984</u>	<u>193,784</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 18,855</u>	<u>\$ 392,984</u>
SUPPLEMENTAL INFORMATION:		
Non Cash Investing and Financing Activities		
Interest Paid	<u>\$ 13,077</u>	<u>\$ -</u>
Capital Lease	<u>\$ 15,760</u>	<u>\$ -</u>

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

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 12,800 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*.

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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to a limit of \$250,000. At times during the year, the Committee maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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

Bequest receivable -

The Committee's bequest receivable consists of amounts due from decedent members' last wills and testaments.

One of two significant bequests pertains to a deceased member's unconditional promise-to-give the Committee a portion of his estate (the "Barrington bequest") after specific bequests and payments of debts and expenses. The Committee received during the year ended December 31, 2007 its proportionate share of the estate, which 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 was 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 the final payment in the amount of \$15,744 during the year ended December 31, 2014.

The other significant bequest pertains to a deceased member's unconditional promise-to-give the Committee a portion of his estate (the "Shaber bequest") after specific bequests and payments of debts and expenses. The Committee received during the year ended December 31, 2014 its proportionate share of the estate, which was approximately \$225,000. 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 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 shall receive its first payment during the year ended December 31, 2015.

Bequests are reflected at their net realizable values, which are 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 collectability were unnecessary. The Committee expected to receive approximately \$32,400 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.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated or amortized on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred.

Depreciation and amortization expense for the years ended December 31, 2014 and 2013 totaled \$23,438 and \$3,923, respectively.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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.

For the years ended December 31, 2014 and 2013, the Committee did not incur any income tax expense on its net investment income.

Uncertain tax positions -

For the years ended December 31, 2014 and 2013, 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.

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 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 Statements of Activities and Changes 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, 2014 and 2013.

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.

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.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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

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 completely 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 is 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 Statements of Activities and Changes 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.

2. CAPITAL LEASE OBLIGATIONS

In 2014, the Committee acquired a new copier machine under a non-cancelable capital lease agreement. The lease is for 60 months and requires a monthly payment of \$508 plus applicable taxes and insurance. Total monthly payment for the copier is \$566. The lease obligation carries an interest rate of 49.88%. Additionally, the Committee acquired a new postage machine under a non-cancelable capital lease agreement. The lease is for 63 months and requires a monthly payment of \$179. In addition, the Committee pays applicable taxes and for a service agreement agreement each month. The lease obligation carries an interest rate of 41.10%.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

2. CAPITAL LEASE OBLIGATIONS (Continued)

Future minimum lease payments at December 31, 2014 are as follows:

Year Ending December 31,

2015		\$	8,244
2016			8,244
2017			8,244
2018			8,244
2019			<u>3,285</u>
			36,261
Less: Interest rates ranging from 41.10% to 49.88%			<u>(21,103)</u>
			15,158
Less: Current portion			<u>(1,335)</u>
LONG-TERM PORTION		\$	<u>13,823</u>

3. NOTE PAYABLE

On April 25, 2014, concurrent with the purchase of its building, the Committee entered into a \$500,000 note payable to a financial institution. The interest rate is 4.85% per annum.

The Committee made interest-only payments on the note through July 25, 2014. In August 2014, the Committee made the first of 119 monthly installments of principal and interest of \$2,900.

On July 25, 2024, the maturity date, a balloon payment amounting to \$371,554 will become due. The note is collateralized by the Committee's building and a security interest in all depository accounts with and investment property held by the financial institution.

Year Ending December 31,

2015		\$	10,663
2016			11,132
2017			11,759
2018			12,351
2019			12,972
2020 and Thereafter			<u>436,894</u>
		\$	<u>495,771</u>

For the year ended December 31, 2014, interest paid was \$16,402.

LIBERTARIAN NATIONAL COMMITTEE, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Building Acquisition Fund	\$ 3,037	\$ 322,434
College Campus Programs	3,288	8,288
Legal Offense Fund	7,161	2,050
Radio Ad Project	<u>111</u>	<u>111</u>
	<u>\$ 13,597</u>	<u>\$ 332,883</u>

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

	<u>2014</u>	<u>2013</u>
Building Acquisition Fund	\$ 389,035	\$ 30,527
College Campus Programs	5,000	1,000
Legal Offense Fund	2,500	3,500
Radio Ad Project	<u>-</u>	<u>2,690</u>
	<u>\$ 396,535</u>	<u>\$ 37,717</u>

5. LEASE COMMITMENTS

In April 2013, the Committee extended its lease agreement for its principal office space 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, and in April 2014, the Committee executed an agreement to terminate the lease prior to the scheduled expiration date. The lease terminated on June 9, 2014.

The Committee also leases storage space under a non-cancelable operating lease.

Rent expense for the years ended December 31, 2014 and 2013 totaled \$48,712 and \$130,098, respectively.

The Committee also leases office equipment under a non-cancelable operating lease, expiring at December 31, 2015. In 2014, the office equipment lease was terminated when it was replaced with new office equipment under a non-cancelable capital lease agreement (see Note 2).

6. 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 for the years ended December 31, 2014 and 2013 were \$12,227 and \$9,426, respectively.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

7. CONTINGENCY

Federal Regulation - The Committee is subject to Federal and state election laws and oversight by the 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 \$32,400 for the years ended December 31, 2014 and 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.

8. 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.

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 Contracts

On July 14, 2013, the Committee entered into an employment contract with a new Executive Director. The term of the contract commenced on 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.

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

8. COMMITMENTS (Continued)

In December 2011, the Committee entered into an employment contract with the former 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. The employment contract with the former Executive Director expired June 30, 2013 and was not renewed.

On July 14, 2013, the Committee entered into an employment agreement with the former Executive Director to assume the role of Political Director. The term of the contract commenced on 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 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.

9. ALLOCATION OF EXPENSES

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

During the year ended December 31, 2014, payroll and overhead were allocated as follows:

	<u>Payroll</u>	<u>Overhead</u>	<u>Direct</u>	<u>Total</u>
Program Services:				
Affiliate Support	\$ 16,934	\$ 18,615	\$ 4,883	\$ 40,432
Ballot Access	7,405	8,140	117,049	132,594
Brand Development	8,494	9,338	12,578	30,410
Campus Outreach	782	860	-	1,642
Candidate Support	27,123	29,817	289	57,229
Litigation Support	1,310	1,440	3,194	5,944
Media Relations	10,429	11,465	119	22,013
Member Communications	104,493	114,871	60,394	279,758
Outreach	32,143	35,335	6,097	73,575
Conventions	7,602	8,357	120,936	136,895
Management and General	100,076	110,016	-	210,092
Fundraising and Donor Acquisition	<u>70,242</u>	<u>77,218</u>	<u>248,603</u>	<u>396,063</u>
TOTAL	<u>\$ 387,033</u>	<u>\$ 425,472</u>	<u>\$ 574,142</u>	<u>\$ 1,386,647</u>

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

9. ALLOCATION OF EXPENSES (Continued)

During the year ended December 31, 2013, payroll and overhead were allocated as follows:

	<u>Payroll</u>	<u>Overhead</u>	<u>Direct</u>	<u>Total</u>
Program Services:				
Affiliate Support	\$ 11,562	\$ 13,861	\$ 5,404	\$ 30,827
Ballot Access	5,697	6,830	16,262	28,789
Brand Development	10,079	12,083	5,694	27,856
Campus Outreach	560	671	1,000	2,231
Candidate Support	14,687	17,607	-	32,294
Litigation Support	1,075	1,289	9,404	11,768
Media Relations	11,310	13,559	30	24,899
Member Communications	97,420	116,791	24,670	238,881
Outreach	38,114	45,693	6,979	90,786
Management and General	83,398	99,980	-	183,378
Fundraising and Donor Acquisition	<u>95,816</u>	<u>114,868</u>	<u>273,658</u>	<u>484,342</u>
TOTAL	<u>\$ 369,718</u>	<u>\$ 443,232</u>	<u>\$ 343,101</u>	<u>\$ 1,156,051</u>

10. RELATED PARTY

During the years ended December 31, 2014 and 2013, the Committee received \$36,122 and \$30,614, respectively, from Board members and \$0 and \$1,478, respectively, from staff.

For the years ended December 31, 2014 and 2013, the Committee incurred \$88,998 and \$1,478, respectively, of expenses paid to Board members or vendors that employed Board members as follows:

<u>Title</u>	<u>Service</u>	<u>Total December 31, 2014</u>	<u>Total December 31, 2013</u>
Alabama limited liability company with one Board Member as executive employee	Ballot access petitioning services - gathering an undocumented number of signatures in 2013	\$ -	\$ 1,197
Nevada corporation owned by one Board member in 2013 and two Board members in 2012	Fundraising commission - thirty percent (30%) of donations from new donors	-	281
Individual who employed Board member	Ballot access petitioning services - gathering 4,166 signatures in Alabama in 2014	12,498	-
Libertarian Party of Kentucky	Ballot access petitioning services - Kentucky	7,000	-

LIBERTARIAN NATIONAL COMMITTEE, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

10. RELATED PARTY (Continued)

For the years ended December 31, 2014 and 2013, the Committee incurred \$88,998 and \$1,478, respectively, of expenses paid to Board members or vendors that employed Board members as follows:

<u>Title</u>	<u>Service</u>	<u>Total December 31, 2014</u>	<u>Total December 31, 2013</u>
Libertarian Party of Illinois	Ballot access petitioning services - gathering 26,600 signatures in Illinois in 2014	\$ 67,500	\$ -
Libertarian Party of Minnesota	Ballot access petitioning services - 2014 reimbursement of 2012 expenses for gathering signatures in Minnesota	<u>2,000</u>	<u>-</u>
TOTAL		<u>\$ 88,998</u>	<u>\$ 1,478</u>

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through January 20, 2016, the date the financial statements were issued.

In May 2015, the Committee entered into an employment contract with the Political Director. The term of the contract commenced on July 1, 2015 and ends on June 30, 2017. The employment contract provides for a base monthly salary, vacation accrued in accordance with the Committee's Employee Manual at the rate of four weeks annually and performance incentives upon achievement of metrics relevant to the position, namely the number candidates running and the number of votes cast for those candidates. The employment agreement allows for a one-month severance if the Committee gives less than two months' notice of any intention to not renew or extend the contract. The employment agreement allows for termination without cause with one month's notice and one month's severance. The employment agreement allows for termination for cause and without severance with a ¾ vote of the Board of Directors.