Treasurer's Report
Libertarian National Committee, Inc.
December 14, 2002
Deryl W. Martin, Treasurer

Financial Update

You all know that our financial situation is bad so I will not belabor the point. Here's where we are.

Cash & Revenues

As of the end of November, we have virtually no cash in the bank. All funds are being used to pay past bills and ongoing expenses. As you now know, I authorized Nick to make 50% partial UMP payments on November 20th to be caught up when we can. We will meet payroll tomorrow (December 3rd) from pledge runs and will take it from there (see Payables below).

As of November 25th, monthly collections totaled $149,999.43 which is $1,500 better than November of 2001 through that date. Also through that date, it is better than the low months of January ($121,000), May ($107,000) and September ($129,000) and on an approximate level with March, April, August, and October. It is only surpassed significantly by February (annual report & drug war ads), and June & July (convention). The Lark donation occurred in October so November's revenue is a welcome, positive surprise. To date, $12,445 has been received from our supporters to meet Jim's "match" challenge. We're on track to take in approximately $156,000 in all of November.

Receivables

At our September meeting, I reported that our Accounts Receivables were down from their high of over $33,000 ($22,305 over 120 days) to a manageable $16,674 (in theory). Though the total is now up to $21,792, the amount beyond 120 days past due is down to $14,467. After a final verification of the amounts, I'll personally be sending one final dunning letter to each with a warning. If no response occurs within a reasonable time, the Chair and I will decide which ones to turn over to a collection agency. See below for a proposed write-off policy.

Payables

From a high of over $233,000, our trade payables are now down to $181,980:

Current	1-30	31-60	61-90	91-120	>120
$28,550	$26,334	$40,233	$31,095	$16,598	$39,170

Of that total, $14,898 represents arrears to our affiliates for UMP in the 1-30 category.

Chairman Neale has recently circulated a request for affiliates to voluntarily forego portions of their UMP revenues if possible. In order for our affiliates to make that judgement, here is what will happen to our base salaries and accruals of staff in the near future (assuming no more cuts). Our base in January will go down by $5,701, in February by another $3,655, and in March by another $2,228. Then, they will drop by $2,813 in May and another $2,813 in June. These are permanent cuts of over $17,000 per month by next summer from our current levels. When you add employer taxes and retirement, the total monthly savings will be over $18,750 per month. Healthcare cost reduction adds even more. These savings will be partially offset by the hiring of a comptroller.

Budget

Mark Nelson has taken the lead on the EC's budget preparation. He has a special interest in this area as well as a great deal of experience. I sincerely appreciate his willingness to serve and to take some of the workload off the chair and myself. Special thanks also go to the other EC members; Ken, Steve, Mike, and Mark C.

As you may know, the EC gathered (at our personal expense) in Chicago on the weekend of November 15-17 to map the financial path out of our current downturn. The result is a "bare bones", conservative budget. You will see in our proposal for next year that only basic revenues and expenses are budgeted. Special projects not only must pay for themselves on a marginal basis but they must also pay for their fair share of common costs.

As Mark will detail later, compared to the 2002 budget, our projected base budget for next year is . . .

- 54% smaller in overall anticipated revenue and expenses

- 17% smaller in actual staff costs than were in effect at the convention
- Yet, it includes budget lines for desperately needed items like a comptroller, a new database, and an accounting system conversion.

IRS Penalty

I informed you in September that the IRS fined us $570 for late filing of miscellaneous 1099's in early 2001 for the 2000 tax year. The IRS refunded this amount to us in November? We deposited the check promptly.

Accounting Changes

As many of you know, we hired an accounting and systems expert (at below market price) to clean up our accounting functions and oversee the conversion to our new QuickBooks system. Jason Gray has just completed the new chart of accounts and expects implementation to start soon. The Chair's report will provide much more detail on this change, including Jason's documentation of compliance with all regulatory authorities.

Write-off Policy

We have had several discussions of such a policy and now is the appropriate time to consider one. I specifically propose a new Article V, Section 6 be added to the Policy Manual that reads:

Section 6. Uncollectible Write-off Policy

1. **In order to be written off, an uncollectible receivable must have the following characteristics:**
   - **An inability to collect any of the outstanding debt,**
   - **An unwillingness of the debtor to negotiate a retirement procedure for the debt,**
   - **An inability of the debtor to retire the debt; and**
   - **No likelihood of collecting the debt through a collection process.**
2. **To be eligible for writing off, the Executive Director must present documentation of timely and reasonable efforts to collect the debt consistent with existing accounts receivable policy.**
3. **Writing off of any debt less than $1,000 requires approval of the Chair; greater amounts require approval of the LNC.**
4. **Any debtor with a written off balance shall be denied any trade relationship with the LP.**

The Executive Director is responsible for monitoring receivables on an ongoing basis and presenting write off proposals to the Chair or LNC.

Debt Prohibition

As you know, it is against policy for the LNC to incur debt. To date the interpretation has been that trade payables do not fall under this category, and for good reason. Businesses operate on trade credit, period. It is common business practice, however, that when a firm falls on hard financial times, often a creditor will work with you if you sign a promissory note. The note relieves the creditor from having to demonstrate claim legitimacy by producing documents evidencing delivery of service/product or of trade agreement, etc. Instead, the creditor simply produces the promissory note. The terms of such notes are negotiated. Obeying the terms of the note also protects the debtor because it is a contract. That is, meeting obligations under the note is not an act of bankruptcy and, if met, cannot be used to force the debtor into liquidation procedures. Thus, while interest is often involved, a promissory note serves both parties.

Because of the unusual nature of our situation, I believe it important to have the option of promissory notes. For that reason, I am specifically proposing a new Article V, Section 7 to the Policy Manual that reads:

Section 7. Financial Exigency
Financial exigency is the only condition that allows the Party to incur statutory, contractual debt. Party officers may execute promissory notes only under the following conditions:

1. **The LNC has specifically declared that a state of financial exigency exists.**
2. **The only reasonable method of forestalling legal action is to execute promissory notes.**
3. **Promissory notes shall be executed for only the amount of a legitimate trade payable, and then only to each specific creditor or vendor involved.**
4. **Vendor agrees in writing not to assign the note to any third party.**
5. **Note terms will be negotiated by Party officers (usually the Chair or Treasurer) but must not involve interest greater than 12% per annum from date of note execution.**

6. **All such promissory notes shall not extend the indebtedness more than six months from note execution. If debt extinguishment is not possible in that time frame, no note shall be executed.**
7. **The total of all promissory notes to any one vendor shall not exceed $25,000.**
8. **The total of all Party promissory notes outstanding shall not exceed $100,000 without prior additional LNC approval.**
9. **The Chair must approve all negotiated terms with the goal being a schedule that the Party can successfully meet.**
10. **The LNC is to determine when a state of financial exigency no longer exists. Upon such determination, Party officers may no longer enter into any further contractual debt arrangement.**

Balance Sheet

See the attached spreadsheet that continues from the one I presented at our September meeting.

As suggested earlier, the primary deterioration of assets is due to the reduction in the general level of cash. In turn, this negatively affects the "calculated" reserve especially with accounts payable being so much higher than they were before the convention. The late drop in "Other Current Liabilities" (which is primarily UMP) is due to an accounting change suggested by our forensic systems/accountant. We discovered that the UMP liabilities suggested by our auditors were overstated. All other factors equal, this produced a one-time balance sheet "gain" by reducing that liability by approximately $40,000. The new figure is a much better reflection of our true commitment. Unlike our previous practice of making auditor recommended adjustments once per year, we will adjust these (and other) figures each month going forward. This reflects a move toward more "contemporaneous" accounting that I mentioned to you earlier this year.

Despite this accounting change, we are making real progress at rectifying our situation. Compare our net worth in August (or even October) versus now. Even before the accounting change we're approximately $60,000 better than just two months ago using net worth as the measure.

A word of warning is appropriate however. It is impossible to discern how much progress we're truly making because the extent to which our accounting is at flaw will only be revealed over time. We have some very foreboding accounting adjustments to make in the near future, probably in the middle of next year. Depending on collection efforts, we may have to ultimately write off $15,000 to $20,000 of receivables. That amount is miniscule compared to how we will have to value software if we purchase Raiser's Edge. By far, the most suspect value on our (or anyone's) balance sheet are the non-liquid assets under "Software".

Summary

There are three points I want to mention which all point to the same idea.

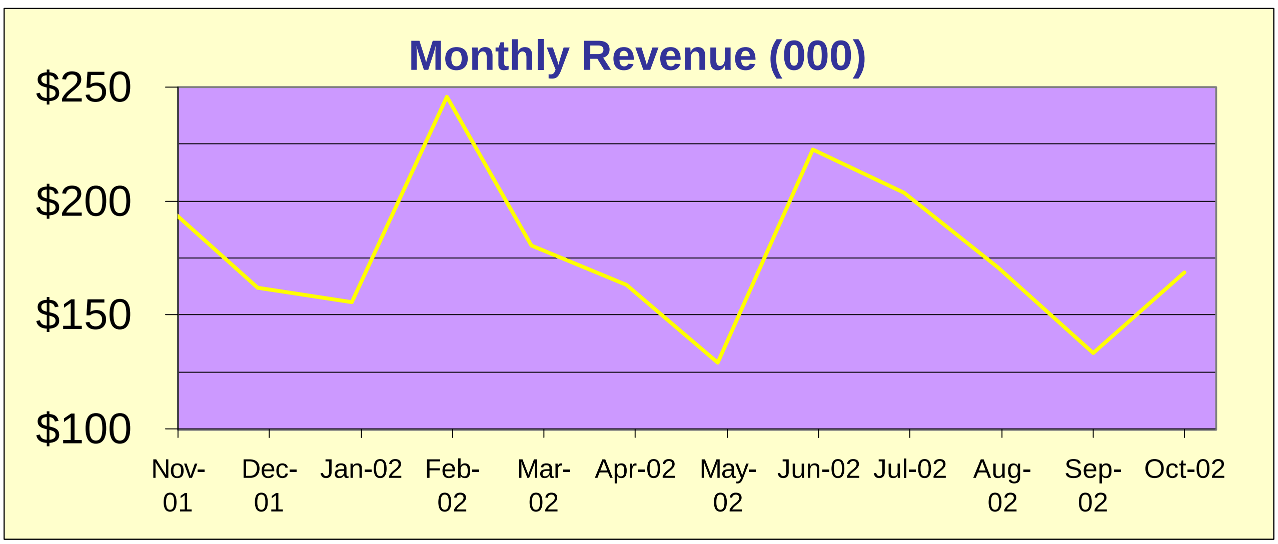
1. There is one item on the balance sheet that is easy to understand and interpret and that is payables. We simply must work these down.
2. With each passing week, our accruals are falling as we continue to pay departed staff for not working. These obligations will eventually disappear beginning early next year. The Chair's new accrual policy going into effect January 1 will make sure this problem doesn't happen again.
3. We have reduced accounts payable by approximately $52,000 since the convention, yet most of that was in the last two months because of Jim Lark's generosity.

The one thing all three of these have in common is that while we're improving our operations, our efforts will get us nowhere without a combination of reduced expenses *AND* improved revenue! We're working on the former (the Chair will report on this). As members of the LNC, we also have a responsibility to promote the latter. We must beat the bushes, call in our markers, arm twist, and generally do whatever it takes to improve both the level and stability of our revenue. Are you a monthly pledger? If not, why not? Do you promote the pledge program every chance you get? How about voluntarily renewing your membership early and encouraging others to do the same? How about spending one hour per week (ONE HOUR) making phone calls to our fellow libertarians telling them of both our plight and our progress and having them *close the deal with a check?!*

While the picture looks better in some regards than it did at our last meeting, I repeat, we are still in deep financial trouble.

Month	Revenue			
Nov-01	$ 198,106.21			$ 198.11
Dec-01	$ 161,992.54			$ 161.99
Jan-02	$ 155,672.17			$ 155.67
Feb-02	$ 245,619.22			$ 245.62
Mar-02	$ 180,624.78			$ 180.62
Apr-02	$ 163,188.51			$ 163.19
May-02	$ 129,260.43			$ 129.26
Jun-02	$ 222,474.05			$ 222.47
Jul-02	$ 203,762.10			$ 203.76
Aug-02	$ 170,703.36			$ 170.70
Sep-02	$ 133,228.87			$ 133.23
Oct-02	$ 168,479.19	prelim		$ 168.48
TOT	$ 2,133,111.43			
110%	$ 2,346,422.57			

$2.34 million is the maximum permissible budget to be presented.



Current Year 2002	1/31/02	2/28/02	3/31/02	4/30/02	5/31/02	6/30/02
Current Assets						
Cash in Banks (incl. Cred. card)	$ 18,934.87	$ 2,473.16	$ 17,412.14	$ 35,828.34	$ 28,966.30	$ 57,769.10
CD Reserve	$ 25,619.14	$ 25,646.34	$ 25,670.93	$ 25,698.19	$ 25,724.59	$ 25,751.90
Receivables (incl. Pledges)	$ 476,763.96	$ 481,094.21	$ 484,402.96	$ 486,914.53	$ 486,631.03	$ 492,825.53
Prepaid Expenses	$ 8,918.49	$ 9,411.70	$ 9,186.54	$ 9,922.31	$ 9,656.51	$ 10,786.51
Advances		$ 5,381.00	$ 5,381.00	$ 5,654.20	$ 5,197.92	$ 5,145.14
Other Current Assets (e.g. Deposits)	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00
Total Current Assets	$ 540,116.46	$ 533,886.41	$ 551,933.57	$ 573,897.57	$ 566,056.35	$ 602,158.18
Fixed Assets						
Fixed Assets	$ 132,610.60	$ 132,610.60	$ 132,610.60	$ 132,610.60	$ 132,610.60	$ 132,610.60
Notes	$ 2,013.72	$ 2,013.72	$ 2,013.72	$ 2,013.72	$ 2,013.72	$ 2,013.72
Total Fixed Assets	$ 134,624.32	$ 134,624.32	$ 134,624.32	$ 134,624.32	$ 134,624.32	$ 134,624.32
Total Assets	**$ 674,740.78**	**$ 668,510.73**	**$ 686,557.89**	**$ 708,521.89**	**$ 700,680.67**	**$ 736,782.50**
Current Liabilities						
Accounts Payable	$ 42,547.24	$ 11,841.68	$ 26,472.84	$ 56,025.81	$ 72,820.28	$ 75,435.18
Other Current Liabilities (e.g. UMP)	$ 441,540.38	$ 441,540.38	$ 441,540.38	$ 441,540.38	$ 441,540.38	$ 441,540.38
Total Current Liabilities	$ 484,087.62	$ 453,382.06	$ 468,013.22	$ 497,566.19	$ 514,360.66	$ 516,975.56
Long-Term Liabilities						
Lease	$ 3,802.68	$ 3,802.68	$ 3,802.68	$ 3,802.68	$ 3,802.68	$ 3,802.68
Total Long-Term Liabilities	$ 3,802.68	$ 3,802.68	$ 3,802.68	$ 3,802.68	$ 3,802.68	$ 3,802.68
Total Liabilities	**$ 487,890.30**	**$ 457,184.74**	**$ 471,815.90**	**$ 501,368.87**	**$ 518,163.34**	**$ 520,778.24**
Net Worth	$ 186,850.48	$ 211,325.99	$ 214,741.99	$ 207,153.02	$ 182,517.33	$ 216,004.26
Gain (Loss)	$ 186,850.48	$ 24,475.51	$ 3,416.00	$ (7,588.97)	$ (24,635.69)	$ 33,486.93
Quick Ratio (Cash + CD's)/AP	1.0	2.4	1.6	1.1	0.8	1.1
CD Reserve	$ 25,619.14	$ 25,646.34	$ 25,670.93	$ 25,698.19	$ 25,724.59	$ 25,751.90
Special Events Account	$ 686.45	$ 686.11	$ 685.77	$ 28,685.43	$ 28,685.09	$ 15,457.56
Actual Reserve (per Oct 2001 policy)	$ 2,006.77	$ 15,591.71	$ 15,924.46	$ -	$ -	$ -
Based on Reports Dated	3/4/02	3/22/02	5/2/02	5/16/02	6/18/02	7/10/02
My calculated Reserve >>	$ 1,320.32	$ 15,591.71	$ 15,924.46	$ (23,184.71)	$ (46,814.48)	$ (7,371.74)

Current Year 2002	(w/ auditor adjs) 7/31/02	8/31/02	9/13/02	9/21/02	9/27/02	10/4/02	10/18/02	10/31/02	11/8/02 post Marriott	11/15/02	Preliminary 11/30/02
Current Assets											
Cash in Banks (incl. Cred. card)	$ 40,582.46	$ 1,251.96	$ 13,341.69	$ 4,108.96	$ 5,246.06	$ 17,921.92	$ (3,424.87)	$ 6,426.76	$ 26,711.74	$ 26,221.58	$ (9,130.10)
CD Reserve	$ 25,778.36	$ -									
Receivables (incl. Pledges)	$ 434,253.00	$ 426,108.25	$ 425,317.50	$ 425,268.75	$ 422,451.25	$ 424,438.00	$ 425,744.50	$ 424,014.50	$ 426,537.00	$ 426,462.75	$ 419,617.75
Prepaid Expenses	$ 9,752.55	$ 240.98	$ 10,937.55	$ 2,332.55	$ 3,145.05	$ 3,575.05	$ 1,202.67	$ (111.12)	$ (188.62)	$ (188.62)	$ 143.27
Advances	$ 7,208.22	$ 7,239.69	$ 5,837.00	$ 6,738.38	$ 6,738.38	$ 6,783.04	$ 7,822.83	$ 7,822.83	$ 7,822.83	$ 7,822.83	$ 7,822.83
Other Current Assets (e.g. Deposits)	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00	$ 9,880.00
Total Current Assets	$ 527,454.59	$ 444,720.88	$ 465,313.74	$ 448,328.64	$ 447,460.74	$ 462,598.01	$ 441,225.13	$ 448,032.97	$ 470,762.95	$ 470,198.54	$ 428,333.75
Fixed Assets											
Fixed Assets	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54	$ 95,219.54
Notes	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38	$ 2,436.38
Total Fixed Assets	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92	$ 97,655.92
Total Assets	**$ 625,110.51**	**$ 542,376.80**	**$ 562,969.66**	**$ 545,984.56**	**$ 545,116.66**	**$ 560,253.93**	**$ 538,881.05**	**$ 545,688.89**	**$ 568,418.87**	**$ 567,854.46**	**$ 525,989.67**
Current Liabilities											
Accounts Payable	$ 226,776.74	$ 221,874.41	$ 217,286.98	$ 199,244.31	$ 205,101.24	$ 200,601.34	$ 232,354.64	$ 211,799.31	$ 177,218.45	$ 178,813.99	$ 181,980.03
Other Current Liabilities (e.g. UMP)	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 434,170.86	$ 377,288.41
Total Current Liabilities	$ 660,947.60	$ 656,045.27	$ 651,457.84	$ 633,415.17	$ 639,272.10	$ 634,772.20	$ 666,525.50	$ 645,970.17	$ 611,389.31	$ 612,984.85	$ 559,268.44
Long-Term Liabilities											
Lease	$ 3,582.90	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99
Total Long-Term Liabilities	$ 3,582.90	$ 3,582.90	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99	$ 3,582.99
Total Liabilities	**$ 664,530.50**	**$ 659,628.17**	**$ 655,040.83**	**$ 636,998.16**	**$ 642,855.09**	**$ 638,355.19**	**$ 670,108.49**	**$ 649,553.16**	**$ 614,972.30**	**$ 616,567.84**	**$ 562,851.43**
Net Worth	$ (39,419.99)	$ (117,251.37)	$ (92,071.17)	$ (91,013.60)	$ (97,738.43)	$ (78,101.26)	$ (131,227.44)	$ (103,864.27)	$ (46,553.43)	$ (48,713.38)	$ (36,861.76)
Gain (Loss)	$ (255,424.25)	$ (77,831.38)	$ 25,180.20	$ 1,057.57	$ (6,724.83)	$ 19,637.17	$ (53,126.18)	$ 27,363.17	$ 57,310.84	$ (2,159.95)	$ 11,851.62
Quick Ratio (Cash + CD's)/AP	0.3	0.0	0.1	0.0	0.0	0.1	(0.0)	0.0	0.2	0.1	(0.1)
CD Reserve	$ 25,778.36	$ -	$ -								
Special Events Account	$ 807.22	$ 806.88	$ 807.22	$ -	closed	closed	closed	closed	closed	closed	closed
Actual Reserve (per Oct 2001 policy)											
Based on Reports Dated	9/12/02	9/17/02	9/13/02	9/21/02	current	current	current	current	current	current	current
My calculated Reserve >>	$ (161,223.14)	$ (221,429.33)	$ (204,752.51)	$ (195,135.35)	$ (199,855.18)	$ (182,679.42)	$ (235,779.51)	$ (205,372.55)	$ (150,506.71)	$ (152,592.41)	$ (191,110.13)