

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

**MANAGEMENT LETTER**

**DECEMBER 31, 2020**

# Frye & Company, CPAs

*Advisors—Accountants—Auditors*

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December 23, 2021

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

We have completed our audit of the financial statements of the Libertarian National Committee, Inc. (The Libertarian Party) (referred to as “the Committee”) as of and for the year ended December 31, 2020. In planning and performing our audit, we considered the internal controls of the Committee in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal controls. Hence, our consideration of the Committee’s controls was more limited than would be necessary to express an opinion on the internal controls taken as a whole. Accordingly, we do *not* express such an opinion.

The Committee’s Board of Directors and management are responsible for establishing and maintaining effective internal controls. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal controls are to provide management with reasonable, not absolute, assurance in regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contractual agreements, and donor stipulations and requirements.

Internal controls, no matter how well designed and operating, can provide only reasonable assurance to the achievements of an entity’s control objectives. The likelihood of achievement is affected by limitations inherent in the controls, such as human error or mistakes in judgment, circumvention of controls by the collusion of employees or management override of internal controls.

Our consideration of the Committee’s controls would not necessarily disclose all matters that might be a control deficiency under standards established by the American Institute of Certified Public Accountants (AICPA). A control deficiency is a condition in which the design or operation of internal control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected in a timely basis.



A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

As a result of our audit, we noted a significant deficiency and other matter involving internal control and its operation. Significant deficiencies are less severe and scope and materiality than material weaknesses but yet important enough to warrant management's attention and consideration. Our comments and recommendations reflect our commitment to provide our clients with practical solutions and we hope they are taken in a spirit of cooperation.

## **COMMENTS & RECOMMENDATIONS**

### ***Functional Expense Allocation***

As discussed in prior years, the Committee needs to reevaluate the methodology used in its functional expense allocation. Currently, significant amounts of expenses are being allocated as management and general expenses and not being allocated to the program and supporting services benefited. Generally accepted accounting principles in the United States of America require not-for-profit and other similar organizations to present or disclosure their expenses on a functional basis and to also include actual statements of functional expenses detailing the costs incurred and manner in which such costs are allocated across the programs and supporting services benefit. Without an appropriate allocation of administrative expenses or overhead, the true costs of program activities and fundraising initiative may be understated as they are not absorbing their allocable portion of such expenses. As such, we recommend the Committee reevaluate its methodology used in its functional expense allocation and ensure that management and administrative costs, such as professional fees, computer expenses, contractors fees, occupancy costs and depreciation, are allocated across the functions benefited in a systematic, rational, and consistent manner.

### ***Accounting for Leases***

The Financial Accounting Standards Board (FASB) has also issued new guidance on accounting for leases that will significantly impact the accounting for operating leases in that right to use assets and liabilities will be reflected in the statement of financial position (i.e., balance sheet). The current accounting requirements for capital leases are tantamount to the new reporting requirements but the reporting model for operating leases changes dramatically. The new reporting requirements are effective as of and for the year ended December 31, 2022 with early adoption permitted.

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This letter is intended solely for the use of the Committee's Board of Directors and its management team. We appreciate the opportunity to present these comments for your consideration and will be glad to discuss our recommendations further, if necessary. We hope that our comments are received in the spirit of cooperation with which they are offered and that we can continue to work together to improve the Committee and its financial management. We also hope to realize efficiencies in our approach to audit engagements through our experience with the Committee and any feedback on our audit would be greatly appreciated.

We also would like to thank the Committee's management team, especially Mr. Robert Kraus for the cooperation and support we received during the audit. If we can be of any further assistance or if you need additional information or feedback on our comments and recommendations, please feel free to contact us at your convenience. We appreciate the opportunity to serve the Committee and its Board of Directors.

Very truly,

A handwritten signature in cursive script that reads "Frye & Company, CPAs".

***Frye & Company, CPAs***