

**The American Radio Relay League, Incorporated**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2016 and 2015**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

# The American Radio Relay League, Incorporated

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Independent Auditor's Report

To the Board of Directors  
The American Radio Relay League, Incorporated

We have audited the accompanying financial statements of The American Radio Relay League, Incorporated, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Radio Relay League, Incorporated as of December 31, 2016 and 2015, 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.

*Report on Supplementary Information*

Our audits were conducted for the purpose of forming an opinion of the financial statements as a whole. The schedules of expenditures and temporarily restricted fund summary are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*CohnReznick LLP*

Hartford, Connecticut  
May 9, 2017

**The American Radio Relay League, Incorporated**

**Statements of Financial Position  
December 31, 2016 and 2015**

Assets

	2016	2015
Current assets		
Cash	\$ 1,375,211	\$ 957,526
Accounts receivable, net of allowance for doubtful accounts of \$38,120 and \$62,756	258,592	355,616
Inventories, net	666,928	794,351
Pledges receivable, current	115,858	144,158
Other receivables	61,390	67,337
Prepaid expenses and other current assets	217,205	261,187
Total current assets	2,695,184	2,580,175
Other assets		
Investments	23,774,265	21,826,857
Long-term pledges receivable, net of discount and allowance of \$259,553 and \$288,592	576,718	666,773
Land, building and equipment, net	1,427,730	1,594,853
Total other assets	25,778,713	24,088,483
 Total assets	 \$ 28,473,897	 \$ 26,668,658

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 266,696	\$ 299,913
Accrued liabilities	342,472	354,785
Deferred revenue	27,439	30,862
Subtotal operational current liabilities	636,607	685,560
Deferred life membership dues, current	517,319	511,898
Deferred term membership dues, current	3,027,669	3,140,790
Total current liabilities	4,181,595	4,338,248
Long-term liabilities		
Deferred life membership dues, less current portion	6,778,795	6,721,379
Deferred term membership dues, less current portion	1,051,361	836,192
Total long-term liabilities	7,830,156	7,557,571
 Total liabilities	 12,011,751	 11,895,819
Commitments		
Net assets		
Unrestricted		
Undesignated	2,303,613	2,258,335
Board designated	7,179,296	6,096,570
Total unrestricted	9,482,909	8,354,905
Temporarily restricted	2,439,604	2,039,014
Permanently restricted	4,539,633	4,378,920
Total net assets	16,462,146	14,772,839
 Total liabilities and net assets	 \$ 28,473,897	 \$ 26,668,658

See Notes to Financial Statements.

**The American Radio Relay League, Incorporated**

**Statement of Activities  
Year Ended December 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and contributions				
Membership dues	\$ 6,380,112	\$ -	\$ -	\$ 6,380,112
Net publication sales	3,933,425	-	-	3,933,425
Advertising	2,202,767	-	-	2,202,767
Investment income	211,558	125,131	-	336,689
Examination fees and other	475,356	-	-	475,356
Program and service fees	563,856	-	-	563,856
Contributions and support	661,067	553,278	25,917	1,240,262
Net assets released from restrictions	533,510	(533,510)	-	-
	<u>14,961,651</u>	<u>144,899</u>	<u>25,917</u>	<u>15,132,467</u>
Expenditures				
Programs and services	8,185,598	-	-	8,185,598
Publications	4,144,921	-	-	4,144,921
Administration	2,114,575	-	-	2,114,575
Fundraising	484,662	-	-	484,662
Governance	261,189	-	-	261,189
	<u>15,190,945</u>	<u>-</u>	<u>-</u>	<u>15,190,945</u>
Increase (decrease) in net assets before other income	<u>(229,294)</u>	<u>144,899</u>	<u>25,917</u>	<u>(58,478)</u>
Other income				
Bequests, Board designated functioning as an endowment	717,505	-	-	717,505
Second Century Campaign endowment contributions	-	-	134,796	134,796
Redesignations	(24,795)	24,795	-	-
Unrealized gain on investments	664,588	230,896	-	895,484
	<u>1,357,298</u>	<u>255,691</u>	<u>134,796</u>	<u>1,747,785</u>
Change in net assets	1,128,004	400,590	160,713	1,689,307
Net assets, beginning	<u>8,354,905</u>	<u>2,039,014</u>	<u>4,378,920</u>	<u>14,772,839</u>
Net assets, end	<u>\$ 9,482,909</u>	<u>\$ 2,439,604</u>	<u>\$ 4,539,633</u>	<u>\$ 16,462,146</u>

See Notes to Financial Statements.

**The American Radio Relay League, Incorporated**

**Statement of Activities  
Year Ended December 31, 2015**

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and contributions				
Membership dues	\$ 5,996,104	\$ -	\$ -	\$ 5,996,104
Net publication sales	3,769,991	-	-	3,769,991
Advertising	2,451,635	-	-	2,451,635
Investment income	216,810	118,324	-	335,134
Examination fees and other	483,136	-	-	483,136
Program and service fees	712,478	-	-	712,478
Contributions and support	625,736	540,017	228,598	1,394,351
Net assets released from restrictions	622,494	(622,494)	-	-
	<u>14,878,384</u>	<u>35,847</u>	<u>228,598</u>	<u>15,142,829</u>
Expenditures				
Programs and services	8,478,219	-	-	8,478,219
Publications	4,233,726	-	-	4,233,726
Administration	1,880,345	-	-	1,880,345
Fundraising	429,838	-	-	429,838
Governance	244,539	-	-	244,539
	<u>15,266,667</u>	<u>-</u>	<u>-</u>	<u>15,266,667</u>
Increase (decrease) in net assets before other income	<u>(388,283)</u>	<u>35,847</u>	<u>228,598</u>	<u>(123,838)</u>
Other income				
Bequests, Board designated functioning as an endowment	280,146	-	-	280,146
Second Century Campaign endowment contributions	-	-	130,009	130,009
Unrealized loss on investments	(498,321)	(189,919)	-	(688,240)
	<u>(218,175)</u>	<u>(189,919)</u>	<u>130,009</u>	<u>(278,085)</u>
Change in net assets	(606,458)	(154,072)	358,607	(401,923)
Net assets, beginning	<u>8,961,363</u>	<u>2,193,086</u>	<u>4,020,313</u>	<u>15,174,762</u>
Net assets, end	<u>\$ 8,354,905</u>	<u>\$ 2,039,014</u>	<u>\$ 4,378,920</u>	<u>\$ 14,772,839</u>

See Notes to Financial Statements.

**The American Radio Relay League, Incorporated**

**Statements of Cash Flows  
Years Ended December 31, 2016 and 2015**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ 1,689,307	\$ (401,923)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Receipts to establish or increase permanent endowment	(160,713)	(358,607)
Depreciation	251,030	269,441
(Gain) loss on sale of equipment	4,381	(2,513)
Bad debt expense	-	49,811
Discount and allowance for pledges receivable	(29,039)	(15,684)
Change in inventory reserve	(20,006)	27,263
Unrealized (gain) loss on investments	(895,484)	688,240
Realized gain on investments allocated to general and permanent funds	(35,766)	(44,808)
Changes in operating assets and liabilities		
Accounts receivable	97,024	(95,709)
Inventories	147,429	(154,294)
Pledges receivable	147,394	125,017
Other receivables	5,947	(7,503)
Prepaid expenses and other current assets	43,982	32,414
Accounts payable and accrued liabilities	(45,530)	5,231
Deferred revenue	(3,423)	15,067
Deferred life membership dues, net of allocated realized gain	40,385	151,108
Deferred term membership dues	102,048	446,689
Net cash provided by operating activities	1,338,966	729,240
Cash flows from investing activities		
Purchase of equipment	(89,824)	(261,135)
Proceeds from sale of equipment	1,536	2,513
Sales of investments	2,877,902	2,645,431
Purchases of investments	(3,871,608)	(3,333,032)
Net cash used in investing activities	(1,081,994)	(946,223)
Cash flows from financing activities		
Receipts to establish or increase permanent endowment	160,713	358,607
Net increase in cash	417,685	141,624
Cash, beginning	957,526	815,902
Cash, end	\$ 1,375,211	\$ 957,526

See Notes to Financial Statements.



# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2016 and 2015

### Note 1 - Organization and summary of significant accounting policies

#### **Nature of activities**

The American Radio Relay League, Incorporated (the "League") is a not-for-profit organization formed to promote interest in amateur radio communication, experimentation and the advancement of radio art, further the public welfare and foster education in the field of electronic communication. The League also publishes documents, books, magazines and pamphlets necessary or incidental to its purpose. The League's operations are primarily supported by membership dues, publication sales, advertising and contributions. The League's members are primarily located throughout the United States.

#### **Basis of presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. To ensure observance of limitations and restrictions placed on the use of resources available to the League, the accounts of the League are maintained in the following net asset categories:

Unrestricted - Net assets represent available resources other than contributions restricted by donor-imposed stipulations or by operation of law. The Board of Directors of the League has earmarked a certain amount of those funds, which are shown as board designated net assets in the accompanying statements of financial position.

Temporarily restricted - Net assets represent contributions and earnings thereon that are restricted by donor-imposed stipulations or by operation of law either as to purpose or as to time of expenditure.

Permanently restricted - Net assets represent contributions received that are subject to donor-imposed restrictions or to those imposed by operation of law that the principal be invested in perpetuity while the income earned thereon is made available for operations.

#### **Cash and cash equivalents**

Cash and cash equivalents include all cash balances and highly liquid short-term instruments with an original maturity of three months or less when acquired. Temporary cash and cash equivalent balances associated with investment accounts are included with investments in these financial statements. There were no cash equivalents as of December 2016 or 2015 included in operating cash.

#### **Allowance for doubtful accounts**

Trade accounts receivable is stated at the amount management expects to collect from outstanding balances. The League performs on-going credit evaluations of its customers' financial condition and grants credit based on each customer's ability to pay. The League evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

#### **Pledges and contributions receivable**

Pledges and contributions receivable are recorded at their net realizable value, which approximates fair value. Receivables that are expected to be collected in future years are discounted to their present values.

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2016 and 2015

### Inventories

Inventories consist of publications, software, membership supplies and other miscellaneous items. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. Inventories are reflected net of reserves for slow moving inventory of \$112,367 and \$132,373 as of December 31, 2016 and 2015, respectively.

### Investments

The League reports investments at fair value (see Note 3) and reflects any gain or loss in the statements of activities. Investment income and gains and losses are considered unrestricted unless temporarily restricted by donor stipulation or by operation of law.

### Land, building and equipment

The League capitalizes expenditures for building and equipment with a useful life of greater than one year and a cost of \$1,000 or more. Purchased land, building and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Estimated lives for financial reporting purposes are as follows:

Asset	Estimated Useful Lives
Building	40 years
Furnishings, equipment and building improvements	3 - 15 years
Computer software	3 - 5 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in change in net assets for the period.

The League reviews its long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of December 31, 2016 and 2015.

Donations of land, building and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, building and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be restricted, the League reports expirations of donor restrictions when the donated or acquired assets are placed in service. The League reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### Endowment and spending policy

The League adheres to investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the League must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. It is recognized that short-term market fluctuations may cause variations in account performance and investment balances.

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2016 and 2015

To satisfy its long-term rate of return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The League appropriates funds for distribution based on an annual review of investment results and available net assets. The League's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### **Revenue recognition**

Membership dues - Revenue from term membership dues is recognized to the extent of acquisition costs when memberships are received. The remaining portion is recognized as revenue on the straight-line basis ratably over the applicable membership period.

The by-laws of the League provide for a life membership dues rate that equals 25 times the term membership annual dues rate. Life member dues are deferred upon receipt. Investment earnings on allocated life member investments are deferred. Revenue is recognized at an amount representative of the estimated cost to the League for providing services to the life members.

Publication sales - Revenue from publication sales is recognized when the earnings process is complete and the risks and rewards of ownership have transferred to the customer, which is generally considered to have occurred upon shipment of the publication.

Advertising - Advertising revenue is recorded during the period in which the advertisements are published.

Contributions and bequests - Contributions and bequests received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions or those imposed by operation of law. Support that is restricted by the donor is reported as an increase in temporarily restricted net assets even if the restrictions expire in the reporting period in which the support is recognized. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

#### **Income taxes**

The League is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the League is subject to federal and state income tax as a result of unrelated business income arising from net advertising income. There are no unrelated business income tax liabilities for the years ended December 31, 2016 and 2015.

The League's federal information returns prior to calendar year 2013 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The League recognizes interest and penalties associated with uncertain tax positions as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the statements of financial position. The League has no unrecognized tax positions at December 31, 2016 and 2015.

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2016 and 2015

### Functional expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

### 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Subsequent events

The League has evaluated events and transactions for potential recognition or disclosure through May 9, 2017, which is the date the financial statements were available to be issued.

### Note 2 - Pledges receivable

Unconditional pledges receivable as of December 31, 2016 and 2015 are expected to be realized in the following periods:

	<u>2016</u>	<u>2015</u>
In one year or less	\$ 115,858	\$ 144,158
In one to five years	373,271	415,365
In more than five years	<u>463,000</u>	<u>540,000</u>
Total pledges receivable	952,129	1,099,523
Less allowance for uncollectible pledges	(76,953)	(90,103)
Less discount	<u>(182,600)</u>	<u>(198,489)</u>
	<u>\$ 692,576</u>	<u>\$ 810,931</u>

Amounts are shown in the statements of financial position as of December 31 as follows:

	<u>2016</u>	<u>2015</u>
Current	\$ 115,858	\$ 144,158
Long-term	<u>576,718</u>	<u>666,773</u>
	<u>\$ 692,576</u>	<u>\$ 810,931</u>

Pledges expected to be received in more than one year have been discounted using a discount rate of 3.75% and 3.5% at December 31, 2016 and 2015, respectively.

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2016 and 2015**

**Note 3 - Investments**

Investments are carried at their aggregate fair value. The following summarizes the relationship between the cost and fair values as presented in the financial statements as of December 31, 2016 and 2015:

	2016		2015	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$ 1,089,815	\$ 1,089,815	\$ 1,339,146	\$ 1,339,146
Equities and mutual funds	12,882,511	9,762,440	11,261,000	8,993,903
Fixed maturities	9,801,939	9,803,650	9,226,711	9,270,932
	<u>\$ 23,774,265</u>	<u>\$ 20,655,905</u>	<u>\$ 21,826,857</u>	<u>\$ 19,603,981</u>

The League allocates its investments into categories related to life memberships, regular operations, temporarily restricted and endowment funds. The following summarizes the fair value of investments by category as of December 31, 2016 and 2015:

	2016	2015
Life membership	\$ 7,296,114	\$ 7,233,277
Regular operations	2,319,618	2,079,076
Temporarily restricted	2,439,604	2,039,014
Functioning as an endowment	7,179,296	6,096,570
Permanently restricted	4,539,633	4,378,920
	<u>\$ 23,774,265</u>	<u>\$ 21,826,857</u>

The following summarizes changes in relationships between cost and fair values of investments:

	2016	2015
Unrealized appreciation, beginning		
Fair value	\$ 21,826,857	\$ 21,754,401
Cost	19,603,981	18,843,285
Net gain	<u>2,222,876</u>	<u>2,911,116</u>
Unrealized appreciation, end		
Fair value	23,774,265	21,826,857
Cost	20,655,905	19,603,981
Net gain	<u>3,118,360</u>	<u>2,222,876</u>
Net unrealized gain (loss) for the year	<u>\$ 895,484</u>	<u>\$ (688,240)</u>

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2016 and 2015

Investment income is summarized as follows for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 479,057	\$ 466,001
Net realized gain on investments	<u>58,218</u>	<u>73,095</u>
Gross investment income	537,275	539,096
Less		
Net investment income allocated to deferred life liability	<u>(200,586)</u>	<u>(203,962)</u>
Total investment income	<u>\$ 336,689</u>	<u>\$ 335,134</u>

#### Note 4 - Fair value measurements

The League values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data by correlation or other means. If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the League utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2016 and 2015**

Financial assets carried at fair value at December 31, 2016 and 2015 are classified in the tables below in one of the three categories described above:

	2016			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 1,089,815	\$ -	\$ -	\$ 1,089,815
Mutual funds				
Closed-end funds	19,580	-	-	19,580
Large blend fund	13,855	-	-	13,855
Large growth fund	19,091	-	-	19,091
Total mutual funds	<u>52,526</u>	<u>-</u>	<u>-</u>	<u>52,526</u>
Exchange traded funds				
Small blend	335,296	-	-	335,296
Mid cap blend	438,138	-	-	438,138
Large blend	5,150,436	-	-	5,150,436
Short term bond	1,532,702	-	-	1,532,702
Foreign mid blend	75,224	-	-	75,224
Foreign large blend	424,540	-	-	424,540
Equity energy	157,020	-	-	157,020
Diversified emerging markets	125,230	-	-	125,230
Total exchange traded funds	<u>8,238,586</u>	<u>-</u>	<u>-</u>	<u>8,238,586</u>
Stocks				
Domestic large cap	4,310,164	-	-	4,310,164
Domestic mid cap	86,360	-	-	86,360
Domestic small cap	39,175	-	-	39,175
International developed	155,700	-	-	155,700
Total stocks	<u>4,591,399</u>	<u>-</u>	<u>-</u>	<u>4,591,399</u>
Fixed maturities				
Domestic corporate bonds	-	8,807,569	-	8,807,569
International developed bonds	-	795,998	-	795,998
Global high yield taxable	-	198,372	-	198,372
Total fixed maturities	<u>-</u>	<u>9,801,939</u>	<u>-</u>	<u>9,801,939</u>
Total assets at fair value	<u>\$ 13,972,326</u>	<u>\$ 9,801,939</u>	<u>\$ -</u>	<u>\$ 23,774,265</u>

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2016 and 2015**

	2015			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 1,339,146	\$ -	\$ -	\$ 1,339,146
Mutual funds				
Closed-end funds	17,290	-	-	17,290
Large blend fund	12,345	-	-	12,345
Small blend fund	8,706	-	-	8,706
Large growth fund	9,311	-	-	9,311
Total mutual funds	<u>47,652</u>	<u>-</u>	<u>-</u>	<u>47,652</u>
Exchange traded funds				
Small blend	287,664	-	-	287,664
Mid cap blend	396,086	-	-	396,086
Large blend	3,628,030	-	-	3,628,030
Short term bond	1,608,842	-	-	1,608,842
Foreign mid blend	74,296	-	-	74,296
Foreign large blend	430,662	-	-	430,662
Equity energy	124,680	-	-	124,680
Diversified emerging markets	133,794	-	-	133,794
Total exchange traded funds	<u>6,684,054</u>	<u>-</u>	<u>-</u>	<u>6,684,054</u>
Stocks				
Domestic large cap	4,001,833	-	-	4,001,833
Domestic mid cap	164,965	-	-	164,965
Domestic small cap	38,866	-	-	38,866
International developed	323,630	-	-	323,630
Total stocks	<u>4,529,294</u>	<u>-</u>	<u>-</u>	<u>4,529,294</u>
Fixed maturities				
Domestic corporate bonds	-	8,131,043	-	8,131,043
International developed bonds	-	795,068	-	795,068
Global high yield taxable	-	300,600	-	300,600
Total fixed maturities	<u>-</u>	<u>9,226,711</u>	<u>-</u>	<u>9,226,711</u>
 Total assets at fair value	 <u>\$ 12,600,146</u>	 <u>\$ 9,226,711</u>	 <u>\$ -</u>	 <u>\$ 21,826,857</u>

Level 1 stocks, mutual funds, exchange traded funds and money market funds are valued at the daily closing price as reported by the fund. Mutual funds are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. These financial assets held by the League are deemed to be actively traded.

The fair value of fixed maturities (Level 2), which consists principally of corporate and international bonds, is estimated using market price quotations (where observable), recently executed transactions or bond spreads of the issuer. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves or bond spreads.

The preceding is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodology used at December 31, 2016 and 2015.



## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2016 and 2015

The League's policy is to recognize transfers in and transfers out of levels at the actual date of the event or change in circumstances that caused the transfer. There were no transfers in or out of the respective levels during the years ended December 31, 2016 and 2015.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the League believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### Note 5 - Land, building and equipment

Land, building and equipment, and related accumulated depreciation are comprised of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land and building	\$ 1,094,693	\$ 1,094,693
Furnishings, equipment and building improvements	4,369,915	4,333,533
Computer software	<u>2,077,156</u>	<u>2,060,306</u>
	7,541,764	7,488,532
Less accumulated depreciation	<u>(6,114,034)</u>	<u>(5,893,679)</u>
	<u>\$ 1,427,730</u>	<u>\$ 1,594,853</u>

#### Note 6 - 403(b) plan

The League has The ARRL, Inc. 403(b) Pension Plan. Employees are eligible to participate in the plan immediately upon employment. After an employee has worked for 6 months, the League provides a contribution of 2% of the employee's compensation and will match any elective contributions made by the employee up to the employee's contribution of 4% of their compensation. The match was one dollar for every dollar contributed by the employee in 2016 and 2015. Total employer contributions were \$278,412 and \$287,062 in 2016 and 2015, respectively.

#### Note 7 - Board-designated net assets

The League's Board of Directors' intent is to treat unrestricted bequests over a specific amount as funds functioning as an endowment. Since the beginning of 2004, the League has received bequests in the amount of \$5,243,423. As of December 31, 2016 and 2015, the balance of the bequests, inclusive of investment income and unrealized gains and losses, was \$7,179,296 and \$6,096,570, respectively.

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2016 and 2015

#### Note 8 - Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2016 and 2015 were available for the following purposes:

	2016	2015
Exceptional merit	\$ 1,358,695	\$ 1,316,894
Education and research	289,523	184,602
Other specific purposes	791,386	537,518
	<u>\$ 2,439,604</u>	<u>\$ 2,039,014</u>

#### Note 9 - Permanently restricted net assets

Permanently restricted net assets as of December 31, 2016 and 2015 were comprised of the following:

	2016	2015
Colvin fund	\$ 154,340	\$ 154,340
W1AW fund	588,735	582,816
Second Century fund	3,235,115	3,100,321
Youth and Education fund	197,189	177,189
DX Log Archive fund	229,390	229,390
Dave Bell, W6AQ fund	134,864	134,864
	<u>\$ 4,539,633</u>	<u>\$ 4,378,920</u>

In 1993, the League became entitled, as beneficiary, to proceeds from a life insurance policy on one of its members, the Colvin fund. This endowment specifies that the principal is to be maintained in a fund and invested for the purpose of producing future income. The income from this endowment will be expended to reward deserving radio amateurs.

In 2002, an endowment fund was established for W1AW maintenance and upkeep.

In 2011, the League started the Second Century Campaign. This campaign was established for the purpose of defining a path to passionate involvement in amateur radio by new generations, and providing opportunities for educational enrichments, community service and personal achievement.

In 2012, the League became entitled to a bequest for the Youth and Education fund. This endowment specifies that the principal is to be maintained in a fund and invested for the purpose of producing future income. The income from this endowment will be used to support education and technology initiatives.

In 2014, the League received a donation to establish the DX Log Archive fund. This endowment specifies that the principal is to be maintained in a fund and invested for the purpose of producing future income. The income will fund the creation and management of the DX Log Archive Program for paper DX logs for rare and significant DXpeditions.

In 2015, the League became entitled to a bequest to establish the Dave Bell, W6AQ fund. This fund specifies that the principal is to be maintained in a fund and invested for the purpose of producing

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2016 and 2015

future income. The income from this endowment will be used for the League's programs and operations in the best interests of the Amateur Radio Service as determined by the League.

#### **Note 10 - Endowment**

The League's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act ("CTUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the League classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the League and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the League and (7) the League's investment policies.

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2016 and 2015**

Changes in endowment net assets for the year ended December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2016	\$ 6,096,570	\$ 271,380	\$ 4,378,920	\$ 10,746,870
Investment income, net	125,716	25,702	-	151,418
Net unrealized gain	264,300	173,805	-	438,105
Contributions	717,505	-	160,713	878,218
Amounts appropriated for expenditure	-	(10,730)	-	(10,730)
Reclassifications	<u>(24,795)</u>	<u>-</u>	<u>-</u>	<u>(24,795)</u>
Endowment net assets, December 31, 2016	<u>\$ 7,179,296</u>	<u>\$ 460,157</u>	<u>\$ 4,539,633</u>	<u>\$ 12,179,086</u>

Endowment net asset composition by type of fund as of December 31, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 460,157	\$ 4,539,633	\$ 4,999,790
Board-designated endowment funds	<u>7,179,296</u>	<u>-</u>	<u>-</u>	<u>7,179,296</u>
Total funds	<u>\$ 7,179,296</u>	<u>\$ 460,157</u>	<u>\$ 4,539,633</u>	<u>\$ 12,179,086</u>

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2016 and 2015**

Changes in endowment net assets for the year ended December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ 5,876,847	\$ 436,247	\$ 4,020,313	\$ 10,333,407
Investment income, net	121,101	85,943	-	207,044
Net unrealized gain	(206,319)	(141,480)	-	(347,799)
Contributions	307,061	-	358,607	665,668
Amounts appropriated for expenditure	<u>(2,120)</u>	<u>(109,330)</u>	<u>-</u>	<u>(111,450)</u>
Endowment net assets, December 31, 2015	<u>\$ 6,096,570</u>	<u>\$ 271,380</u>	<u>\$ 4,378,920</u>	<u>\$ 10,746,870</u>

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 271,380	\$ 4,378,920	\$ 4,650,300
Board-designated endowment funds	<u>6,096,570</u>	<u>-</u>	<u>-</u>	<u>6,096,570</u>
Total funds	<u>\$ 6,096,570</u>	<u>\$ 271,380</u>	<u>\$ 4,378,920</u>	<u>\$ 10,746,870</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the League to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in unrestricted net assets as of December 31, 2016 and 2015.

**Note 11 - Lease obligations**

The League leases warehouse space, office space and office equipment under operating leases with monthly payments ranging from \$87 to \$4,265, which expire at various times through May 2021. Total operating lease expense was \$109,348 and \$132,662 for the years ended December 31, 2016 and 2015, respectively.

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2016 and 2015

The following are future minimum lease payments due under noncancelable operating leases as of December 31, 2016:

2017	\$	56,935
2018		56,935
2019		56,935
2020		56,935
2021		24,203
	\$	<u>251,943</u>

#### Note 12 - Concentrations

##### Credit risk

Financial instruments, which potentially subject the League to concentrations of credit risk, consist primarily of cash, pledges and trade receivables. The League maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed the federally insured limit. At December 31, 2016, the Company had approximately \$1,237,000 in excess of federally insured limits.

The League believes that the concentration of credit risk in its trade receivables is substantially mitigated by the League's credit evaluation process, relatively short collection terms and the financial stability of the larger customers comprising the League's credit base. The League does not generally require collateral from customers. Pledges receivable are comprised primarily of commitments from individuals who are members of the League. The League evaluates the need for an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

##### Market risk

The League invests in various debt and equity securities. These investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is at least reasonably possible that these factors will result in changes in the value of the League's investments which could materially affect amounts reported in the financial statements.

#### Note 13 - Related party transactions

The League has some common directors with The ARRL Foundation, Inc. The League performs administrative services for The ARRL Foundation, Inc. and was reimbursed for these services in the amount of \$15,000 for the years ended December 31, 2016 and 2015.

## **Supplementary Information**

The American Radio Relay League, Incorporated

Schedules of Expenditures  
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Salaries, compensation and benefits	\$ 7,257,268	\$ 7,172,579
Publication costs	2,192,596	2,188,638
Shipping and forwarding costs	1,540,809	1,537,538
Communication and postage	826,726	867,993
Other	620,905	709,752
Occupancy costs	534,955	544,990
Office supplies and expenditures	519,983	534,156
Legal and professional fees	448,878	486,710
Administrative expenses	493,165	437,319
Travel	364,969	383,178
Depreciation	251,030	269,441
Rentals and equipment maintenance	139,661	134,373
Total	<u>\$ 15,190,945</u>	<u>\$ 15,266,667</u>

See Independent Auditor's Report.



## The American Radio Relay League, Incorporated

### Temporarily Restricted Fund Summary Year Ended December 31, 2016

Fund name	Balance January 1, 2016	Resignations	Contributions	Investment income, net	Unrealized gain	Released from restriction	Balance December 31, 2016
H.P. Maxim Award	\$ 41,740	\$ -	\$ -	\$ 988	\$ -	\$ (1,500)	\$ 41,228
Project Goodwill	1,672	-	-	-	-	(1,672)	-
Exceptional Merit	1,316,894	-	-	24,710	57,091	(40,000)	1,358,695
Legal Research & Resource	168,914	-	11,584	-	-	(1,770)	178,728
Starr Technology	2,721	-	-	-	-	-	2,721
Rinaldo Technology	1,000	-	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	-	6,709
Educational Activities	3,580	-	-	-	-	-	3,580
Ham Aid Fund	15,549	-	879	-	-	(2,387)	14,041
Defense of Frequencies	-	-	257,314	2,334	-	(259,648)	-
Lab Fund	6,987	-	4,724	-	-	(1,500)	10,211
Education and Technology	175,013	-	211,654	5,674	-	(120,094)	272,247
Steven Rich Fund	10,000	-	-	-	-	-	10,000
Direction Finding	1,334	-	-	-	-	-	1,334
Fred Fish Awards Fund	1,320	-	-	-	-	-	1,320
Legislative Issues Advocacy Fund	14,201	-	54,574	-	-	(27,800)	40,975
Preservation of Artifacts	-	24,795	12,549	-	-	(688)	36,656
Colvin Fund earnings	24,928	-	-	4,102	6,894	(1,500)	34,424
W1AW Fund earnings	120,868	-	-	15,549	27,415	(9,230)	154,602
Youth and Education Fund earnings	6,010	-	-	-	7,688	-	13,698
Capital Campaign Fund ("CCF") earnings	115,761	-	-	62,138	118,088	(62,138)	233,849
CCF Earnings - DX Log Archive	3,813	-	-	6,053	8,640	-	18,506
Dave Bell , W6AQ Fund earnings	-	-	-	3,583	5,080	(3,583)	5,080
Total temporarily restricted funds	<u>\$ 2,039,014</u>	<u>\$ 24,795</u>	<u>\$ 553,278</u>	<u>\$ 125,131</u>	<u>\$ 230,896</u>	<u>\$ (533,510)</u>	<u>\$ 2,439,604</u>

**The American Radio Relay League, Incorporated**

**Temporarily Restricted Fund Summary  
Year Ended December 31, 2015**

Fund name	Balance January 1, 2015	Contributions	Investment income, net	Unrealized loss	Released from restriction	Balance December 31, 2015
H.P. Maxim Award	\$ 40,754	\$ -	\$ 986	\$ -	\$ -	\$ 41,740
Project Goodwill	1,672	-	-	-	-	1,672
Exceptional Merit	1,379,750	-	25,583	(48,439)	(40,000)	1,316,894
Legal Research & Resource	165,709	14,556	-	-	(11,351)	168,914
Starr Technology	2,721	-	-	-	-	2,721
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	13,834	1,715	-	-	-	15,549
Defense of Frequencies	-	311,066	602	-	(311,668)	-
Lab Fund	8,087	1,069	-	-	(2,169)	6,987
Education and Technology	111,369	190,256	5,210	-	(131,822)	175,013
Steven Rich Fund	10,000	-	-	-	-	10,000
Direction Finding	1,334	-	-	-	-	1,334
Fred Fish Awards Fund	1,320	-	-	-	-	1,320
Legislative Issues Advocacy Fund	9,000	21,355	-	-	(16,154)	14,201
Colvin Fund earnings	35,936	-	4,321	(6,129)	(9,200)	24,928
W1AW Fund earnings	170,149	-	15,428	(24,350)	(40,359)	120,868
Youth and Education Fund earnings	12,019	-	-	(6,009)	-	6,010
Capital Campaign Fund ("CCF") earnings	213,520	-	59,771	(97,759)	(59,771)	115,761
CCF Earnings - DX Log Archive	4,623	-	6,423	(7,233)	-	3,813
 Total temporarily restricted funds	 <u>\$ 2,193,086</u>	 <u>\$ 540,017</u>	 <u>\$ 118,324</u>	 <u>\$ (189,919)</u>	 <u>\$ (622,494)</u>	 <u>\$ 2,039,014</u>

See Independent Auditor's Report.

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