

The American Radio Relay League, Incorporated

**Report on Financial Statements
(With Supplementary Information)**

Years Ended December 31, 2011 and 2010

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

Index

	<u>Page</u>
Report of Independent Public Accountants	2
Statements of Financial Position December 31, 2011 and 2010	3
Statement of Activities Year Ended December 31, 2011	4
Statement of Activities Year Ended December 31, 2010	5
Statements of Cash Flows Years Ended December 31, 2011 and 2010	6
Notes to Financial Statements	7 - 23
Schedules of Expenditures Years Ended December 31, 2011 and 2010	24
Temporarily Restricted Fund Summary Year Ended December 31, 2011	25
Temporarily Restricted Fund Summary Year Ended December 31, 2010	26

Report of Independent Public Accountants

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

We have audited the accompanying statements of financial position of The American Radio Relay League, Incorporated (the "League") as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the League's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the accompanying pages 24 through 26 is presented for purposes of additional analysis and is 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.

 J.H. Cohn LLP

Glastonbury, Connecticut
April 26, 2012

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets:		
Cash	\$ 878,651	\$ 756,404
Accounts receivable, net of allowance for doubtful accounts of \$75,952 and \$99,256	430,904	541,754
Inventories, net	732,881	723,978
Pledges receivable, current	319,000	-
Prepaid expenses and other current assets	98,518	145,191
Other receivables	75,032	164,440
Total current assets	<u>2,534,986</u>	<u>2,331,767</u>
Other assets:		
Investments	18,819,971	18,099,375
Long term pledges receivable, net of discount and allowance of \$178,594	662,906	-
Land, building and equipment, net	502,518	491,180
Total other assets	<u>19,985,395</u>	<u>18,590,555</u>
 Total assets	 <u>\$ 22,520,381</u>	 <u>\$ 20,922,322</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 207,608	\$ 368,401
Accrued liabilities	339,872	274,626
Deferred revenue	30,169	8,739
Subtotal operational current liabilities	577,649	651,766
Deferred life membership dues, current	509,196	508,771
Deferred term membership dues, current	2,511,669	2,469,284
Total current liabilities	<u>3,598,514</u>	<u>3,629,821</u>
Long-term liabilities:		
Deferred life membership dues, less current portion	5,503,221	5,438,237
Deferred term membership dues, less current portion	729,001	722,291
Accrued pension liability	2,918,162	1,813,041
Total long-term liabilities	<u>9,150,384</u>	<u>7,973,569</u>
Total liabilities	<u>12,748,898</u>	<u>11,603,390</u>
Commitments		
Net assets:		
Unrestricted:		
Undesignated	2,888,583	3,878,624
Board designated	3,568,972	3,074,763
Temporarily restricted	1,712,204	1,766,040
Permanently restricted	1,601,724	599,505
Total net assets	<u>9,771,483</u>	<u>9,318,932</u>
Total liabilities and net assets	<u>\$ 22,520,381</u>	<u>\$ 20,922,322</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,575,076	\$ -	\$ -	\$ 5,575,076
Net publication sales	3,824,454	-	-	3,824,454
Advertising	2,552,553	-	-	2,552,553
Investment income	413,729	74,092	-	487,821
Examination fees and other	405,239	-	-	405,239
Program and service fees	628,618	-	-	628,618
Contributions and support	600,452	538,031	7,212	1,145,695
Net assets released from restrictions	647,576	(647,576)	-	-
	<u>14,647,697</u>	<u>(35,453)</u>	<u>7,212</u>	<u>14,619,456</u>
Expenditures:				
Programs and services	7,739,886	-	-	7,739,886
Publications	3,934,110	-	-	3,934,110
Administration	1,675,568	-	-	1,675,568
Fundraising	539,638	-	-	539,638
Governance	188,458	-	-	188,458
	<u>14,077,660</u>	<u>-</u>	<u>-</u>	<u>14,077,660</u>
Increase (decrease) in net assets before other income	<u>570,037</u>	<u>(35,453)</u>	<u>7,212</u>	<u>541,796</u>
Other income:				
Bequests, Board designated functioning as an endowment	392,630	-	-	392,630
Second Century Campaign endowment contributions	-	-	995,007	995,007
Unrealized loss on investments	(168,472)	(18,383)	-	(186,855)
Defined benefit pension plan actuarial loss	(1,290,027)	-	-	(1,290,027)
	<u>(1,065,869)</u>	<u>(18,383)</u>	<u>995,007</u>	<u>(89,245)</u>
Change in net assets	(495,832)	(53,836)	1,002,219	452,551
Net assets, beginning of year	<u>6,953,387</u>	<u>1,766,040</u>	<u>599,505</u>	<u>9,318,932</u>
Net assets, end of year	<u>\$ 6,457,555</u>	<u>\$ 1,712,204</u>	<u>\$ 1,601,724</u>	<u>\$ 9,771,483</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,581,174	\$ -	\$ -	\$ 5,581,174
Net publication sales	3,769,357	-	-	3,769,357
Advertising	2,638,923	-	-	2,638,923
Investment income	297,887	72,232	-	370,119
Examination fees and other	417,160	-	-	417,160
Program and service fees	464,260	-	-	464,260
Contributions and support	484,613	487,936	87,768	1,060,317
Net assets released from restrictions	609,752	(609,752)	-	-
	<u>14,263,126</u>	<u>(49,584)</u>	<u>87,768</u>	<u>14,301,310</u>
Expenditures:				
Programs and services	7,641,288	-	-	7,641,288
Publications	3,862,884	-	-	3,862,884
Administration	1,357,081	-	-	1,357,081
Fundraising	475,477	-	-	475,477
Governance	178,933	-	-	178,933
	<u>13,515,663</u>	<u>-</u>	<u>-</u>	<u>13,515,663</u>
Increase (decrease) in net assets before other income	<u>747,463</u>	<u>(49,584)</u>	<u>87,768</u>	<u>785,647</u>
Other income:				
Bequests, Board designated functioning as an endowment	1,630,590	-	-	1,630,590
Unrealized gains on investments	878,435	171,321	-	1,049,756
Defined benefit pension plan actuarial gain	14,967	-	-	14,967
	<u>2,523,992</u>	<u>171,321</u>	<u>-</u>	<u>2,695,313</u>
Change in net assets	3,271,455	121,737	87,768	3,480,960
Net assets, beginning of year	<u>3,681,932</u>	<u>1,644,303</u>	<u>511,737</u>	<u>5,837,972</u>
Net assets, end of year	<u>\$ 6,953,387</u>	<u>\$ 1,766,040</u>	<u>\$ 599,505</u>	<u>\$ 9,318,932</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Operating activities:		
Change in net assets	\$ 452,551	\$ 3,480,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Receipts to establish or increase permanent endowment	(20,313)	(87,768)
Depreciation	175,139	206,935
Loss on disposal of equipment	-	297
Bad debt recovery	(19,292)	18,000
Discount and allowance for pledges receivable	178,594	-
Change in inventory reserve	3,949	16,322
Unrealized loss (gain) on investments	186,855	(1,049,756)
Realized (gain) loss on investments allocated to the general fund	(27,186)	14,695
Changes in operating assets and liabilities:		
Accounts receivable	130,142	45,990
Pledges receivable	(1,160,500)	-
Other receivables	89,408	(78,533)
Inventories	(12,852)	(137,886)
Prepaid expenses and other current assets	46,673	30,766
Accounts payable and accrued liabilities	(95,547)	196,344
Deferred revenue	21,430	3,516
Deferred life membership dues, net of allocated realized loss	40,061	53,210
Deferred term membership dues	49,095	168,561
Accrued pension liability	1,105,121	(783,715)
Net cash provided by operating activities	<u>1,143,328</u>	<u>2,097,938</u>
Investing activities:		
Purchase of equipment	(186,477)	(120,237)
Sales of investments	4,422,454	2,825,076
Purchases of investments	(5,277,371)	(4,997,154)
Net cash used in investing activities	<u>(1,041,394)</u>	<u>(2,292,315)</u>
Financing activities:		
Receipts to establish or increase permanent endowment	20,313	87,768
Net increase (decrease) in cash	122,247	(106,609)
Cash, beginning of year	756,404	863,013
Cash, end of year	<u>\$ 878,651</u>	<u>\$ 756,404</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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 certain 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 31, 2011 or 2010 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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and summary of significant accounting policies (continued):

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 \$114,594 and \$110,645 as of December 31, 2011 and 2010, 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. 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:

<u>Asset</u>	<u>Estimated Useful Lives</u>
Building	40 years
Furnishings, equipment and building improvements	3 - 15 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 of net assets for the period.

The League reviews 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, 2011 and 2010.

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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and summary of significant accounting policies (continued):

Pension liability:

The League follows the accounting standard that requires retirement benefit accruals or prepaid benefit costs reported on the statements of financial position to be adjusted to the difference between the benefit obligations and the plan assets at fair value. The adjustment is recorded as a change in net assets for the year and represents the unrecognized actuarial gains or losses and unamortized service costs, which have previously been disclosed in the notes to the financial statements.

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.

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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and summary of significant accounting policies (continued):

Revenue recognition (concluded):

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, net of agency commissions, during the period in which the advertising is sold.

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 operations 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. Unrelated business income taxes for the year ended December 31, 2010 was \$6,078. There are no unrelated income taxes due for the year ended December 31, 2011.

The League's U.S. Federal information returns prior to calendar year 2008 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, 2011 and 2010.

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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization and summary of significant accounting policies (concluded):

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.

Reclassifications:

Certain prior year information has been reclassified to conform to the current year presentation.

Subsequent events:

The League has evaluated events and transactions for potential recognition or disclosure through April 26, 2012, which is the date the financial statements were available to be issued. There were no subsequent events required to be reported.

Note 2 - Pledges receivable:

As of December 31, 2011, unconditional pledges receivable are expected to be realized in the following periods:

In one year or less	\$ 319,000
In one to five years	741,500
In more than five years	100,000
Less: allowance for uncollectible pledges	(109,101)
Less: discount	(69,493)
	\$ 981,906

Amounts are shown in the statements of financial position as of December 31, 2011 as follows:

Current	\$ 319,000
Long-term	662,906
	\$ 981,906

Pledges expected to be received in more than one year have been discounted using a discount rate of 3.25% at December 31, 2011.

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:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 872,058	\$ 872,059	\$ 3,024,322	\$ 3,019,734
Equities and mutual funds	10,948,142	9,585,567	7,499,448	7,411,429
Fixed maturities	6,999,771	7,009,456	7,575,605	6,128,468
	\$ 18,819,971	\$ 17,467,082	\$ 18,099,375	\$ 16,559,631

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investments (concluded):

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:

	2011	2010
Life membership	\$ 6,012,417	\$ 5,947,008
Regular operations	5,924,654	6,712,059
Temporarily restricted	1,712,204	1,766,040
Functioning as an endowment	3,568,972	3,074,763
Permanently restricted	1,601,724	599,505
	\$ 18,819,971	\$18,099,375

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

	2011	2010
Unrealized appreciation, beginning of year:		
Fair value	\$18,099,375	\$14,909,196
Cost	16,559,631	14,419,208
Net gain	1,539,744	489,988
Unrealized appreciation, end of year:		
Fair value	18,819,971	18,099,375
Cost	17,467,082	16,559,631
Net gain	1,352,889	1,539,744
Net unrealized (loss) gain for the year	\$ (186,855)	\$ 1,049,756

Investment income is summarized as follows for the years ended December 31:

	2011	2010
Interest and dividend income	\$ 709,854	\$ 640,628
Net realized gain (loss) on investments	52,354	(31,655)
Gross investment income	762,208	608,973
Less:		
Net investment income allocated to deferred life liability	(274,387)	(238,854)
Total investment income	\$ 487,821	\$ 370,119

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

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.
- 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.

Financial assets carried at fair value at December 31, 2011 and 2010 are classified in the tables below in one of the three categories described above:

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ -	\$ 872,058	\$ -	\$ 872,058
Equities and mutual funds:				
Domestic large cap	6,104,010	-	-	6,104,010
Bond funds	2,631,057	-	-	2,631,057
International developed	653,334	-	-	653,334
Domestic mid cap	994,929	-	-	994,929
Domestic small cap	295,368	-	-	295,368
Foreign large blend	115,521	-	-	115,521
Diversified emerging markets	72,267	-	-	72,267
Real estate	52,500	-	-	52,500
Foreign large value	29,156	-	-	29,156
Total equities and mutual funds	<u>10,948,142</u>	<u>-</u>	<u>-</u>	<u>10,948,142</u>
Fixed Maturities:				
Corporate bonds	-	5,444,480	-	5,444,480
International developed bonds	-	729,802	-	729,802
Global high yield taxable	-	739,268	-	739,268
Fixed income other	-	86,221	-	86,221
Total fixed maturities	<u>-</u>	<u>6,999,771</u>	<u>-</u>	<u>6,999,771</u>
Total assets at fair value	<u>\$ 10,948,142</u>	<u>\$ 7,871,829</u>	<u>\$ -</u>	<u>\$ 18,819,971</u>

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 4 - Fair value measurements (concluded):

	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ -	\$ 3,024,322	\$ -	\$ 3,024,322
Equities and mutual funds:				
Domestic large cap	5,499,238	-	-	5,499,238
International developed	691,573	-	-	691,573
Domestic mid cap	661,090	-	-	661,090
Domestic small cap	315,863	-	-	315,863
Foreign large blend	132,934	-	-	132,934
Diversified emerging markets	87,339	-	-	87,339
Real estate	78,230	-	-	78,230
Foreign large value	33,181	-	-	33,181
Total equities and mutual funds	<u>7,499,448</u>	<u>-</u>	<u>-</u>	<u>7,499,448</u>
Fixed Maturities:				
Corporate bonds	-	6,380,742	-	6,380,742
International developed bonds	-	735,142	-	735,142
Global high yield taxable	-	414,461	-	414,461
Fixed income other	-	45,260	-	45,260
Total fixed maturities	<u>-</u>	<u>7,575,605</u>	<u>-</u>	<u>7,575,605</u>
Total assets at fair value	<u>\$ 7,499,448</u>	<u>\$10,599,927</u>	<u>\$ -</u>	<u>\$ 18,099,375</u>

The fair value of cash and cash equivalents is estimated using third party quotations (Level 2).

Investments in equity securities (Level 1) that are listed on a national securities exchange or reported on the NASDAQ national market are valued at their last sales price on the valuation date.

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, 2011 and 2010.

The League's policy is to recognize transfers in and transfers out of levels of 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, 2011 and 2010.

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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 5 - Land, building and equipment:

Land, building and equipment, and related accumulated depreciation are comprised of the following at December 31, 2011 and 2010:

	2011	2010
Land and building	\$ 1,094,693	\$ 1,094,693
Furnishings, equipment and building improvements	5,037,730	5,091,102
Construction in progress	18,913	18,731
	6,151,336	6,204,526
Less accumulated depreciation	(5,648,818)	(5,713,346)
	\$ 502,518	\$ 491,180

Construction in progress represents web development costs incurred but not yet placed into service as of December 31, 2011 and 2010.

Note 6 - Pension liability:

The League has a noncontributory group annuity retirement plan (the "Plan"), which covers all full-time employees. The Plan was frozen effective May 31, 2009. The Board of Directors approved a resolution to terminate the Plan effective November 1, 2011, subject to regulatory approval. The League is in the process of receiving the required approvals from regulatory authorities for the plan termination. Distribution of the Plan assets will be completed once approval is granted and Plan participants provide distribution choices.

The assets of the plan are primarily invested in a group annuity contract with Standard Retirement Services Inc., which executes investment transactions and pays all benefits.

The League's funding policy is to contribute annually the amount necessary to meet the minimum funding standards established by the Employee Retirement Income Security Act. This contribution is based on a method that recognizes estimated future salary levels and service.

The League uses a December 31 measurement date for its plan.

The following sets forth the plan's funded status and amounts recognized in the League's statements of financial position at December 31:

	2011	2010
Accumulated benefit obligation at end of year	\$ 14,256,142	\$ 11,496,473
Projected benefit obligation at beginning of year:	\$ 11,496,473	\$ 10,758,892
Service cost	35,000	35,000
Interest cost	621,080	613,906
Actuarial loss	2,344,077	305,515
Benefits paid	(240,488)	(216,840)
Projected benefit obligation at end of year	14,256,142	11,496,473

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6 - Pension liability (continued):

	2011	2010
Fair value of plan assets at beginning of year:	9,683,432	8,162,136
Actual return on plan assets	1,800,681	989,108
Employer contributions	122,000	786,000
Plan expenses	(27,645)	(36,972)
Benefits paid	(240,488)	(216,840)
Fair value of plan assets at end of year	11,337,980	9,683,432
Unfunded status	(2,918,162)	(1,813,041)
Net accrued benefit cost	\$ (2,918,162)	\$ (1,813,041)

Accrued benefit cost is presented in the statements of financial position as a long-term liability.

Net periodic benefit cost recognized in changes in unrestricted net assets for the years ended December 31, 2011 and 2010 consist of the following:

	2011	2010
Service cost	\$ 35,000	\$ 35,000
Interest cost	621,080	613,906
Expected return on plan assets	(718,986)	(631,654)
Total net periodic benefit cost	\$ (62,906)	\$ 17,252

Net periodic benefit cost is included in salaries, compensation and benefits on the schedule of expenditures.

Other changes in plan assets and benefit obligations, recognized in changes in unrestricted net assets and presented under other income on the statements of activities, for the years ended December 31, 2011 and 2010 consist of the following:

	2011	2010
Actual return on plan assets	\$ 1,800,681	\$ 989,108
Expected return	(718,986)	(631,654)
Totals	1,081,695	357,454
Other actuarial loss	(2,344,077)	(305,515)
Plan expenses	(27,645)	(36,972)
Totals	(2,371,722)	(342,487)
Total of other changes recognized in changes in unrestricted net assets	(1,290,027)	14,967
Net recognized actuarial loss, beginning of year	(595,820)	(610,787)
Net recognized actuarial loss, end of year	\$ (1,885,847)	\$ (595,820)

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6 - Pension liability (continued):

The weighted average actuarial assumptions used in the accounting for the League's pension benefit plan were:

	2011	2010
Benefit obligation:		
Discount rate	4.25%	5.50%
Benefit cost:		
Discount rate	5.50%	6.00%
Expected return on plan assets	7.50%	7.50%
Net periodic benefit cost	\$ (62,906)	\$ 17,252
Employer contribution	122,000	786,000
Benefits paid	(240,488)	(216,840)

The expected long-term rate of return on plan assets reflects the average rate of return expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. Estimation of this rate is derived using a building block method where appropriate consideration is given to the returns being earned by the plan assets in the fund and the rates of return expected to be available for reinvestment. The expected rate of return on each asset class is broken down into three components: (1) inflation, (2) the real risk-free rate of return (i.e., the long-term estimate of future returns on default-free U.S. government securities) and (3) the risk premium for each asset class (i.e., the expected return in excess of the risk-free rate).

All three components are based primarily on historical data, with modest adjustments to take into account additional relevant information that is currently available. For the inflation and risk-free return components, the most significant additional information is that provided by the market for nominal and inflation-indexed U.S. Treasury securities. That market provides implied forecasts of both the inflation rate and risk-free rate for the period over which currently available securities mature. The historical data on risk premiums for each asset class is adjusted to reflect any systemic changes that have occurred in the relevant markets; e.g., the higher current valuations for equities, as a multiple of earnings, relative to the longer-term average for such valuations.

The exact expected return derived using the building block method will vary from year to year; however, as the rate is a long-term assumption, it remains constant as long as it remains within a reasonable range.

Retiree benefit payments, which reflect expected future service, are expected to be paid as follows:

<u>Year Ending December 31,</u>	
2012	\$ 322,569
2013	399,033
2014	532,588
2015	546,957
2016	584,277
2017 – 2020	3,943,101

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6 - Pension liability (continued):

The asset allocations by category as of December 31 are as follows:

	2011		2010	
	Amount	%	Amount	%
Equity securities	\$ -	-%	\$ 6,689,249	69%
Debt securities	11,053,867	97	2,881,566	30
Other	284,113	3	112,617	1
	\$ 11,337,980	100%	\$ 9,683,432	100%

The pension assets carried at fair value at December 31, 2011 and 2010 are classified in the tables below. See Note 3 for definitions of levels:

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ -	\$ 284,113	\$ -	\$ 284,113
Debt securities:				
Long-term bond funds	-	9,540,634	-	9,540,634
Short-term bond funds	-	1,513,233	-	1,513,233
	\$ -	\$ 11,337,980	\$ -	\$ 11,337,980
	2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ -	\$ 112,617	\$ -	\$ 112,617
Equity securities:				
Growth	3,249,322	-	-	3,249,322
Value	1,907,217	-	-	1,907,217
Foreign blend	1,532,710	-	-	1,532,710
Debt securities:				
Bond funds	-	2,881,566	-	2,881,566
	\$ 6,689,249	\$ 2,994,183	\$ -	\$ 9,683,432

Investments in debt securities and other are designated as Level 2 instruments as valuations are obtained from readily-available pricing sources for comparable instruments. Investments in equity securities are valued using market prices on active markets. Level 1 instruments valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. There were no changes in valuation techniques during the current year.

The League sets investment guidelines with the assistance of investment professionals. These guidelines are established on market conditions, risk tolerance, funding requirements and expected benefit payments. The guidelines address the investment allocation process, selection of investment professionals and monitoring of asset performance. Through June 2011, the League employed a long-term total return approach to maximize the long-term rate of return on plan assets for a prudent level of risk.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6 - Pension liability (concluded):

An annual analysis on the risk versus the return of the investment portfolio was conducted to justify the expected long-term rate of return assumption. In July 2011, the League adjusted its investment guidelines as a result of the Plan termination. Through June 2011, the investment portfolio contained a diversified portfolio of investment categories, including equities and fixed income securities. Securities are also diversified in terms of domestic and international securities, short and long-term securities, growth and value styles and large cap and small cap stocks.

To reduce the risk of fluctuation of plan assets that will be required to fund the Plan, in July 2011, the League's Board of Directors passed a resolution to reinvest the assets of the Plan in a corporate-debt-based, economic-liability matching portfolio based in accordance with the recommendation of the Plan's professional advisers.

Note 7 - 403(b) plan:

The League established the ARRL, Inc. 403(b) Pension Plan in 2009. 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 at the rate of 50 cents per dollar contributed up to the employee's contribution of 4% of their compensation. Total employer contributions were \$171,140 and \$155,103 in 2011 and 2010, respectively.

Note 8 - Board designated net assets:

The League's Board of Directors' intent is to treat unrestricted bequests as funds functioning as an endowment. Since the beginning of 2004, the League has received bequests in the amount of \$3,174,014. As of December 31, 2011 and 2010, the balance of the bequests, net of investment income and unrealized gains and losses, are \$3,568,972 and \$3,074,763, respectively.

Note 9 - Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2011 and 2010 are available for the following purposes:

	2011	2010
Exceptional Merit	\$ 1,286,410	\$ 1,292,554
Education and Research	103,375	171,452
Other Specific Purposes	322,419	302,034
	\$ 1,712,204	\$ 1,766,040

Note 10 - Permanently restricted net assets:

Permanently restricted net assets as of December 31, 2011 and 2010 were comprised of the following:

	2011	2010
W1AW fund	\$ 452,377	\$ 445,165
Colvin fund	154,340	154,340
Second Century fund	995,007	-
	\$ 1,601,724	\$ 599,505

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 10 - Permanently restricted net assets (concluded):

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

In 1993, the League became entitled, as beneficiary, to proceeds from a life insurance policy on one of its members. 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 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.

Note 11 - 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

Note 11 - Endowment (continued):

Changes in endowment net assets for the year ended December 31, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2011	\$ 3,074,763	\$ 70,864	\$ 599,505	\$ 3,745,132
Investment income, net	129,452	26,112	-	155,564
Net unrealized depreciation	(27,873)	(6,666)	-	(34,539)
Contributions	392,630	-	1,002,219	1,394,849
Amounts appropriated for expenditure	-	(13,500)	-	(13,500)
Endowment net assets, December 31, 2011	<u>\$ 3,568,972</u>	<u>\$ 76,810</u>	<u>\$ 1,601,724</u>	<u>\$ 5,247,506</u>

Endowment net asset composition by type of fund as of December 31, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 76,810	\$ 1,601,724	\$ 1,678,534
Board Designated Endowment Funds	<u>3,568,972</u>	-	-	<u>3,568,972</u>
Total funds	<u>\$ 3,568,972</u>	<u>\$ 76,810</u>	<u>\$ 1,601,724</u>	<u>\$ 5,247,506</u>

Changes in endowment net assets for the year ended December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2010	\$ 1,184,704	\$ 18,025	\$ 511,737	\$ 1,714,466
Investment income, net	63,850	22,599	-	86,449
Net unrealized appreciation	195,619	33,630	-	229,249
Contributions	1,630,590	-	87,768	1,718,358
Amounts appropriated for expenditure	-	(3,390)	-	(3,390)
Endowment net assets, December 31, 2010	<u>\$ 3,074,763</u>	<u>\$ 70,864</u>	<u>\$ 599,505</u>	<u>\$ 3,745,132</u>

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 11 - Endowment (concluded):

Endowment net asset composition by type of fund as of December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 70,864	\$ 599,505	\$ 670,369
Board Designated Endowment Funds	3,074,763	-	-	3,074,763
Total funds	\$ 3,074,763	\$ 70,864	\$ 599,505	\$ 3,745,132

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, 2011 and 2010.

Note 12 - Lease obligations:

The League leases warehouse space, office space and office equipment under operating leases with monthly payments ranging from \$107 to \$4,265, which expire at various times through May 2016. Total operating lease expense was \$121,774 and \$96,394 for the years ended December 31, 2011 and 2010, respectively.

The following are future minimum lease payments due under noncancelable operating leases as of December 31, 2011:

Year Ending December 31,	
2012	\$ 83,102
2013	67,135
2014	67,135
2015	62,635
2016	21,753
	\$ 301,760

Note 13 - 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.

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 Organization. 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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 13 - Concentrations (concluded):

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 14 - 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 \$13,200 for each of the years ended December 31, 2011 and 2010.

A member of the Board of Directors provided investment advisory services to the League. Fees for these services were \$53,576 and \$42,203 for the years ended December 31, 2011 and 2010, respectively, and are included in administrative expenditures in the accompanying statements of activities.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

SCHEDULES OF EXPENDITURES
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Salaries, compensation and benefits	\$ 6,397,773	\$ 6,017,535
Publication costs	2,230,141	2,149,080
Shipping and forwarding costs	1,492,175	1,514,921
Communication and postage	722,041	727,955
Office supplies and expenditures	552,636	488,232
Legal and professional fees	542,320	527,437
Occupancy costs	536,121	521,573
Other	471,911	506,333
Administrative expenses	435,001	410,496
Travel	409,212	328,168
Rentals and equipment maintenance	113,190	116,998
Depreciation	175,139	206,935
Totals	<u>\$ 14,077,660</u>	<u>\$ 13,515,663</u>

See Report of Independent Public Accountants.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**TEMPORARILY RESTRICTED FUND SUMMARY
YEAR ENDED DECEMBER 31, 2011**

Fund Name	Balance January 1, 2011	Contributions	Investment Income, net	Unrealized Gain (loss)	Released from Restriction	Balance December 31, 2011
H.P. Maxim Award	\$ 36,869	\$ -	\$ 1,572	\$ -	\$ -	\$ 38,441
Project Goodwill	9,733	-	-	-	(1,553)	8,180
Exceptional Merit	1,292,554	-	45,573	(11,717)	(40,000)	1,286,410
Legal Research & Resource	143,318	11,194	-	-	(3,140)	151,372
Starr Technology	4,081	-	-	-	-	4,081
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	7,901	7,407	-	-	(1,843)	13,465
Defense of Frequencies	-	366,716	835	-	(367,551)	-
Lab Fund	11,518	802	-	-	-	12,320
Education and Technology	167,872	151,412	-	-	(219,489)	99,795
Steven Rich Fund	10,000	-	-	-	-	10,000
Direction Finding	41	500	-	-	(500)	41
Colvin Fund earnings	34,624	-	6,698	(1,846)	(13,500)	25,976
W1AW Fund earnings	36,240	-	19,414	(4,820)	-	50,834
Total Temporarily Restricted Funds	\$ 1,766,040	\$ 538,031	\$ 74,092	\$ (18,383)	\$ (647,576)	\$ 1,712,204

See Report of Independent Public Accountants.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**TEMPORARILY RESTRICTED FUND SUMMARY
YEAR ENDED DECEMBER 31, 2010**

Fund Name	Balance January 1, 2010	Contributions	Investment Income, net	Unrealized Gain	Released from Restriction	Balance December 31, 2010
H.P. Maxim Award	\$ 35,318	\$ -	\$ 1,551	\$ -	\$ -	\$ 36,869
Project Goodwill	12,233	-	-	-	(2,500)	9,733
Exceptional Merit	1,147,723	-	47,140	137,691	(40,000)	1,292,554
Legal Research & Resource	153,896	10,120	-	-	(20,698)	143,318
Starr Technology	4,081	-	-	-	-	4,081
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	5,713	2,188	-	-	-	7,901
Defense of Frequencies	-	299,610	942	-	(300,552)	-
Lab Fund	11,394	124	-	-	-	11,518
Education and Technology	234,590	175,894	-	-	(242,612)	167,872
Steven Rich Fund	10,000	-	-	-	-	10,000
Direction Finding	41	-	-	-	-	41
Colvin Fund earnings	18,025	-	6,647	8,952	1,000	34,624
W1AW Fund earnings	-	-	15,952	24,678	(4,390)	36,240
Total Temporarily Restricted Funds	\$ 1,644,303	\$ 487,936	\$ 72,232	\$ 171,321	\$ (609,752)	\$ 1,766,040

See Report of Independent Public Accountants.