

**The American Radio Relay League, Incorporated**

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

**December 31, 2014 and 2013**

# The American Radio Relay League, Incorporated

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Independent Auditor's Report

To the Board of Directors of  
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, 2014 and 2013, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*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 on pages 21 through 23 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 4, 2015

# The American Radio Relay League, Incorporated

## Statements of Financial Position December 31, 2014 and 2013

### Assets

	2014	2013
Current assets:		
Cash	\$ 815,902	\$ 1,191,475
Accounts receivable, net of allowance for doubtful accounts of \$54,868 and \$69,934	309,718	396,292
Inventories, net	667,320	710,506
Pledges receivable, current	211,121	417,796
Other receivables	59,834	164,848
Prepaid expenses and other current assets	293,601	113,715
Total current assets	2,357,496	2,994,632
Other assets:		
Investments	21,754,401	21,157,076
Long term pledges receivable, net of discount and allowance of \$304,276 and \$351,231	709,143	724,036
Land, building and equipment, net	1,603,159	919,417
Total other assets	24,066,703	22,800,529
 Total assets	 \$ 26,424,199	 \$ 25,795,161

### Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 264,229	\$ 484,114
Accrued liabilities	385,238	509,672
Deferred revenue	15,795	32,428
Subtotal operational current liabilities	665,262	1,026,214
Deferred life membership dues, current	509,902	508,488
Deferred term membership dues, current	2,726,388	2,662,806
Total current liabilities	3,901,552	4,197,508
Long-term liabilities:		
Deferred life membership dues, less current portion	6,543,980	6,332,152
Deferred term membership dues, less current portion	803,905	757,004
Total long-term liabilities	7,347,885	7,089,156
Total liabilities	11,249,437	11,286,664
Commitments		
Net assets:		
Unrestricted:		
Undesignated	3,084,516	3,603,383
Board designated	5,876,847	5,590,584
Temporarily restricted	2,193,086	2,166,018
Permanently restricted	4,020,313	3,148,512
Total net assets	15,174,762	14,508,497
Total liabilities and net assets	\$ 26,424,199	\$ 25,795,161

See Notes to Financial Statements.

## The American Radio Relay League, Incorporated

### Statement of Activities Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,915,074	\$ -	\$ -	\$ 5,915,074
Net publication sales	3,960,510	-	-	3,960,510
Advertising	2,536,434	-	-	2,536,434
Investment income	491,623	175,035	-	666,658
Examination fees and other	485,454	-	-	485,454
Program and service fees	852,127	-	-	852,127
Contributions and support	573,845	467,855	44,582	1,086,282
Net assets released from restrictions	656,586	(656,586)	-	-
	<u>15,471,653</u>	<u>(13,696)</u>	<u>44,582</u>	<u>15,502,539</u>
Expenditures:				
Programs and services	8,919,762	-	-	8,919,762
Publications	4,427,230	-	-	4,427,230
Administration	1,627,752	-	-	1,627,752
Fundraising	624,789	-	-	624,789
Governance	224,903	-	-	224,903
	<u>15,824,436</u>	<u>-</u>	<u>-</u>	<u>15,824,436</u>
Increase (decrease) in net assets before other income	<u>(352,783)</u>	<u>(13,696)</u>	<u>44,582</u>	<u>(321,897)</u>
Other income:				
Bequests, Board designated functioning as an endowment	9,000	-	-	9,000
Second Century Campaign endowment contributions	-	-	827,219	827,219
Unrealized gain on investments	111,179	40,764	-	151,943
	<u>120,179</u>	<u>40,764</u>	<u>827,219</u>	<u>988,162</u>
Change in net assets	(232,604)	27,068	871,801	666,265
Net assets, beginning of year	<u>9,193,967</u>	<u>2,166,018</u>	<u>3,148,512</u>	<u>14,508,497</u>
Net assets, end of year	<u>\$ 8,961,363</u>	<u>\$ 2,193,086</u>	<u>\$ 4,020,313</u>	<u>\$ 15,174,762</u>

See Notes to Financial Statements.

## The American Radio Relay League, Incorporated

### Statement of Activities Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,785,794	\$ -	\$ -	\$ 5,785,794
Net publication sales	4,067,070	-	-	4,067,070
Advertising	2,594,067	-	-	2,594,067
Investment income	436,755	130,823	-	567,578
Examination fees and other	431,123	-	-	431,123
Program and service fees	605,709	-	-	605,709
Contributions and support	492,981	487,999	95,028	1,076,008
Net assets released from restrictions	592,791	(592,791)	-	-
	<u>15,006,290</u>	<u>26,031</u>	<u>95,028</u>	<u>15,127,349</u>
Expenditures:				
Programs and services	8,025,601	-	-	8,025,601
Publications	4,156,834	-	-	4,156,834
Administration	1,729,334	-	-	1,729,334
Fundraising	595,039	-	-	595,039
Governance	246,919	-	-	246,919
	<u>14,753,727</u>	<u>-</u>	<u>-</u>	<u>14,753,727</u>
Increase in net assets before other income	<u>252,563</u>	<u>26,031</u>	<u>95,028</u>	<u>373,622</u>
Other income:				
Bequests, Board designated functioning as an endowment	877,873	-	-	877,873
Second Century Campaign endowment contributions	-	-	613,248	613,248
Unrealized gain on investments	1,323,279	381,530	-	1,704,809
	<u>2,201,152</u>	<u>381,530</u>	<u>613,248</u>	<u>3,195,930</u>
Change in net assets	2,453,715	407,561	708,276	3,569,552
Net assets, beginning of year	<u>6,740,252</u>	<u>1,758,457</u>	<u>2,440,236</u>	<u>10,938,945</u>
Net assets, end of year	<u>\$ 9,193,967</u>	<u>\$ 2,166,018</u>	<u>\$ 3,148,512</u>	<u>\$ 14,508,497</u>

See Notes to Financial Statements.

# The American Radio Relay League, Incorporated

## Statements of Cash Flows Years Ended December 31, 2014 and 2013

	2014	2013
Operating activities:		
Change in net assets	\$ 666,265	\$ 3,569,552
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Receipts to establish or increase permanent endowment	(871,801)	(708,276)
Depreciation	242,356	198,784
Gain on sale of equipment	(4,606)	(1,724)
Bad debt expense (recovery)	(8,975)	19,290
Discount and allowance for pledges receivable	(46,955)	32,075
Change in inventory reserve	(6,223)	(18,674)
Unrealized gain on investments	(151,943)	(1,704,809)
Realized gain on investments allocated to general and permanent funds	(274,557)	(204,430)
Changes in operating assets and liabilities:		
Accounts receivable	95,549	(46,230)
Inventories	49,409	94,300
Pledges receivable	268,523	(374,113)
Other receivables	105,014	(95,460)
Prepaid expenses and other current assets	(179,886)	305,147
Accounts payable and accrued liabilities	(344,319)	331,598
Deferred revenue	(16,633)	20,104
Deferred life membership dues, net of allocated realized gain	(99,101)	(254,367)
Deferred term membership dues	110,483	75,114
Net cash provided by (used in) operating activities	(467,400)	1,237,881
Investing activities:		
Purchase of equipment	(928,638)	(670,558)
Proceeds from sale of equipment	7,146	5,474
Sales of investments	4,133,146	4,799,377
Purchases of investments	(3,991,628)	(5,945,924)
Net cash used in investing activities	(779,974)	(1,811,631)
Financing activities:		
Receipts to establish or increase permanent endowment	871,801	708,276
Net increase (decrease) in cash	(375,573)	134,526
Cash, beginning of year	1,191,475	1,056,949
Cash, end of year	\$ 815,902	\$ 1,191,475

See Notes to Financial Statements.



# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

### 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 2014 or 2013 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 December 31, 2014 and 2013

### 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.

### 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 \$105,110 and \$111,333 as of December 31, 2014 and 2013, 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 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, 2014 and 2013.

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 American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

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.

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.

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

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, 2014 and 2013.

The League's Federal information returns prior to calendar year 2011 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, 2014 and 2013.

### **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.

### **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 May 4, 2015, which is the date the financial statements were available to be issued.

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2014 and 2013

#### Note 2 - Pledges receivable

Unconditional pledges receivable as of December 31, 2014 and 2013 are expected to be realized in the following periods:

	2014	2013
In one year or less	\$ 211,121	\$ 417,796
In one to five years	446,019	440,267
In more than five years	567,400	635,000
Total pledges receivable	1,224,540	1,493,063
Less: allowance for uncollectible pledges	(102,252)	(126,870)
Less: discount	(202,024)	(224,361)
	\$ 920,264	\$ 1,141,832

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

	2014	2013
Current	\$ 211,121	\$ 417,796
Long-term	709,143	724,036
	\$ 920,264	\$ 1,141,832

Pledges expected to be received in more than one year have been discounted using a discount rate of 3.25% at both December 31, 2014 and 2013.

#### 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, 2014 and 2013:

	2014		2013	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 971,834	\$ 971,834	\$ 832,222	\$ 832,222
Equities and mutual funds	11,919,625	9,029,542	12,628,167	9,869,699
Fixed maturities	8,862,942	8,841,909	7,696,687	7,695,982
	\$ 21,754,401	\$ 18,843,285	\$ 21,157,076	\$ 18,397,903

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2014 and 2013

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, 2014 and 2013:

	2014	2013
Life membership	\$ 7,053,882	\$ 6,840,640
Regular operations	2,610,273	3,411,322
Temporarily restricted	2,193,086	2,166,018
Functioning as an endowment	5,876,847	5,590,584
Permanently restricted	4,020,313	3,148,512
	\$ 21,754,401	\$ 21,157,076

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

	2014	2013
Unrealized appreciation, beginning of year:		
Fair value	\$21,157,076	\$17,728,010
Cost	18,397,903	16,673,646
Net gain	2,759,173	1,054,364
Unrealized appreciation, end of year:		
Fair value	21,754,401	21,157,076
Cost	18,843,285	18,397,903
Net gain	2,911,116	2,759,173
Net unrealized gain for the year	\$ 151,943	\$ 1,704,809

Investment income is summarized as follows for the years ended December 31, 2014 and 2013:

	2014	2013
Interest and dividend income	\$ 497,693	\$ 526,618
Net realized gain on investments	586,900	423,728
Gross investment income	1,084,593	950,346
Less:		
Net investment income allocated to deferred life liability	(417,935)	(382,768)
Total investment income	\$ 666,658	\$ 567,578

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

### 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. If an asset or liability has a specific (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.

Financial assets carried at fair value at December 31, 2014 and 2013 are classified in the tables below in one of the three categories described above:

	2014			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 971,834	\$ -	\$ -	\$ 971,834
Mutual funds:				
Closed-end funds	76,360	-	-	76,360
Large blend fund	12,884	-	-	12,884
Open-end blended fund	220,390	-	-	220,390
Large growth fund	9,014	-	-	9,014
Total mutual funds	<u>318,648</u>	<u>-</u>	<u>-</u>	<u>318,648</u>
Exchange traded funds				
Small blend	303,317	-	-	303,317
Mid cap blend	409,046	-	-	409,046
Large blend	3,251,990	-	-	3,251,990
Short term bond	1,269,412	-	-	1,269,412
Foreign mid blend	76,248	-	-	76,248
Foreign large blend	535,922	-	-	535,922
Equity energy	167,430	-	-	167,430
Diversified emerging markets	136,067	-	-	136,067
Total exchange traded funds	<u>6,149,432</u>	<u>-</u>	<u>-</u>	<u>6,149,432</u>

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

Stocks:			
Domestic large cap	\$ 4,783,356	\$ -	\$ 4,783,356
Domestic mid cap	200,207	-	200,207
Domestic small cap	68,982	-	68,982
International developed	399,000	-	399,000
Total stocks	5,451,545	-	5,451,545
Fixed maturities:			
Corporate bonds	-	7,706,640	7,706,640
International developed bonds	-	746,947	746,947
Global high yield taxable	-	409,355	409,355
Total fixed maturities	-	8,862,942	8,862,942
Total assets at fair value	\$ 12,891,459	\$ 8,862,942	\$ 21,754,401
2013			
	Level 1	Level 2	Level 3
	Total		
Money market fund	\$ 832,222	\$ -	\$ 832,222
Mutual funds:			
Closed-end funds	119,550	-	119,550
Large blend fund	11,892	-	11,892
Open-end blended fund	218,636	-	218,636
Total mutual funds	350,078	-	350,078
Exchange traded funds			
Small blend	395,820	-	395,820
Mid cap blend	368,752	-	368,752
Large blend	2,879,814	-	2,879,814
Short term bond	1,271,507	-	1,271,507
Foreign mid blend	82,352	-	82,352
Foreign large blend	574,822	-	574,822
Equity energy	126,430	-	126,430
Diversified emerging markets	139,876	-	139,876
Preferred stock	121,539	-	121,539
Total exchange traded funds	5,960,912	-	5,960,912
Stocks:			
Domestic large cap	5,456,367	-	5,456,367
Domestic mid cap	338,100	-	338,100
Domestic small cap	102,790	-	102,790
International developed	419,920	-	419,920
Total stocks	6,317,177	-	6,317,177
Fixed maturities:			
Corporate bonds	-	6,523,300	6,523,300
International developed bonds	-	746,742	746,742
Global high yield taxable	-	426,645	426,645
Total fixed maturities	-	7,696,687	7,696,687
Total assets at fair value	\$ 13,460,389	\$ 7,696,687	\$ 21,157,076

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.



# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 and 2013:

	2014	2013
Land and building	\$ 1,094,693	\$ 1,094,693
Furnishings, equipment and building improvements	4,223,492	3,307,780
Computer software	2,038,245	2,031,059
	<u>7,356,430</u>	<u>6,433,532</u>
Less accumulated depreciation	<u>(5,753,271)</u>	<u>(5,514,115)</u>
	<u>\$ 1,603,159</u>	<u>\$ 919,417</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 2014 and 50 cents for every dollar contributed by the employee in 2013. Total employer contributions were \$282,607 and \$189,771 in 2014 and 2013, respectively.

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2014 and 2013

#### **Note 7 - 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 \$4,245,773. As of December 31, 2014 and 2013, the balance of the bequests, inclusive of investment income and unrealized gains and losses, was \$5,876,847 and \$5,590,584, respectively.

#### **Note 8 - Temporarily restricted net assets**

Temporarily restricted net assets as of December 31, 2014 and 2013 were available for the following purposes:

	2014	2013
Exceptional merit	\$ 1,379,750	\$ 1,380,432
Education and research	126,968	157,246
Other specific purposes	686,368	628,340
	\$ 2,193,086	\$ 2,166,018

#### **Note 9 - Permanently restricted net assets**

Permanently restricted net assets as of December 31, 2014 and 2013 were comprised of the following:

	2014	2013
W1AW fund	\$ 509,084	\$ 501,474
Colvin fund	154,340	154,340
Second Century fund	3,199,702	2,372,482
Youth and Education fund	157,187	120,216
	\$ 4,020,313	\$ 3,148,512

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, 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 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.

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

### 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.

Changes in endowment net assets for the year ended December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	\$ 5,590,584	\$ 383,884	\$ 3,148,512	\$ 9,122,980
Investment income, net	232,183	135,832	-	368,015
Net unrealized gain	45,080	29,633	-	74,713
Contributions	9,000	-	871,801	880,801
Amounts appropriated for expenditure	-	(113,102)	-	(113,102)
Endowment net assets, December 31, 2014	<u>\$ 5,876,847</u>	<u>\$ 436,247</u>	<u>\$ 4,020,313</u>	<u>\$ 10,333,407</u>

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2014 and 2013

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 436,247	\$ 4,020,313	\$ 4,456,560
Board Designated Endowment Funds	5,876,847	-	-	5,876,847
Total funds	<u>\$ 5,876,847</u>	<u>\$ 436,247</u>	<u>\$ 4,020,313</u>	<u>\$ 10,333,407</u>

Changes in endowment net assets for the year ended December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2013	\$ 4,127,782	\$ 109,023	\$ 2,440,236	\$ 6,677,041
Investment income, net	202,434	92,972	-	295,406
Net unrealized gain	382,495	263,806	-	646,301
Contributions	877,873	-	708,276	1,586,149
Amounts appropriated for expenditure	-	(81,917)	-	(81,917)
Endowment net assets, December 31, 2013	<u>\$ 5,590,584</u>	<u>\$ 383,884</u>	<u>\$ 3,148,512</u>	<u>\$ 9,122,980</u>

Endowment net asset composition by type of fund as of December 31, 2013 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 383,884	\$ 3,148,512	\$ 3,532,396
Board Designated Endowment Funds	5,590,584	-	-	5,590,584
Total funds	<u>\$ 5,590,584</u>	<u>\$ 383,884</u>	<u>\$ 3,148,512</u>	<u>\$ 9,122,980</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, 2014 and 2013.

# The American Radio Relay League, Incorporated

## Notes to Financial Statements December 31, 2014 and 2013

### Note 11 - 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 \$168,813 and \$140,603 for the years ended December 31, 2014 and 2013, respectively.

The following are future minimum lease payments due under noncancelable operating leases as of December 31, 2014:

Year Ending December 31,	
2015	\$ 78,602
2016	21,753
	<u>\$ 100,355</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.

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 \$13,200 for the years ended December 31, 2014 and 2013.

**The American Radio Relay League, Incorporated**

**Schedules of Expenditures  
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Salaries, compensation and benefits	\$ 7,181,166	\$ 6,966,846
Publication costs	2,444,268	2,278,256
Shipping and forwarding costs	1,517,290	1,594,022
Communication and postage	848,386	764,153
Office supplies and expenditures	808,286	501,337
Other	610,707	533,359
Occupancy costs	544,881	523,515
Legal and professional fees	454,097	410,021
Administrative expenses	441,813	480,856
Travel	431,401	373,256
Rentals and equipment maintenance	299,785	129,322
Depreciation	242,356	198,784
	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 15,824,436</u>	<u>\$ 14,753,727</u>

See Independent Auditor's Report.

The American Radio Relay League, Incorporated

Temporarily Restricted Fund Summary  
Year Ended December 31, 2014

Fund Name	Balance January 1, 2014	Contributions	Investment Income, net	Unrealized Gain	Released from Restriction	Balance December 31, 2014
H.P. Maxim Award	\$ 41,170	\$ -	\$ 1,084	\$ -	\$ (1,500)	\$ 40,754
Project Goodwill	5,672	-	-	-	(4,000)	1,672
Exceptional Merit	1,380,432	-	28,187	11,131	(40,000)	1,379,750
Legal Research & Resource	157,457	13,212	-	-	(4,960)	165,709
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	15,373	611	-	-	(2,150)	13,834
Defense of Frequencies	-	321,664	1,997	-	(323,661)	-
Lab Fund	13,854	4,233	-	-	(10,000)	8,087
Education and Technology	142,832	117,815	7,935	-	(157,213)	111,369
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	-	-	-	9,000
Colvin Fund earnings	31,898	-	9,203	1,335	(6,500)	35,936
W1AW Fund earnings	149,980	-	30,090	4,765	(14,686)	170,149
Youth and Education Fund earnings	10,834	-	-	1,185	-	12,019
Capital Campaign Fund ("CCF") earnings	191,172	-	91,916	22,348	(91,916)	213,520
CCF Earnings - DX Log Archive	-	-	4,623	-	-	4,623
Total temporarily restricted funds	\$ 2,166,018	\$ 467,855	\$ 175,035	\$ 40,764	\$ (656,586)	\$ 2,193,086

See Independent Auditor's Report.

**The American Radio Relay League, Incorporated**

**Temporarily Restricted Fund Summary  
Year Ended December 31, 2013**

Fund Name	Balance January 1, 2013	Contributions	Investment Income, net	Unrealized Gain	Released from Restriction	Balance December 31, 2013
H.P. Maxim Award	\$ 39,974	\$ -	\$ 1,196	\$ -	\$ -	\$ 41,170
Project Goodwill	8,180	-	-	-	(2,508)	5,672
Exceptional Merit	1,270,440	-	32,268	117,724	(40,000)	1,380,432
Legal Research & Resource	159,715	13,349	-	-	(15,607)	157,457
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	9,865	5,508	-	-	-	15,373
Defense of Frequencies	-	294,414	1,180	-	(295,594)	-
Lab Fund	12,683	1,171	-	-	-	13,854
Education and Technology	123,283	173,507	3,207	-	(157,165)	142,832
Steven Rich Fund	10,000	-	-	-	-	10,000
Direction Finding	1,284	50	-	-	-	1,334
Colvin Fund earnings	23,703	-	8,562	14,633	(15,000)	31,898
W1AW Fund earnings	84,270	-	27,449	48,217	(9,956)	149,980
Youth and Education Fund earnings	1,050	-	-	9,784	-	10,834
Capital Campaign Fund earnings	-	-	56,961	191,172	(56,961)	191,172
Total temporarily restricted funds	<u>\$ 1,758,457</u>	<u>\$ 487,999</u>	<u>\$ 130,823</u>	<u>\$ 381,530</u>	<u>\$ (592,791)</u>	<u>\$ 2,166,018</u>

See Independent Auditor's Report.