Document #8

2020 SECOND MEETING
ARRL BOARD OF DIRECTORS
Video Conference Meeting
July 17-18, 2020

Report of the Chief Financial Officer

Before we could even gain momentum after the January board meeting, COVID-19 began to change our lives, personally and professionally. On March 20, 2020 Connecticut Governor Lamont signed an Executive Order stating effective March 23 at 8:00 p.m. all non-essential businesses or not-for-profit entities shall reduce their in-person workforces 100% while employing, to the maximum extent possible, any telecommuting or work from home procedures that could be safely employed. While work was already being done on a plan to move as many staff to a remote status, the timing of the Governor's order threw us into a scramble to accomplish a zero presence within days. From deploying available computer resources to staff members without personal computers and setting up as many employees as possible with remote access to interpreting the implications of the Families First Coronavirus Response Act (FFCRA) and the CARES Act and its potential impacts on the organization and staff, a substantial amount of work was accomplished to comply with the Governor's orders yet continue as much of ARRL operations as possible.

On April 16, the Governor announced that Connecticut businesses could start re-opening on a very slow, limited and restrictive basis effective May 20, 2020. We slowly began to bring back staff starting on May 26, 2020, adding a few more employees each week. As of now, ARRL is operating at the maximum capacity of 50% of the staff on site. This has allowed us to resume all operations and begin working on backlogs due to the building closure.

Despite all the hurdles that had to be overcome, including the State's in some cases contrary edicts, the staff responded magnificently. They worked through all the initial bumps and turns on the way to the new normal and kept most of the HQ functions operating, although some at lower volumes. I am personally very proud of all the work the staff has done to get the ARRL through these unprecedented times and prepare us to return to the office safely when finally allowed.

In the following pages you find a discussion of the financial results through June 30, 2020 and the Plan reforecast, both highly impacted by the pandemic. You will find the financial statements and Plan reforecast statements included as Attachment #1 and Attached #2, respectively.

Financial Results

Overall

Income from operations for the first six months of 2020 has been better than Plan. The results were due to a variety of factors, most resulting from how the pandemic and stay at home orders impacted the organization. Total revenues were below Plan while expenses were well under our original plans. While some of underspending was due to timing differences such as delays in mailings, a significant amount of the underspending was from travel restrictions and the delay in filling vacant positions. Income from operations for the first half of the year was a loss of $97,000, in comparison to a planned loss of $639,000, and $240,000 lower than the same period in 2019.

Net Available Income (NAI) for the first half of the year was also greater than projected due to the large degree of underspending. Total NAI for this period was $1.1 million about $44,000 more than planned but $320,000 lower than the first six months of 2019.

The value of the ARRL portfolio decreased during the first half of 2020 to a total of $28.7 million, down from $31.2 million at December 31, 2019. The portfolio had a year-to-date unrealized loss on investments of $1.7 million as of the end of June. Sales from the portfolio also added $437,000 in realized gains allocated to operations during the first half of 2020. I will defer further discussion on the portfolio to the Treasurer and his report.

ARRL's balance sheet continues to be solid. Assets grew to $37.2 million at the end of June with $33.6 million in cash and investments. This was slightly up from $36.6 million and $33 million, respectively, at the end of 2019. While assets grew, it should also be noted that liabilities grew by $1.5 million primarily from the receipt of the Paycheck Protection Program loan and an increase in the deferred life membership liability.

Income

Total revenues earned through June in the Income segment fell short of Plan by $372,000. Total revenues in the Income segment through June were $6.4 million compared to $6.7 for the same period last year.

Publication sales revenue fell short of target by $102,000 for the first six months of 2020. As the pandemic took hold, Amazon, our largest dealer halted all ordering of non-essential items and other retailers shuttered their doors practically eliminating dealer sales for months. While the decline of all dealer sales hurt revenues, it was Amazon's actions that had the greatest impact, especially in the shortfall in the sales of the *Ham Radio License Manual*. In addition to other titles, Amazon is the largest purchaser of this title annually.

Staff put in an extraordinary amount of work to minimize the impact of the lost dealer sales with additional promotions such as "Field Day Fridays" and Hamvention weekend promotions. These efforts were very successful. Of course, between this increased number of individual orders and reduced staffing in the warehouse for two months a three-week backlog on shipments had been created. Now fully staffed, in two shifts to maintain compliance with the Governor's Executive Orders, the Warehouse has worked the backlog down to one-week as of the end of June. The Warehouse shipped out 6,502 packages this June, almost 2,600 more than June 2019.

As of mid-June, Amazon has resumed ordering our products at what appears to be normal levels. Within a few months we should know if their purchasing pattern truly will resume to pre-COVID levels. Year-to-date publication sales revenue totaled $1.6 million, $102,000 lower than target but $7,000 more than as of June 2019.

Total year-to-date sales stood at $1.6 million, about the same as the first six months of 2019. Although total gross sales for the first half of the year have fallen short of Plan by $102,000, net products sales were $26,000 greater than planned and $57,000 greater than the same period last year.

Advertising, which was already struggling, has been one of the hardest hit revenue sources due to the pandemic. When the pandemic took hold and stay-at-home orders blanketed the country closing or limiting operations for many businesses, advertisers were very quick to drop advertising. Several advertisers, including DX Engineering pulled advertising for several months or until further notice. The pandemic impact combined with the low interest in sponsoring the new podcasts and advertising in our book publications has resulted in a deficit that despite the efforts of the advertising staff, we cannot currently overcome. Advertising sales for the first half of the year were $811,000, $98,000 lower than planned and $82,000 lower than the first six months of 2019.

Earned dues income fell short of expectations for the first half of the year. Year-to-date earned dues was $3.4 million, about $60,000 less than planned and $31,000 less than the same period last year. As with most of the revenue sources, membership dues were impacted by the Governor's Executive Order and the cancellation of in-person events. The two-month delay in mailing out new ham packages and paper renewal notices combined with the lower number of new licensees impacted the timing of receipts and subsequently revenue. While it is anticipated that year end membership goals will be reached, the delay in receipts will delay some revenue recognition into 2021. As of the end of June, total membership stood at 157,880, 173 members above forecast.

The magazine revenue category produced revenues of $109,000 through June, falling short by $8,000. As a reminder, due to the required implementation of Accounting Standard Update 2014-09, ARRL now amortizes both *QEX* and *NCJ* every other month as issues are delivered to subscribers, meeting our obligation. Due to this change, comparisons to 2019 year-to-date figures are not appropriate. QST Dealer sales, which were already in decline, decreased even more due to may dealers shuttering for several months, also contributed $3,000 to the shortfall. While NCJ subscriptions were basically on target, QEX subscriptions made up the remainder of the shortfall. As with membership renewals, paper magazine renewals were also suspended during the building shutdown which impacted magazine revenues. These mailings will also be resumed now that ARRL is fully operational.

Total program fee revenues for the first half of 2020 were lower than Plan by $109,000. While all revenues in this category have fallen short, it is Awards and VEC revenues that have contributed to the shortfall the most. As of the end of June the Awards backlog was caught up, yet year-to-date revenues were still $8,000 below Plan. Activity has increased since the pandemic took hold, but it remains to be seen if this can be turned into enough award revenue to meet the annual target. VEC fees were lower than planned the first half of this year by $91,000. It certainly was no surprise that once sheltering at home became the norm that the popular in-person test session began to be cancelled across the country resulting in fewer licensees and lower revenues. While socially distanced exam sessions and, more so, remote sessions have been increasing, the number of total exams given remains well below normal levels. Program fees year-to-date were $404,000 against the Plan of $513,000, and $82,000 lower than the first six months of last year.

Investment income allocated to regular operations was $139,000 through the first six month of this year, $11,000 greater than planned yet $9,000 lower than the same period of last year. The greater than Plan results were attributable to actual investment cost balances (not market value) being slightly larger than assumed in the Plan from the delay in cash outlay for major capital projects.

Voluntary contributions exceeded Plan through June by $47,000. The greater than forecasted result was due to earnings on the Capital Campaign and Dave Bell Endowments (a function of realized portfolio gains allocated to these funds). While Diamond Club and miscellaneous donations are slightly above target, Spectrum Defense and Education are well below Plan. Due to the complexities of dealing with the pandemic the planned spring Spectrum Defense Fund solicitation has been delayed. Staff is currently working with FCC counsel to develop the solicitation messaging for a late summer mailing. All donations that have come in for Spectrum Defense so far this year have been unsolicited other than an ARRL web page promotion of the Spectrum Defense pins and mugs. As previously reported, Teacher's Institutes were cancelled this summer. The reduction in contribution revenue from the Education category is offset by corresponding reductions in spending for the TIs. Total contributions year-to-date stood at $503,000 against the Plan of $457,000 and were $36,000 lower than this time last year.

The year-to-date total for the other revenue category was $35,000. This was $6,000 lower than Plan primarily due to lower than planned IARU dues payments to ARRL. The overall revenues in this category are significantly less than last year due to the loss of the affinity credit card program. As a reminder, ARRL was notified last year by U.S. Bank, the institution that had been ARRL's partner in offering the ARRL VISA credit card, that they will no longer offer the ARRL VISA credit card program. Staff attempted to find a new partner but between the smaller number of banks supporting this type of program and ARRL membership size being considered too small, we were not able to continue the program.

Spending in the Income segment was well under Plan for the first six months of 2020. Year-to-date spending was $5.3 million, about $416,000 less than planned and $96,000 more than this time last year. While some of this variance will be retained for the entire year, such as salaries and benefits related to temporarily vacant positions and cancelled travel, there is still a good amount of spending timing differences.

- Product Sales was underspent by $129,000 due to a combination of lower than planned cost of goods sold (an offset to the lower than planned sales revenue), costs related to cancelled travel to events and the delay in promotional mailings.
- QST and Magazine expenses were down $22,000 due to lower than expected forwarding costs related to the greater and quicker shift to OTA (produced bi-monthly vs monthly) subscribers than expected in addition to QST productions costs being lower than planned.
- Membership was underspent by $136,000 due to the delayed mailings along with costs related cancelled travel to events.
- Administration expenses were higher ($114,000) than planned due to expenses related to Mr. Michel's contract not being renewed and the hiring of an interim CEO.
- Development expenses were lower than planned by $94,000 due to costs related to cancelled travel including the annual Dayton Donor Reception and the delay of solicitation mailings.
- Controllers was over plan due to increased credit card processing fees, a result of more individual sales versus dealer sales and depreciation based on the timing of planned capital purchases.
- The IT department was underspent by $155,000 due to the temporary vacancy of several IT positions.
- Personnel was overspent due to the unplanned expenses associated with using Buxton Associates in the CEO search process.
- Building expense were lower than planned by $26,000 mostly due to timing.

Spend

Spending on Advocacy, Member Programs and Governance was also under Plan for the first half of the year. Total spending on these activities stood at $1.7 million, about $451,000 less than planned and $115,000 less than the same period of 2019. The underspending was due to three primary reason:

- Costs related to cancelled travel – Governance, Washington Office, IARU, Emergency Preparedness, Education and Lab were all underspent due to travel restrictions and cancelled events.
- Position vacancies - The Washington Office, Communications (New and Public Relations), Field Services, Emergency Preparedness and Lifelong Learning departments had temporary vacancies or unfilled new position for 2020.
- And to a smaller extent, timing specifically in Awards, Field Services, Contest, QSL Bureau, and W1AW.

Of great and continuing concern is despite numerous attempts, ARRL has be unable to secure any invoices from Attorney Siddall for the first six months of 2020. While rough estimates have been included in the financial statements, ARRL currently does not have a true idea of the costs related to Attorney Siddall services to date. Upon receipt of the actual invoices a significant adjustment may have to be made to the records.

Cash Flow

Operating cash flow was a positive $684,000 year-to-date through the month of June. The positive cash flow was entirely the result of receiving the $1 million Paycheck Protection Loan. Expectations are that ARRL will meet all the requirements to have the loan fully forgiven. It is anticipated the receipt of these proceeds will delay the need of a transfer from the investment portfolio for the remainder of the year.

Operational Results

As it has been reported for months, work on the AMS (Personify) conversion project continues to demand a significant amount of time from staff in the Membership, Customer Service, Development, Advertising, IT and Controllers departments. Since this project is primarily being handled remotely with the vendor, it has continued to move forward despite the staff moving offsite. Staff remains committed to the work despite the more challenging aspects of working from home and the demand on their time in addition to their regular work loads. Staff resources continue to be in short supply, but the top priority continues to be meeting our membership's needs.

<u>Development</u>

As with all ARRL's functions, Development met their own challenges due to the pandemic. The first planned solicitation of the year was to be a planned giving (Legacy) campaign. As the COVID-19 deaths began to rise, particularly among the target audience for this mailing, staff felt the optics of running such a campaign had the potential of reflecting poorly on the organization and therefore decided to delay the solicitation to either late 2020 or early 2021.

Due to the complexities of dealing with the pandemic the planned spring Spectrum Defense Fund solicitation has been delayed. As noted above, staff is currently working with FCC counsel to develop the solicitation messaging for a late summer mailing. All donations that have come in for Spectrum Defense so far this year have been unsolicited other than an ARRL web page promotion of the Spectrum Defense pins and mugs. Based on this, there will only be one larger mailing this year for the Spectrum Defense Fund. Planned spending for the cancelled mailing will be used to solicit Diamond Club and/or additional Year End donations.

As reported earlier in the year, Teacher's Institutes were cancelled this summer due to restrictions on travel and gatherings in CT. Based on this, the decision was made not to have an Education solicitation this year. Melissa Stemmer, our Development Manager, personally contacted all our major Education donors prior to the public announcement to inform them of the decision to cancel this year's classes, let them know that ARRL would not be preparing an Education mailing and thank them for their continued support. Her calls were met with understanding and repeated support.

Development is also currently working on a Logbook of the World solicitation. This is in the early stages; it will be the first campaign done for LoTW which will be sent via email and targeted to current LoTW users.

Below is a summary of contributions received for the first six months of 2020:

Contribution Results versus Plan as of June 30, 2020

2020	6 Month Actual	6 Month Plan
Diamond Club	153,464	144,905
Unrestricted Donations	72,570	58,090
Education & Technology Fund	32,745	40,247
Spectrum Defense Fund	66,883	141,930
Second Century	11,260	29,790
General Endowment	329,019	0
Restricted Contribution for Scholarships	135,000	0
Other Established Funds	20,426	15,970
Total to Date	**$821,367**	**$430,932**

Included above are multiple estate bequests ARRL has received so far in 2020:

- $9,568 received in January (unrestricted)
- $321,643 received in April (unrestricted)
- $135,000 received in April (designated for scholarships)
- $25,000 received in June (unrestricted)

The Development Office has also been notified of the following bequests in 2020 which have not been received to date:

- 10% of the John Farnsworth, KW2N estate – amount currently unknown (unrestricted)
- 12.5% of the Leroy Koehler, W6ISN estate - amount estimated to be over $300,000 (unrestricted) Of note: Mr. Koehler was a long-time member who never donated to ARRL nor a member of our Legacy Circle. In another words, he did not notify us that ARRL was included in his estate plans.

ARRL welcomed 6 new Maxim Society members in the first of half of 2020:

William Himwich, K3PN
Nels Knutzen, W0PEC
Timothy Slay, N4IB
Lee Zalaznik, KI6OY
Walter Sepaniac, N5TQ
Anthony Perales, AI1U

Additionally, Paul Sergi, NO8D achieved Century Level of the Maxim Society.

Administrative Operations

The true administrative operations in the organization generally happen behind the scenes and if things are going well, as expected, no one ever hears about them. These areas include the Controllers Department (which includes the Mailroom and Purchasing), the Human Resource function and maintenance of the Building. With moving virtually all staff to working remotely, the fact that no one has heard much about these departments in the past six months is a credit to its staff. Noteworthy items related to these departments included:

- Two weeks before the governor ordered non-profits to reduce onsite staff by 100% the Controllers Department upgraded to a new payroll platform with our current payroll company. During this progression, the fees were renegotiated resulting in a 40% or $4,000 annual savings. This new platform also provides the employee with on-line access to their bi-weekly paystubs and W-2. As you can imagine, the move was unbelievably timely and provided an uninterrupted flow of payroll information to the employees.

- In order to maintain payments to vendors who opted not to provide account information for ACH payment processing, Controllers set up a remote bill pay process with our bank. Although not the most cost-effective or time efficient method of payment, it did keep all our vendors (many individuals) paid timely.

- The annual audit field work was scheduled for the week of the building closure. Work continued electronically as much as possible reducing the generally 4-day on site visit to 1-day after the staff was able re-gain access to the building to pull documents and prepare for the visit. A draft audit report is expected to be delivered mid-July. The delay in the audit will also result in a delay of the filing of the IRS Form 990 and related filings.

- Delivered various required government filings including the Affordable Care Act Form 1095 and Form 720 (PCORI Fee), Flexible Spending Non-Discriminatory testing and 103 monthly and quarterly sales tax filings for 31 different states during the first half of 2020.

- Perhaps the most important accomplishment of the Human Resource function over the last six months has been keeping up with the constantly changing Federal and State employment related laws and their guidance on interpretation. This includes the Families First Coronavirus Response Act with its emergency paid sick leave, the Federal Family Leave Act that provides pay to employees under certain COVID related conditions and State guidance on unemployment changes.

- Among numerous other responsibilities the Human Resource function was involved in the hiring process of three new employees during the first half of 2020.
    - Tim Norcia – Creative Services Manager

- Meghan Reilley – Assistant Editor
- Luci Goodwin – Human Resources Generalist

Work is also being performed related to the hiring of the current vacant positions:

- Principal Software Engineer (LoTW Software Programmer)
- Awards and Programs Assistant
- IT Director
- News and Public Relations Manager (new title for the Communications Manager)

As the retirements continue through the year, the Human Resource function will continue to be very busy.

- Despite operations at 225 Main Street being suspended for two months, two major projects have been moving forward. The first being the roof replacement approved in the 2020 Capital Spending Plan which is anticipated to begin in August.

- The second is the retrofitting of all the lighting at HQ and W1AW with LED lighting fixtures and bulbs. This project is taking place through the utilization of the Small Business Energy Advance program administered by Energize CT. This is an incentive program run by Eversource (ARRL's electric company) to install more energy efficient equipment to lower demand on resources. There is no cash outlay to the organization. Twenty-five percent of the cost is paid by Eversource directly and the remaining 75% will be paid through ARRL's monthly savings over the next four years. This program gave ARRL a unique opportunity to replace the aging light figures with no cash outlay. As a side note – before the project was signed off on, the Lab tested sample units for interference issues. They found none.

Currently with no signal from the CT Governor to permit onsite staffing levels to increase anytime soon, ARRL has no choice but to continue to maintain 50% of the employees working remotely. For the most part this, this is functioning well although some managers have mentioned it is more time consuming and difficult to manage effectively and look forward to returning most of the staff to headquarters. When the 2021-22 Plan cycle begins, we will need to consider the longer-term cost of possibly having to maintain a remote workforce.

Financial Reforecast for 2020

At the mid-point of each year we review the financial results in comparison to the original Plan and reforecast revenues and expenses. However, due to the unknown but certainly expected impacts of COVID on operations beginning in March, a high-level reforecast was prepared for the A&F Committee in April. Three months later, with more information and significant efforts by the staff to minimize the financial impact of the pandemic an updated reforecast has been done. Below is a summary of the two showing the significant difference.

	April 2020 Reforecast	**July 2020 Reforecast**
Net Loss – Approved 2020 Plan	($1,104,000)	($1,104,000)
Change (reduction) in revenues	(1,387,000)	(762,000)
Change (reduction) in expenses	743,000	751,000
2020 Plan Reforecast	($1,748,000)	($1,115,000)
Difference	($644,000)	($11,000)

Neither reforecast includes the year-to-date realized gains of $437,000. As realized gains were not included in our initial annual Plan, for comparison purposes, we did not include the year-to-date realized gains in the reforecast.

As you can see, estimates related to revenue changed significantly between April and July. The major contributors to this swing were estimates related to publication sales, contributions and dues.

Attachment #2 to this report is the July financial reforecast detail in two formats, the functional statements and the detailed income statement. These reports reflect the detail of the changes expected for the year. As highlighted below, you will note that while some are only one time impacts other will have longer term effects on ARRL.

<u>Publication and Product Sales</u> – reduction of $138,000

- In March, when Amazon halted all ordering of non-essential items and other retailers shuttered their doors, it was unknown if ARRL could recoup those wholesale orders with direct sales. Great effort was made to maximize individual sales and attract those who would have purchased our items from other retailers. These efforts were very successful. While certainly not all sales were recouped, the impact was greatly minimized.

- It is expected that many of the smaller brick or mortar dealers, depending on their locations, will not resume full ordering status for the rest of the year.

Advertising – reduction of $199,000

- At a time when advertising has already been decreasing, several advertisers, including DX Engineering pulled advertising for several months or until further notice. We expect to lose many of the small advertisers and may find it difficult to receive timely payments for those who remain or come back. The current economic environment may be just the thing to push many of our longer-term advertisers to cease operations and retire, compressing the industry even more. For those who manage to survive, it may be a year or more before they feel advertising is an affordable or viable option again.

Membership Dues – reduction of $111,000

- The decrease in membership dues has two components. Approximately $18,000 of the reduction is from last year's deferrals being amortized in 2020 being lower than planned. Keep in mind that when the Plan is developed, we are forecasting out approximately 15-18 months. The remaining reduction is related to the timing of the acquisition and membership renewals. The two-month delay in mailing out new ham packages and renewal notices have impacted the timing of receipts and subsequently revenue. With all the new promotional efforts the Marketing Communications group has been working on combined with new membership benefits the team is confident that we will reach our target membership numbers by year end, however, the timing of revenue recognition will be delayed into 2021.

VEC Fees – reduction of $138,000

- The lower reforecast from VEC Fees is based on three primary assumptions:

    - Most VEs fall into the at-risk category and are being cautious about restarting in-person testing in their areas. There are teams that wish to continue only doing the in-person sessions but there will be fewer conducted because of the virus. For teams that are holding sessions, the number of candidates must be limited due to social distancing protocols.

    - Remote video exam sessions are time consuming, labor intensive, require VEs to be tech savvy and meet system requirements (high speed internet, webcam, a computer with at least 1 GB of RAM and a dual-core processor, etc.). Many teams don't want to take on this endeavor, are unable to due to living in very rural /remote areas where wireless technology is limited or don't have the skills to administer exams remotely. Currently, we have about 30 teams trained to conduct remote video sessions with that number slowly growing every week.

    - Every VEC organization in the country is using the same system, ExamTools, for remote video testing, yet our sessions are the most expensive at $15. Just like with in-person sessions, teams create and list exam sessions (date/time/location) in ExamTools and they are displayed on a searchable database page. The candidates choose a session and then register for that session. In order to compete, ARRL must create an added value for using our VE teams since the exam sessions are processed the same way for all VECs using ExamTools.

Interest and Dividends – reduction of $50,000

- Although the market has bounced back somewhat, this estimate is based on the lower interest rate of bonds and the likelihood that average dividends distributed this year will drop.

Contributions – reduction of $82,000

- This revenue reduction is offset by the spending reductions related to the cancelled Teachers Institute classes and the annual Education Fund solicitation suspended for 2020.

Compensation and Benefits – reduction of $443,000

- While the hiring process continues for positions like the Emergency Management Director, News and Public Relations Manager, a Principal Software Engineer and IT Director the delay in actual start dates have created savings in compensation and benefits expenses. In effort to manage expenses while revenues streams were uncertain at best, new positions were intentionally put on hold with the possibility of considering pushing back the hiring process until 2021. These positions included the National Club Coordinator, Instructional Specialist to support our lifelong learning initiatives and the Government Relations Specialist.

Legal Expense – increase of $85,000

- Legal fees for trademark work approved by the Administrative and Finance Committee in January were not in the original Plan adding $60,000 in legal expenses. The remaining increased expense is related to legal expenses related to personnel matters, including assistance with CEO contract reviews, separations agreements and guidance on the Federal CARES Act.

Consultant Expense – increase of $98,000

- Consulting expenses are expected to be higher due to a combination of the $30,000 expense associated with using Buxton Associates in the CEO search and temporarily hiring a Personify consultant (offsetting some of the unused IT salary dollars) to aid in the conversion and go live process.

Donor Recognition – reduction of $25,000

- When Hamvention was cancelled, ARRL also cancelled the annual Donor Reception. Other than deposits for the donor reception, ARRL had no cash outlay related to the event and all vendors that required a deposit graciously agreed to apply the deposit to next year's reception.

Exhibit Expense – reduction of $42,000

- All major exhibits scheduled after March have been cancelled. Our efforts to participate in virtual events generally don't have additional expenses except staff time.

Travel Expense – reduction of $281,000

- This expense reduction assumes no travel and event expenses, including IARU travel, for the remaining of the year. Spending year-to-date includes may airline credits that are expected to be used to offset future travel.

Governance Expenses – reduction of $194,000

- Division, Officers and Section spending are expected to be dramatically lower due to all the travel restrictions and stay at home orders.

What is not reflected in the reforecast is the $1 million ARRL received from the Paycheck Protection Program (PPP) at the beginning of May. This is expected to cover up to 8 weeks of payroll & health insurance expenses, rent and utilities. By continuing to pay our full staff through the closing our building, the entire loan is anticipated to be forgiven. Based on the expectation of receiving the PPP loan, ARRL provided 3,524 hours of pay to 15 employees as an alternative to furloughing them and putting them into Connecticut's ill prepared unemployment system. ARRL should take great pride in its ability to keep all its employees paid during this unbelievable difficult economic time.

The application for forgiveness is another long, detailed and time-consuming process and is expected to be months before final approval is granted by the Small Business Association. Until the loan is forgiven the loan and accrued interest (at 1%) will remain a liability on the balance sheet. The Controllers staff have already been gathering information for the forgiveness application calculations. By the end of July, we will be able to begin to complete the application. Currently, the loan servicer is not prepared to accept loan forgiveness applications.

In Summary

We have tried to present a balanced view of ARRL's economic outlook for the remaining part of the year based on the best information we have today. As the pandemic resurges in certain parts of the country, restrictions and closures are possibly reinstated, consumer spending habits continue to change and the markets fluctuate, revenues for the year may very well decrease even more than the $762,000 represented in the reforecast. With continued attention to effective and responsible cost management and the PPP loan, I believe that the ARRL can financially continue moving forward with the initiatives set forth in the 2020 Plan to build a better ARRL for all our current and future members.

If anyone has any questions on the content of this report, please don't hesitate to contact me prior to the meeting.

Respectfully Submitted,

Diane Middleton, W2DLM
Chief Financial Officer