

Report of Independent Public Accountants

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

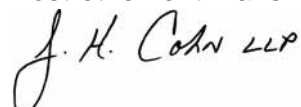
We have audited the accompanying statement of financial position of The American Radio Relay League, Incorporated (the League) as of December 31, 2007 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the League's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The American Radio Relay League, Incorporated as of and for the year ended December 31, 2006, were audited by other auditors whose report dated April 12, 2007, expressed an unqualified opinion on these statements.

We conducted our audit 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 audit provides 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, Inc. as of December 31, 2007 and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the 2007 basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the 2007 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2007 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2007 basic financial statements taken as a whole. The basic financial statements of The American Radio Relay League, Incorporated for the year ended December 31, 2006, were audited by other auditors whose report dated April 12, 2007, expressed an unqualified opinion on those financial statements. Their report, as of the same date on supplemental information stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2006, taken as a whole.

As discussed in Note 5 to the financial statements, effective December 31, 2007 the League adopted FAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans."



Glastonbury, Connecticut
April 25, 2008

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

ASSETS

	<u>2007</u>	<u>2006</u>
Current assets:		
Cash	\$ 324,905	\$ 538,560
Accounts receivable, net of allowance for doubtful accounts of \$92,073 and \$74,170	366,878	443,814
Contribution receivable	600,000	-
Inventories, net	616,979	661,674
Prepaid expenses and other current assets	159,897	176,030
Other receivables	98,935	97,246
Total current assets	<u>2,167,594</u>	<u>1,917,324</u>
Other assets:		
Investments	15,053,094	13,985,195
Land, building and equipment, net	815,073	1,199,291
Total other assets	<u>15,868,167</u>	<u>15,184,486</u>
Total assets	<u>\$ 18,035,761</u>	<u>\$ 17,101,810</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 263,385	\$ 320,194
Accrued liabilities	169,351	182,213
Accrued pension liability, current portion	-	619,093
Deferred revenue other	6,063	5,674
Subtotal operational current liabilities	<u>438,799</u>	<u>1,127,174</u>
Deferred life membership dues - current portion	503,298	505,652
Deferred term membership dues - current portion	2,287,973	2,194,319
Total current liabilities	<u>3,230,070</u>	<u>3,827,145</u>
Long-term liabilities:		
Deferred life membership dues - less current portion	5,443,978	5,396,752
Deferred term membership dues - less current portion	607,910	585,160
Accrued pension liability, less current portion	1,803,187	1,223,187
Total long-term liabilities	<u>7,855,075</u>	<u>7,205,099</u>
Total liabilities	<u>11,085,145</u>	<u>11,032,244</u>
Commitments		
Net assets:		
Unrestricted	3,739,166	3,651,270
Unrestricted - Board designated	944,496	319,151
Temporarily restricted	1,826,303	1,676,098
Permanently restricted	440,651	423,047
Total net assets	<u>6,950,616</u>	<u>6,069,566</u>
Total liabilities and net assets	<u>\$ 18,035,761</u>	<u>\$ 17,101,810</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,187,781	\$ -	\$ -	\$ 5,187,781
Net publication sales	3,839,849	-	-	3,839,849
Advertising	2,628,880	-	-	2,628,880
Investment income	309,486	78,517	-	388,003
Examination fees and other	535,433	-	-	535,433
Program and service fees	412,949	-	-	412,949
Contributions and support	644,916	730,926	17,604	1,393,446
Net assets released from restrictions	672,321	(672,321)	-	-
	<u>14,231,615</u>	<u>137,122</u>	<u>17,604</u>	<u>14,386,341</u>
Expenditures:				
Programs and services	8,042,906	-	-	8,042,906
Publications	3,941,968	-	-	3,941,968
Administration	1,596,995	-	-	1,596,995
Fundraising	474,652	-	-	474,652
Governance	167,682	-	-	167,682
	<u>14,224,203</u>	<u>-</u>	<u>-</u>	<u>14,224,203</u>
Increase in net assets before other income	<u>7,412</u>	<u>137,122</u>	<u>17,604</u>	<u>162,138</u>
Other income (expense):				
Bequests - board designated functioning as an endowment	617,633	-	-	617,633
Unrealized gains on investments	134,504	13,083	-	147,587
	<u>752,137</u>	<u>13,083</u>	<u>-</u>	<u>765,220</u>
Change in net assets	<u>759,549</u>	<u>150,205</u>	<u>17,604</u>	<u>927,358</u>
Net assets, beginning of year, as previously reported	3,970,421	1,676,098	423,047	6,069,566
Cummulative effect of adoption of provisions of FAS No. 158	<u>(46,308)</u>	<u>-</u>	<u>-</u>	<u>(46,308)</u>
Net assets, beginning of year, restated	<u>3,924,113</u>	<u>1,676,098</u>	<u>423,047</u>	<u>6,023,258</u>
Net assets, end of year	<u>\$ 4,683,662</u>	<u>\$ 1,826,303</u>	<u>\$ 440,651</u>	<u>\$ 6,950,616</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and contributions:				
Membership dues	\$ 5,016,089	\$ -	\$ -	\$ 5,016,089
Net publication sales	3,435,316	-	-	3,435,316
Advertising	2,541,503	-	-	2,541,503
Investment income	340,865	74,423	-	415,288
Examination fees and other	328,694	-	-	328,694
Program and service fees	418,503	-	-	418,503
Government grant awards	122,397	-	-	122,397
Contributions and support	479,940	824,225	64,234	1,368,399
Net assets released from restrictions	824,895	(824,895)	-	-
	<u>13,508,202</u>	<u>73,753</u>	<u>64,234</u>	<u>13,646,189</u>
Expenditures:				
Programs and services	7,664,385	-	-	7,664,385
Publications	3,609,708	-	-	3,609,708
Administration	1,566,055	-	-	1,566,055
Fundraising	486,580	-	-	486,580
Governance	155,734	-	-	155,734
	<u>13,482,462</u>	<u>-</u>	<u>-</u>	<u>13,482,462</u>
Increase in net assets before other income	<u>25,740</u>	<u>73,753</u>	<u>64,234</u>	<u>163,727</u>
Other income:				
Bequests - board designated functioning as an endowment	49,217	-	-	49,217
Unrealized gains on investments	512,624	50,753	-	563,377
	<u>561,841</u>	<u>50,753</u>	<u>-</u>	<u>612,594</u>
Change in net assets	587,581	124,506	64,234	776,321
Net assets, beginning of year	<u>3,382,840</u>	<u>1,551,592</u>	<u>358,813</u>	<u>5,293,245</u>
Net assets, end of year	<u>\$ 3,970,421</u>	<u>\$ 1,676,098</u>	<u>\$ 423,047</u>	<u>\$ 6,069,566</u>

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
Operating activities:		
Change in net assets	\$ 927,358	\$ 776,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Receipts to establish or increase permanent endowment	(17,604)	(64,234)
Depreciation	594,660	578,856
Bad debt expense	18,000	26,983
Change in inventory reserve	17,327	29,139
Unrealized gain on investments	(147,587)	(563,377)
Realized gain on investments allocated to the general fund	(37,603)	(85,092)
Changes in operating assets and liabilities:		
Accounts receivable	58,936	(47,327)
Contribution receivable	(600,000)	-
Other receivables	(1,689)	130,300
Inventories, net	27,368	(157,067)
Prepaid expenses and other current assets	16,133	(758)
Accounts payable and accrued liabilities	(69,671)	23,940
Deferred revenue other	389	(129,643)
Deferred life membership dues, net of allocated realized gains and losses	44,872	62,203
Deferred term membership dues	116,404	94,827
Additional pension liability	(85,401)	65,191
Net cash provided by operating activities	861,892	740,262
Investing activities:		
Purchase of equipment	(210,442)	(255,255)
Net purchases of investments	(882,709)	(514,043)
Net cash used in investing activities	(1,093,151)	(769,298)
Financing activities:		
Receipts to establish or increase permanent endowment	17,604	64,234
Net (decrease) increase in cash and cash equivalents	(213,655)	35,198
Cash and cash equivalents, beginning of year	538,560	503,362
Cash and cash equivalents, end of year	\$ 324,905	\$ 538,560

See Notes to Financial Statements.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization:

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.

Note 2 – Summary of significant accounting policies:

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 balances associated with investment accounts are included with investments in these financial statements. There were no cash equivalents as of December 31, 2007 or 2006.

Allowance for doubtful accounts:

Trade accounts receivable and contribution receivable are 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.

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 \$111,466 and \$94,139 as of December 31, 2007 and 2006, respectively.

Investments:

The League reports investments at their current fair value and reflects any gain or loss in the Statement of Activities. Investment income and gains and losses are considered unrestricted unless temporarily restricted by donor stipulation.

Land, building and equipment:

The League capitalizes expenditures for building and equipment with a useful life 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:

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of significant accounting policies (continued):

Land, building and equipment (concluded):

<u>Asset</u>	<u>Estimated Useful Lives</u>
Building	40 years
Furnishing, 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 income for the period.

Donations of land, building and equipment are recorded as support at their estimated fair market 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.

Expenses amounting to \$71,248 relate to web development costs that were incurred but will not be placed into service until 2008. These amounts are shown as construction in progress.

Pension liability:

During 2007, the League adopted FASB Statement No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132 (R)" ("FAS No. 158"). This statement requires retirement benefit accruals or prepaid benefit costs on the statements of financial position to be adjusted to the difference between the benefit obligations and the plan assets at fair value. The offset to the adjustment is recorded to income. The amount recorded in income represents the unrecognized actuarial gains or losses and unamortized service costs, which have previously been disclosed in the notes to the annual financial statements. The effect of adopting this statement was not material to the financial statements.

Net assets:

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 - Unrestricted net assets represent available resources other than donor-restricted contributions. The Board of Directors of the League has earmarked certain of those funds which are shown as designated unrestricted net assets in the accompanying statements of financial position.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of significant accounting policies (continued):

Net assets (concluded):

Temporarily Restricted - Temporarily restricted net assets represent contributions and earnings thereon that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted - Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity while the income earned thereon is made available for operations.

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 life membership in the League for 25 times the term membership annual dues rate. Dues are deferred and recognized in income over the estimated life expectancy of the respective life members (approximately 34 years). Investment earnings on allocated life member investments are deferred and are recognized as dues 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 from magazines is recorded, net of agency commissions, during the period the magazines are sold.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. 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.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of significant accounting policies (concluded):

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 any Federal and state income tax due as a result of unrelated business income arising primarily from net advertising income from its magazines. The League generated unrelated business income tax of approximately \$1,000 for each of the years ended December 31, 2007 and 2006.

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.

Significant estimates included in the financial statements consist of the estimated life expectancy of the life members, accounting for depreciation, the defined benefit pension plan obligation and certain accrued liabilities.

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:

	2007		2006	
	Fair Value	Cost	Fair Value	Cost
Cash	\$ 971,609	\$ 971,609	\$ 481,386	\$ 481,386
Fixed maturities	7,695,187	7,957,687	6,302,999	6,429,118
Equity securities	6,386,298	4,685,884	7,200,810	5,784,364
	<u>\$ 15,053,094</u>	<u>\$ 13,615,180</u>	<u>\$ 13,985,195</u>	<u>\$ 12,694,868</u>

The League allocates its investments as those related to regular operations, life memberships, temporarily restricted and endowment funds. The following summarizes the market value of investments related to each category as of December 31:

	2007	2006
Life membership	\$ 5,947,276	\$ 5,902,404
Regular operations	5,936,542	5,698,957
Temporarily restricted	1,826,303	1,676,098
Functioning as an endowment	902,322	284,689
Permanently restricted	440,651	423,047
	<u>\$ 15,053,094</u>	<u>\$ 13,985,195</u>

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 3 – Investments (concluded):

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

	2007	2006
Unrealized appreciation, beginning of year:		
Fair value	\$ 13,985,195	\$ 12,822,683
Cost	12,694,868	12,095,733
Net gain	1,290,327	726,950
Unrealized appreciation, end of year:		
Fair value	15,053,094	13,985,195
Cost	13,615,180	12,694,868
Net gain	1,437,914	1,290,327
Net unrealized gain for the year	\$ 147,587	\$ 563,377

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

	2007	2006
Interest and dividend income	\$ 659,825	\$ 625,437
Net realized gain on investments	81,216	191,296
Gross investment income	741,041	816,733
Less:		
Net investment income allocated to deferred life liability	(353,038)	(401,445)
Total investment income	\$ 388,003	\$ 415,288

Note 4 – Land, building and equipment:

Land, building and equipment, and related accumulated depreciation are comprised of the following at December 31, 2007 and 2006:

	2007	2006
Land and building	\$ 1,094,693	\$ 1,094,693
Furnishing, equipment and building improvements	4,675,193	5,324,029
Construction in progress	71,248	71,248
	5,841,134	6,489,970
Less accumulated depreciation	(5,026,061)	(5,290,679)
	\$ 815,073	\$ 1,199,291

Note 5 – Pension liability:

The League has a noncontributory group annuity retirement plan which covers all full-time employees. The assets of the plan are primarily invested in a group annuity contract with Massachusetts Mutual Life Insurance Company, 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 AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 5 – Pension liability (continued):

During 2007, the League adopted FAS No. 158. This statement requires retirement benefit accruals or prepaid benefit costs on the statements of financial position to be adjusted to the difference between the benefit obligations and the plan assets at fair value. The offset to the adjustment is recorded to income. The amount recorded in income represents the unrecognized actuarial gains or losses and unamortized service costs.

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

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

	<u>2007</u>	<u>2006</u>
Accumulated benefit obligation at end of year	<u>\$ 8,341,416</u>	<u>\$ 8,367,488</u>
Projected benefit obligation at beginning of year	<u>\$ 10,384,319</u>	\$ 10,684,378
Service cost	<u>505,426</u>	488,897
Interest cost	<u>644,004</u>	564,660
Assumption changes	<u>(802,509)</u>	(444,493)
Actuarial (gain)/loss	<u>298,341</u>	(820,611)
Benefits paid	<u>(443,359)</u>	(88,512)
Projected benefit obligation at end of year	<u>10,586,222</u>	<u>10,384,319</u>
Fair value of plan assets at beginning of year	<u>8,025,203</u>	6,898,297
Actual return on plan assets	<u>611,560</u>	769,369
Employer contributions	<u>619,093</u>	483,240
Expenses	<u>(29,462)</u>	(37,191)
Benefits paid	<u>(443,359)</u>	(88,512)
Fair value of plan assets at end of year	<u>8,783,035</u>	<u>8,025,203</u>
Unfunded status	<u>(1,803,187)</u>	(2,359,116)
Unrecognized loss	-	511,336
Unrecognized transition (asset)/obligation	-	5,500
Net accrued benefit cost	<u>\$ (1,803,187)</u>	<u>\$ (1,842,280)</u>
Accrued benefit liability is presented in the statements of financial position as follows:		
Current	<u>\$ -</u>	\$ 619,093
Long-term	<u>1,803,187</u>	1,223,187
	<u>\$ 1,803,187</u>	<u>\$ 1,842,280</u>

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 5 – Pension liability (continued):

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

Benefit Obligation:		
Discount rate	6.50%	6.00%
Rate of compensation increase	4.00%	4.00%
Benefit Cost:		
Discount rate	6.00%	5.75%
Expected return on plan assets	7.50%	7.50%
Rate of compensation increase	4.00%	4.00%
Net periodic benefit cost	\$ 533,692	\$ 548,431
Employer contribution	619,093	483,240
Benefits paid	(443,359)	(88,512)

The expected long-term rate of return on plan assets reflects the average rate of earnings 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>	
2008	\$ 226,216
2009	233,935
2010	242,704
2011	319,081
2012	345,161
2013 – 2017	\$ 3,441,806

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 5 – Pension liability (continued):

The asset allocations by category as of December 31, 2007 are as follows:

	Amount	%
Equity securities	\$ 5,708,973	65%
Debt securities	3,074,062	35
	\$ 8,783,035	100%

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. As pension liabilities are long-term in nature, the League employs a long-term total return approach to maximize the long-term rate of return on plan assets for a prudent level of risk. An annual analysis on the risk versus the return of the investment portfolio is conducted to justify the expected long-term rate of return assumption.

The investment portfolio contains 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. Presently, the guidelines require that investments in securities range as follows:

	Investment Range	Target
Equity securities	40-70%	65%
Debt securities	25-50%	33%
Money market	0-15%	2%

Based on the facts and circumstances that existed at the date of the financial statements, the League expects to contribute \$573,664 to the plan next fiscal year. The League believes with prudent risk tolerance and asset diversification, the plan should be able to meet its pension obligations in the future.

The League adopted the recognition provisions of FAS No. 158 as of December 31, 2007, which requires that the funded status of defined benefit pension plans be fully recognized in the statements of financial position. The incremental effects of applying FAS No. 158 on individual line items in the statements of financial position as of that date are as follows:

	Before Application of FAS No. 158	Adjustments	After Application of FAS No. 158
Pension liability	\$ 1,756,879	\$ 46,308	\$ 1,803,187
Total liabilities	11,038,837	46,308	11,085,145
Unrestricted net assets	4,729,970	(46,308)	4,683,662
Total net assets	6,996,924	(46,308)	6,950,616

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 6 – Board designated unrestricted funds:

The League's Board of Directors has designated funds for the purpose of acquiring, restoring and preserving amateur radio related artifacts, defending the use of radio frequencies by amateur radio operators and for future maintenance on the League's administrative building. As of December 31, 2007 and 2006, the Board has designated \$42,174 and \$34,462, respectively, for these purposes.

Since the beginning of 2004, the League has received bequests in the amount of \$902,322. The League's Board of Directors intent is to treat these unrestricted bequests as funds functioning as an endowment.

Note 7 – Temporarily restricted net assets:

Temporarily restricted net assets as of December 31, 2007 are available for the following purposes:

Exceptional Merit	Education and Research
Defense of Frequencies	Other Specific Purposes

Individual fund activities are disclosed on the supplementary pages.

Note 8 – Permanently restricted funds:

The permanently restricted funds are those funds received from donors with the stipulation that the principal is to be maintained in perpetuity and invested for the purpose of producing present and future income. The income earned on the funds may be expended by the League if the income is unrestricted or expended in accordance with the gift instrument if restricted.

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. The principal of \$154,340 is reflected as permanently restricted net assets in the accompanying statements of financial position at both December 31, 2007 and 2006.

In 2002, an endowment fund was set up for W1AW maintenance and upkeep. The principal of \$286,311 and \$268,707 is reflected as permanently restricted net assets in the accompanying statements of financial position at December 31, 2007 and 2006, respectively.

Note 9 – Lease obligations:

The League leases warehouse space, office space, and office equipment under operating leases with monthly payments ranging from \$464 to \$4,265 which expire at various times through January 2011. Total operating lease expense was \$96,241 and \$95,486 for the years ended December 31, 2007 and 2006, respectively.

The following are future minimum lease payments due under non-cancelable operating leases as of December 31, 2007:

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

Note 9 – Lease obligations (concluded):

<u>Year Ending December 31,</u>	
2008	\$ 76,467
2009	66,102
2010	51,591
2011	4,265
	<u>\$ 198,425</u>

Note 10 – Concentrations of credit risk:

Financial instruments which potentially subject the League to concentrations of credit risk consist primarily of cash and trade receivables. The League maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed the Federally insured limit of \$100,000.

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 credit base. The League does not generally require collateral from customers. 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.

Note 11 – 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 charged an administrative fee of \$13,200 for the years ended December 31, 2007 and 2006.

A member of the Board of Directors provided investment advisory services to the League in the amount \$38,896 and \$36,873 during the years ended December 31, 2007 and 2006, respectively.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**SCHEDULE OF EXPENDITURES
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Salaries, compensation and benefits	\$ 6,136,346	\$ 5,974,221
Publication costs	2,380,816	2,268,596
Shipping and forwarding costs	1,395,261	1,206,185
Communication and postage	615,934	576,942
Legal and professional fees	612,009	436,815
Depreciation	594,660	578,856
Other	519,796	589,577
Office supplies and expenditures	512,497	497,476
Occupancy costs	434,138	436,821
Travel	415,279	293,119
Administrative expenses	383,182	372,466
Rentals and equipment maintenance	224,285	251,388
	<u>\$ 14,224,203</u>	<u>\$ 13,482,462</u>

See Report of Independent Public Accountants.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**TEMPORARILY RESTRICTED FUND SUMMARY
YEAR ENDED DECEMBER 31, 2007**

Fund Name	Balance 01/01/07	Contributions	Investment Income, net	Change in Unrealized gain	Released from Restriction	Balance 12/31/07
H.P. Maxim Award	\$ 34,905	\$ -	\$ 1,980	\$ -	\$ (3,000)	\$ 33,885
Project Goodwill	12,133	100	-	-	-	12,233
Exceptional Merit	1,206,927	-	53,443	13,083	(40,000)	1,233,453
Legal Research & Resource	154,738	2,543	-	-	(720)	156,561
Starr Technology	4,081	-	-	-	-	4,081
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Colvin Award	12,328	100	7,917	-	(15,000)	5,345
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	185	1,140	-	-	-	1,325
Defense of Frequencies	-	441,031	1,321	-	(442,352)	-
Lab Fund	7,030	352	-	-	-	7,382
W1AW	39,656	65	13,856	-	(10,306)	43,271
Education and Technology	190,222	275,595	-	-	(158,380)	307,437
DARA CEP Project	2,563	-	-	-	(2,563)	-
Steven Rich Fund	-	10,000	-	-	-	10,000
Direction Finding	41	-	-	-	-	41
Total Temporarily Restricted Funds	\$ 1,676,098	\$ 730,926	\$ 78,517	\$ 13,083	\$ (672,321)	\$ 1,826,303

See Report of Independent Public Accountants.

THE AMERICAN RADIO RELAY LEAGUE, INCORPORATED

**TEMPORARILY RESTRICTED FUND SUMMARY
YEAR ENDED DECEMBER 31, 2006**

Fund Name	Balance 01/01/06	Contributions	Investment Income, net	Change in Unrealized gain	Released from Restriction	Balance 12/31/06
H.P. Maxim Award	\$ 33,029	\$ -	\$ 1,876	\$ -	\$ -	\$ 34,905
Project Goodwill	12,033	100	-	-	-	12,133
Exceptional Merit	1,143,638	-	52,536	50,753	(40,000)	1,206,927
Legal Research & Resource	155,352	1,894	-	-	(2,508)	154,738
Starr Technology	4,081	-	-	-	-	4,081
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Colvin Award	8,834	363	8,131	-	(5,000)	12,328
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	11,597	2,975	-	-	(14,387)	185
Defense of Frequencies	-	564,085	1,248	-	(565,333)	-
Lab Fund	6,980	50	-	-	-	7,030
W1AW	42,975	-	10,632	-	(13,951)	39,656
Education and Technology	121,743	239,758	-	-	(171,279)	190,222
DARA CEP Project	-	15,000	-	-	(12,437)	2,563
Direction Finding	41	-	-	-	-	41
Total Temporarily Restricted Funds	\$ 1,551,592	\$ 824,225	\$ 74,423	\$ 50,753	\$ (824,895)	\$ 1,676,098

See Report of Independent Public Accountants.