

The American Radio Relay League, Incorporated

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

December 31, 2017 and 2016

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

The American Radio Relay League, Incorporated

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Independent Auditor's Report

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

We have audited the accompanying financial statements of The American Radio Relay League, Incorporated, which comprise the statements of financial position as of December 31, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

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

CohnReznick LLP

Hartford, Connecticut
May 18, 2018

The American Radio Relay League, Incorporated

Statements of Financial Position December 31, 2017 and 2016

Assets

	2017	2016
Current assets		
Cash	\$ 1,829,880	\$ 1,375,211
Accounts receivable, net of allowance for doubtful accounts of \$34,897 and \$38,120	291,267	258,592
Inventories, net	562,821	666,928
Pledges receivable, current	100,158	115,858
Other receivables	80,310	61,390
Prepaid expenses and other current assets	226,586	217,205
Total current assets	3,091,022	2,695,184
Other assets		
Investments	27,478,256	23,774,265
Long-term pledges receivable, net of discount and allowance of \$234,378 and \$259,553	417,072	576,718
Land, building and equipment, net	1,716,246	1,427,730
Total other assets	29,611,574	25,778,713
 Total assets	 \$ 32,702,596	 \$ 28,473,897

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 329,932	\$ 266,696
Accrued liabilities	331,166	342,472
Deferred revenue	39,338	27,439
Subtotal operational current liabilities	700,436	636,607
Deferred life membership dues, current	515,475	517,319
Deferred term membership dues, current	3,095,816	3,027,669
Total current liabilities	4,311,727	4,181,595
Long-term liabilities		
Deferred life membership dues, less current portion	6,943,997	6,778,795
Deferred term membership dues, less current portion	935,470	1,051,361
Total long-term liabilities	7,879,467	7,830,156
 Total liabilities	 12,191,194	 12,011,751
Commitments		
Net assets		
Unrestricted		
Undesignated	3,790,266	2,303,613
Board designated	8,936,839	7,179,296
Total unrestricted	12,727,105	9,482,909
Temporarily restricted	3,206,657	2,439,604
Permanently restricted	4,577,640	4,539,633
Total net assets	20,511,402	16,462,146
 Total liabilities and net assets	 \$ 32,702,596	 \$ 28,473,897

See Notes to Financial Statements.

The American Radio Relay League, Incorporated

**Statement of Activities
Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and contributions				
Membership dues	\$ 6,682,264	\$ -	\$ -	\$ 6,682,264
Net publication sales	3,965,971	-	-	3,965,971
Advertising	2,060,716	-	-	2,060,716
Investment income	321,498	186,187	-	507,685
Examination fees and other	436,396	-	-	436,396
Program and service fees	523,938	-	-	523,938
Contributions and support	779,470	929,227	103,641	1,812,338
Net assets released from restrictions	758,402	(758,402)	-	-
	<u>15,528,655</u>	<u>357,012</u>	<u>103,641</u>	<u>15,989,308</u>
Expenditures				
Programs and services	7,730,654	-	-	7,730,654
Publications	3,881,972	-	-	3,881,972
Administration	2,205,281	-	-	2,205,281
Fundraising	500,747	-	-	500,747
Governance	252,959	-	-	252,959
	<u>14,571,613</u>	<u>-</u>	<u>-</u>	<u>14,571,613</u>
Increase in net assets before other income (expense)	<u>957,042</u>	<u>357,012</u>	<u>103,641</u>	<u>1,417,695</u>
Other income (expense)				
Bequests, Board designated functioning as an endowment	1,048,174	-	-	1,048,174
Second Century Campaign endowment contributions	-	-	17,549	17,549
Uncollectible pledge	-	-	(83,183)	(83,183)
Unrealized gain on investments	1,238,980	410,041	-	1,649,021
	<u>2,287,154</u>	<u>410,041</u>	<u>(65,634)</u>	<u>2,631,561</u>
Change in net assets	3,244,196	767,053	38,007	4,049,256
Net assets, beginning	<u>9,482,909</u>	<u>2,439,604</u>	<u>4,539,633</u>	<u>16,462,146</u>
Net assets, end	<u>\$ 12,727,105</u>	<u>\$ 3,206,657</u>	<u>\$ 4,577,640</u>	<u>\$ 20,511,402</u>

See Notes to Financial Statements.

The American Radio Relay League, Incorporated

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

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

See Notes to Financial Statements.

The American Radio Relay League, Incorporated

**Statements of Cash Flows
Years Ended December 31, 2017 and 2016**

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 4,049,256	\$ 1,689,307
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Receipts to establish or increase permanent endowment	(38,007)	(160,713)
Depreciation	240,825	251,030
(Gain) loss on sale of equipment	(218)	4,381
Uncollectible pledge	83,183	-
Discount and allowance for pledges receivable	(25,175)	(29,039)
Change in inventory reserve	(15,936)	(20,006)
Unrealized gain on investments	(1,649,021)	(895,484)
Realized gain on investments allocated to general and permanent funds	(175,198)	(35,766)
Changes in operating assets and liabilities		
Accounts receivable	(32,675)	97,024
Inventories	120,043	147,429
Pledges receivable	117,338	147,394
Other receivables	(18,920)	5,947
Prepaid expenses and other current assets	(9,381)	43,982
Accounts payable and accrued liabilities	51,930	(45,530)
Deferred revenue	11,899	(3,423)
Deferred life membership dues, net of allocated realized gain	63,670	40,385
Deferred term membership dues	(47,744)	102,048
Net cash provided by operating activities	2,725,869	1,338,966
Cash flows from investing activities		
Purchase of equipment	(529,413)	(89,824)
Proceeds from sale of equipment	290	1,536
Sales of investments	5,463,577	2,877,902
Purchases of investments	(7,243,661)	(3,871,608)
Net cash used in investing activities	(2,309,207)	(1,081,994)
Cash flows from financing activities		
Receipts to establish or increase permanent endowment	38,007	160,713
Net increase in cash	454,669	417,685
Cash, beginning	1,375,211	957,526
Cash, end	\$ 1,829,880	\$ 1,375,211

See Notes to Financial Statements.

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

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 31, 2017 and 2016 included in operating cash.

Allowance for doubtful accounts

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

Pledges and contributions receivable

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

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

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 \$96,431 and \$112,367 as of December 31, 2017 and 2016, respectively.

Investments

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

Land, building and equipment

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

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

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

The League reviews its long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of December 31, 2017 and 2016.

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

Endowment and spending policy

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

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

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

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

Revenue recognition

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

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

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

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

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

Income taxes

The League is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the League is subject to federal and state income tax as a result of unrelated business income arising from net advertising income. There are no unrelated business income tax liabilities for the years ended December 31, 2017 and 2016.

The League's federal information returns prior to calendar year 2014 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, 2017 and 2016.

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

Functional expenses

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

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The League has evaluated events and transactions for potential recognition or disclosure through May 18, 2018, which is the date the financial statements were available to be issued.

Note 2 - Pledges receivable

Unconditional pledges receivable as of December 31, 2017 and 2016 are expected to be realized in the following periods:

	<u>2017</u>	<u>2016</u>
In one year or less	\$ 100,158	\$ 115,858
In one to five years	240,450	373,271
In more than five years	<u>411,000</u>	<u>463,000</u>
Total pledges receivable	751,608	952,129
Less allowance for uncollectible pledges	(57,470)	(76,953)
Less discount	<u>(176,908)</u>	<u>(182,600)</u>
Total	<u>\$ 517,230</u>	<u>\$ 692,576</u>

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

	<u>2017</u>	<u>2016</u>
Current	\$ 100,158	\$ 115,858
Long-term	<u>417,072</u>	<u>576,718</u>
Total	<u>\$ 517,230</u>	<u>\$ 692,576</u>

Pledges expected to be received in more than one year have been discounted using a discount rate of 4.50% and 3.75% at December 31, 2017 and 2016, respectively.

The American Radio Relay League, Incorporated

**Notes to Financial Statements
December 31, 2017 and 2016**

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, 2017 and 2016:

	2017		2016	
	Fair value	Cost	Fair value	Cost
Cash and cash equivalents	\$ 619,238	\$ 619,238	\$ 1,089,815	\$ 1,089,815
Equities and mutual funds	14,974,025	10,198,929	12,882,511	9,762,440
Fixed maturities	11,884,993	11,892,708	9,801,939	9,803,650
Total	\$ 27,478,256	\$ 22,710,875	\$ 23,774,265	\$ 20,655,905

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, 2017 and 2016:

	2017	2016
Life membership	\$ 7,459,487	\$ 7,296,114
Regular operations	3,297,633	2,319,618
Temporarily restricted	3,206,657	2,439,604
Functioning as an endowment	8,936,839	7,179,296
Permanently restricted	4,577,640	4,539,633
Total	\$ 27,478,256	\$ 23,774,265

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

	2017	2016
Unrealized appreciation, beginning		
Fair value	\$ 23,774,265	\$ 21,826,857
Cost	20,655,905	19,603,981
Net gain	3,118,360	2,222,876
Unrealized appreciation, end		
Fair value	27,478,256	23,774,265
Cost	22,710,875	20,655,905
Net gain	4,767,381	3,118,360
Net unrealized gain for the year	\$ 1,649,021	\$ 895,484

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

Investment income is summarized as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 526,691	\$ 479,057
Net realized gain on investments	<u>274,886</u>	<u>58,218</u>
Gross investment income	801,577	537,275
Less		
Net investment income allocated to deferred life liability	<u>(293,892)</u>	<u>(200,586)</u>
Total investment income	<u>\$ 507,685</u>	<u>\$ 336,689</u>

Note 4 - Fair value measurements

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

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data by correlation or other means. If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Financial assets carried at fair value at December 31, 2017 and 2016 are classified in the tables below in one of the three categories described above:

The American Radio Relay League, Incorporated

**Notes to Financial Statements
December 31, 2017 and 2016**

	2017			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 619,238	\$ -	\$ -	\$ 619,238
Mutual funds				
Short-term bond fund	249,791	-	-	249,791
Large blend fund	345,460	-	-	345,460
Large growth fund	31,984	-	-	31,984
Total mutual funds	<u>627,235</u>	<u>-</u>	<u>-</u>	<u>627,235</u>
Exchange traded funds				
Small blend	384,280	-	-	384,280
Mid cap blend	514,158	-	-	514,158
Large blend	6,141,291	-	-	6,141,291
Short term bond	1,465,353	-	-	1,465,353
Europe stock	118,300	-	-	118,300
Foreign mid blend	95,384	-	-	95,384
Inflation-protected bond	194,005	-	-	194,005
Foreign large blend	623,299	-	-	623,299
Equity energy	148,425	-	-	148,425
Diversified emerging markets	160,685	-	-	160,685
Total exchange traded funds	<u>9,845,180</u>	<u>-</u>	<u>-</u>	<u>9,845,180</u>
Stocks				
Domestic large cap	4,418,600	-	-	4,418,600
International developed	83,010	-	-	83,010
Total stocks	<u>4,501,610</u>	<u>-</u>	<u>-</u>	<u>4,501,610</u>
Certificates of deposit	<u>299,709</u>	<u>-</u>	<u>-</u>	<u>299,709</u>
Fixed maturities				
Domestic corporate bonds	-	10,093,210	-	10,093,210
U.S. Treasury Bills	-	895,410	-	895,410
International developed bonds	-	398,150	-	398,150
Global high yield taxable	-	198,514	-	198,514
Total fixed maturities	<u>-</u>	<u>11,585,284</u>	<u>-</u>	<u>11,585,284</u>
Total assets at fair value	<u>\$ 15,892,972</u>	<u>\$ 11,585,284</u>	<u>\$ -</u>	<u>\$ 27,478,256</u>

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

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

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

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, 2017 and 2016.

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land and building	\$ 1,094,693	\$ 1,094,693
Furnishings, equipment and building improvements	4,512,340	4,369,915
Computer software	<u>2,073,306</u>	<u>2,073,306</u>
	7,680,339	7,537,914
Less accumulated depreciation	<u>(6,339,366)</u>	<u>(6,114,034)</u>
	1,340,973	1,423,880
Construction in progress	<u>375,273</u>	<u>3,850</u>
Total	<u>\$ 1,716,246</u>	<u>\$ 1,427,730</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 2017 and 2016. Total employer contributions were \$272,956 and \$278,412 in 2017 and 2016, respectively.

Note 7 - Board-designated net assets

The League's Board of Directors' intent is to treat unrestricted bequests over a specific amount as funds functioning as an endowment. Since the beginning of 2004, the League has received bequests in the amount of \$6,291,600. As of December 31, 2017 and 2016, the balance of the bequests, inclusive of investment income and unrealized gains and losses, was \$8,936,839 and \$7,179,296, respectively.

The American Radio Relay League, Incorporated

**Notes to Financial Statements
December 31, 2017 and 2016**

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets as of December 31, 2017 and 2016 were available for the following purposes:

	2017	2016
Exceptional merit	\$ 1,440,809	\$ 1,358,695
Other specific purposes	1,347,798	791,386
Education and research	418,050	289,523
Total	\$ 3,206,657	\$ 2,439,604

Note 9 - Permanently restricted net assets

Permanently restricted net assets as of December 31, 2017 and 2016 were comprised of the following:

	2017	2016
Second Century fund	\$ 3,149,481	\$ 3,235,115
W1AW fund	592,376	588,735
DX Log Archive fund	229,390	229,390
Youth and Education fund	217,189	197,189
Colvin fund	154,340	154,340
Dave Bell, W6AQ fund	134,864	134,864
Snyder Collegiate fund	100,000	-
Total	\$ 4,577,640	\$ 4,539,633

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

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

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

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

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

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

In 2015, the League became entitled to a bequest to establish the Dave Bell, W6AQ fund. This fund specifies that the principal is to be maintained in a fund and invested for the purpose of producing future income. The income from this endowment will be used for the League's programs and operations in the best interests of the Amateur Radio Service as determined by the League.

In 2017, the League received a donation to establish the W1YSM Snyder Family Collegiate Amateur Radio Endowment 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 the League's Collegiate Amateur Radio Initiative activities.

Note 10 - Endowment

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

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

The American Radio Relay League, Incorporated

**Notes to Financial Statements
December 31, 2017 and 2016**

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2017	\$ 7,179,296	\$ 460,157	\$ 4,539,633	\$ 12,179,086
Investment income, net	193,925	39,025	-	232,950
Net unrealized gain	515,441	312,491	-	827,932
Contributions	1,048,177	5,243	121,190	1,174,610
Amounts appropriated for expenditure	-	(30,949)	-	(30,949)
Net assets released	<u>-</u>	<u>-</u>	<u>(83,183)</u>	<u>(83,183)</u>
Endowment net assets, December 31, 2017	<u>\$ 8,936,839</u>	<u>\$ 785,967</u>	<u>\$ 4,577,640</u>	<u>\$ 14,300,446</u>

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 785,967	\$ 4,577,640	\$ 5,363,607
Board-designated endowment funds	<u>8,936,839</u>	<u>-</u>	<u>-</u>	<u>8,936,839</u>
Total funds	<u>\$ 8,936,839</u>	<u>\$ 785,967</u>	<u>\$ 4,577,640</u>	<u>\$ 14,300,446</u>

The American Radio Relay League, Incorporated

**Notes to Financial Statements
December 31, 2017 and 2016**

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

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

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

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

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, 2017 and 2016.

Note 11 - Lease obligations

The League leases warehouse space, office space and office equipment under operating leases with monthly payments ranging from \$77 to \$4,265, which expire at various times through May 2021. Total operating lease expense was \$137,010 and \$109,348 for the years ended December 31, 2017 and 2016, respectively.

The American Radio Relay League, Incorporated

Notes to Financial Statements December 31, 2017 and 2016

The following are future minimum lease payments due under noncancelable operating leases as of December 31, 2017:

2018	\$	56,935
2019		56,935
2020		56,935
2021		24,203
		<hr/>
Total	\$	<u>195,008</u>

Note 12 - Concentrations

Credit risk

Financial instruments, which potentially subject the League to concentrations of credit risk, consist primarily of cash, pledges and trade receivables. The League maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed the federally insured limit. At December 31, 2017, the Company had approximately \$1,698,000 in excess of federally insured limits.

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

Market risk

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

Note 13 - Related party transactions

The League has some common directors with The ARRL Foundation, Inc. The League performs administrative services for The ARRL Foundation, Inc. and was reimbursed for these services in the amount of \$15,000 for the years ended December 31, 2017 and 2016.

Supplementary Information

The American Radio Relay League, Incorporated

Schedules of Expenditures
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Salaries, compensation and benefits	\$ 6,985,910	\$ 7,257,268
Publication costs	2,025,436	2,192,596
Shipping and forwarding costs	1,483,725	1,540,809
Communication and postage	687,241	826,726
Other	656,997	620,905
Occupancy costs	541,390	534,955
Office supplies and expenditures	491,322	519,983
Legal and professional fees	515,999	448,878
Administrative expenses	458,351	493,165
Travel	288,190	364,969
Depreciation	240,825	251,030
Rentals and equipment maintenance	196,227	139,661
	<u> </u>	<u> </u>
Total	<u>\$ 14,571,613</u>	<u>\$ 15,190,945</u>

See Independent Auditor's Report.

The American Radio Relay League, Incorporated

**Temporarily Restricted Fund Summary
Year Ended December 31, 2017**

Fund name	Balance January 1, 2017	Resignations	Contributions	Investment income, net	Unrealized gain	Released from restriction	Balance December 31, 2017
H.P. Maxim Award	\$ 41,228	\$ -	\$ -	\$ 986	\$ -	\$ -	\$ 42,214
Exceptional Merit	1,358,695	-	-	24,566	97,548	(40,000)	1,440,809
Legal Research & Resource	178,728	-	13,884	-	-	(710)	191,902
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	14,041	-	180,864	-	-	(84,218)	110,687
Defense of Frequencies	-	-	312,861	14,381	-	(327,242)	-
Lab Fund	10,211	-	5,588	-	-	-	15,799
Education and Technology	272,247	1,000	254,315	7,594	-	(148,401)	386,755
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	40,975	-	49,523	-	-	(24,946)	65,552
Preservation of Artifacts	36,656	-	106,949	-	-	(2,301)	141,304
Colvin Fund earnings	34,424	-	-	5,761	11,733	(7,000)	44,918
W1AW Fund earnings	154,602	-	-	22,031	46,650	(19,074)	204,209
Youth and Education Fund earnings	13,698	-	-	-	14,017	-	27,715
Capital Campaign Fund ("CCF") earnings	233,849	-	-	94,601	210,539	(94,601)	444,388
CCF Earnings - DX Log Archive	18,506	-	-	8,562	15,095	(787)	41,376
Dave Bell , W6AQ Fund earnings	5,080	-	-	5,034	8,458	(5,034)	13,538
Snyder Collegiate Amateur Radio earnings	-	-	5,243	2,671	6,001	(4,088)	9,827
Total temporarily restricted funds	\$ 2,439,604	\$ -	\$ 929,227	\$ 186,187	\$ 410,041	\$ (758,402)	\$ 3,206,657

The American Radio Relay League, Incorporated

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

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

See Independent Auditor's Report.

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