

**2015 ANNUAL MEETING
ARRL BOARD OF DIRECTORS
Windsor, CT
January 16-17, 2015**

Report of the Chief Financial Officer

This report encompasses the year 2014 which, in addition to being an exciting year for the ARRL including a wide variety of unique Centennial activities, also represented my 25th year with the organization. Although it's been an interesting tenure, this past year and the one upcoming in 2015, I believe will be as challenging as any I've seen with the ARRL.

2014 was a year of unparalleled activity for the ARRL. From the National Convention and Centennial operating activities, to the culmination of the Second Century Campaign and the regional Conventions, all of these activities were over and above what would be considered "normal operations" for the organization. To deliver on all of these plus continue the routine (is there ever anything that is "routine"?) programs and services of the organization, with effectively no increase in the staffing level, is an accomplishment that needs to be recognized. Both staff and volunteers should be proud of what was accomplished.

This past year was unique from a financial perspective as well. We entered the year with a plan to finish the year with a financial loss because we believed that the one-time activities were important. As we look back on the year, I don't think anyone would argue with that decision. We had the financial reserves (i.e. Unrestricted Net Assets) to absorb the planned loss and we were helped by the markets which increased the value of our investments during the year. However, trends began to emerge in our financial results that produced a financial loss from normal operations, something we haven't seen in a number of years. This isn't the end of the world but it is something we need to carefully consider going forward. Should we "invest" our financial reserves in annual operating losses or could we use them more effectively to create new, revenue generating opportunities? This is the underlying issue as we debate the dues increase proposed for the upcoming year in the 2015 Plan and I look forward to the Board's discussions on this matter.

The financial reports included with this document, as always at this point in our year-end cycle, are to be considered "*preliminary*". While we have included all the known transactions to this point, there will be additional invoices, etc. received before the books are finally closed for the year and the year-end audit completed sometime in April.

Financial Matters

The standard financial reports are attached as Appendix 1 to this report. Being that it is the year-end, I will focus my comments more on the full year's results than simply the month of

December although I will try and highlight any significant items that occurred in the last month of the year.

Overall

Having just noted I would concentrate on the full year results, I do need to digress and start this section of the report with a brief discussion of the month of December. The financial results for December were somewhat disappointing. Several revenue categories missed the respective monthly targets and this, coupled with an influx of spending, some the result of last minute filing of expense reimbursements, resulted in a small loss from “normal” operations totaling \$15,000. A strong result from voluntary contributions helped offset the results from the rest of the operation. What is concerning is that operating result was in comparison to a significant gain from operations projected in the original Plan (\$141,000).

With the December results, the organization finished with a loss from normal operations of \$234,000 for the full year, a year where we had projected a break-even result. Add to that the results of the Centennial events and Second Century campaign, and we had an overall loss from operations \$657,000 for 2014. Realized investment gains softened the bottom line effect somewhat and even with the market downturn in December, there were some amount of unrealized gains in the portfolio for the year which will also help reduce the overall decrease in net assets.

The overall financial trends are concerning as we begin a new year. Total revenues were flat compared to the prior year (including gross revenues from the Centennial keys); Net Available Income was down by almost \$400,000 and Program expenditures were up by about \$175,000. We did garner about \$100,000 more from contributions to offset related expenditures which helped.

Total revenues earned using voluntary contributions stood at \$1.05 million. As noted above, this was an increase from the prior year; however it was still about \$32,000 less than originally planned for the year and was helped, in part, by revenues from one-time expenditures from select temporarily restricted funds. As we entered the year, there was some uncertainty about the impact of the Second Century Campaign on the overall contribution amounts. One of the primary components of the development efforts, the Diamond Club, showed no ill effects. Revenues earned from the Diamond Club in 2014 totaled \$337,000, an increase of \$34,000 (11%) over the prior year. This was also \$27,000 more than projected for the current year. The growing contribution of the Second Century Campaign to the overall endowment, coupled with a significant amount of realized investment gains, also pushed the unencumbered earnings from the fund over what had been planned for this year. This source contributed almost \$92,000 in 2014. One area where revenues did not meet expectations was the Spectrum Defense Fund. A total of \$288,000 was collected in this fund, about \$62,000 less than planned. It isn't clear if this is the result of a transfer of giving to the Second Century effort or a message driven result. It is difficult to maintain contributions to this fund without a compelling message that energizes the membership, something that isn't always available.

As noted above, there were three major Centennial activities that we segregated in our financial reports in order to isolate those “one-time” activities from our normal operating activities. When finally wrapped up on December 31, 2014, the Second Century Campaign had garnered almost \$7.6 million in gifts and pledges, a significant accomplishment for the organization and one that will pay dividends many years into the future. From an expense perspective, the earlier than planned retirement of former CDO Mary Hobart, K1MMH, coupled with less operational spending than budgeted, resulted in total expenditures for the year which were \$109,000 less than planned. The National Convention, as mentioned in many reports at this meeting, was very popular and attended by over 3,000 members. Paid attendance was less than anticipated (approx. 2,200) and expenditures were higher than planned. In 2014, that meant we showed a loss from the Convention of \$167,000, a larger investment than we had planned for the event. And finally, the Centennial operating events, which were always expected to generate the lion’s share of their revenues and expenses in 2015, showed a loss of \$34,000 for the year.

No financial report should be delivered without a discussion of the organization’s balance sheet. At the end of 2014, the ARRL’s balance sheet was still in very good shape. Accounts receivable are good and we actually reduced our overall estimate for uncollectible accounts at the end of the year. Total assets grew to \$26.4 million and total net assets grew, as a result of fundraising efforts and specifically the Second Century Campaign, to \$15.2 million. In keeping with the recent discussions about the organization’s net assets, it should also be noted that we were again helped in part, by a good year in the markets and we showed a total of about \$152,000 in unrealized investment gains. However, as evidenced by the wide fluctuations in the stock market in early 2015, these gains can be short lived and should not be counted on for funding on-going operations on a regular basis.

Income

Total revenues earned from normal operations stood at \$13.9 million for the year, about \$156,000 more than planned. As has been reported on a regular basis this year, a significant portion of this favorable variance has to do with the budgeting for the Centennial keys. Several major revenue sources, including Membership Dues and Program Fees led the way from a revenue basis.

Publication sales showed gross revenues of \$3.75 million for the year, about \$160,000 more than planned. As noted, there was an anomaly in reporting the revenues from the sales of the Centennial keys which inflated the comparison to the projected sales for the year. Across the board, the only categories of publication sales that exceeded the original Plan for the year were the *Ham Radio License Manual* and Membership Supplies. The former benefited from the heavy influx of new licensees this past year and a large November order from Amazon. The latter category was pushed to unprecedented sales levels by the array of Centennial products we offered throughout the year. Unfortunately, almost all of the remaining categories of publication sales did not meet the annual targets. Sales of the Centennial edition of the *ARRL Handbook* in 2014 were limited because of the significant demand for this title which pushed a large percentage of the sales into the fourth quarter of 2013. And other than the two categories mentioned above, all the other categories also showed a decrease in gross revenues from the prior year. In a more concerning trend, the gross margin from publication sales dropped by about

\$234,000 from 2013 to 2014. It was also \$109,000 less than planned for the year. Profitability and electronic distribution trends for publications will need to be carefully considered as we move into the future as this is a significant source of “net revenues” for the organization.

Subscriptions for both our other periodicals, QEX and NCJ, showed drops in revenue from 2013. Neither met our growth expectations for 2014 as a result. Revenues from these sources totaled \$223,000, about \$25,000 less than planned for the year. Both showed a 4%-5% decrease in subscriptions from one year to the next. Interestingly enough, advertising in these two periodicals remain strong with revenues from NCJ advertising increasing by almost 50% this past year.

Much has been written about our advertising relationship with Yaesu and the current situation. In short, in the middle of the year, Yaesu decided to reduce their advertising commitments to the ARRL by \$75,000 for the remainder of 2014 with a much larger amount (\$200,000) in 2015. Despite this, the Business Services Group was able to offset some of this loss with other, unplanned sales revenues and finished the year only \$36,000 below their original goal for the year. Total advertising revenues for the year from all sources stood at \$2.54 million. This was only about \$58,000 less than earned in the prior year. Although I say it often, enough can't be said about this group and how they continue to defy gravity when it comes to the sale of print and other advertising in the face of a continuing decline in that industry. The number of publications that have folded because of the trends in electronic publishing and print ad sales is growing all the time. The situation with Yaesu shows how fragile these revenues can be for the organization, particularly since it is a very high margin sale for the League.

A strong finish for membership in December which increased our total members by 775 for the month pushed the total membership back over the 165,000 benchmark and we finished the year with 165,664. This was an overall increase of 2.1% for the year, a total of 3,449 members. There are many reasons for the increase, but one of them has to be the level of operating activity that we saw in the past twelve months. These results drove revenues from dues to an all-time high for the organization with \$5.92 million earned. This was \$40,000 more than planned for the year and \$129,000 more than what was earned in 2013.

As has been the case for much of the year, revenues generated from our fee-based programs exceeded the monthly expectations, driven by the volumes of exams being given by the ARRL VEC. For the year, we collected almost \$498,000 in fees from all VEC activities, the largest share by far from exams. This result was almost \$70,000 more than planned for 2014. As noted in other reports, there was a 15% increase in new licensees and a 13% increase in upgrades. Given the ARRL VEC's market share of 75%, this is what drove our revenue results in this area. Other areas of Program Fees, unfortunately, did not meet revenue expectations. DXCC, while showing a 6% increase over the prior year, fell about \$27,000 short of the annual goal. And the ARRL QSL Bureau, expected to show an increase in fees of about \$6,000, produced about \$4,000 less revenues than the prior year. All in all, total program fees collected in 2014 equaled \$1.10 million, about \$27,000 more than planned and an increase of over \$80,000 more than the prior year.

Investment income (interest and dividends) underperformed our original expectations for the year as the continuation of historically low interest rates continued to dampen this source of revenues for the organization. I should point out that overall yields on the portfolio continue to be good. From the Treasurer's report, the total return on the portfolio was 5.77% for the year, slightly less than the benchmark of 6.26%. Total investment income allocated to operations was \$217,000, about \$32,000 less than planned.

Although our sources of "Other Revenues" are small, they continue to grow modestly and, for the most part, exceed our expectations. For 2014, we earned a total of \$147,000 from all these sources, about \$21,000 more than planned.

Expenses in the Income segment exceeded the original budget by \$408,000 for the year. While some of this related to the accounting for the cost of goods sold of the Centennial keys (\$180,000), the remainder is due to over budget spending in select areas, some through conscious decisions. The Controller's Department was over budget as a result of depreciation charges for corporate assets being more than planned as well as a small overage in credit card processing fees. The Information Technology Department was also over budget for the year, primarily because of the addition of a second programmer for Logbook of the World, approved by the A&F Committee in April. Also during the year we had to add servers to the web site configuration at Rackspace to help keep up with processing requirements. The Personnel function was also over budget because of the year-to-year increase in accrued PTO time and additional search costs incurred this year. Total expenses in the Income segment were \$10.99 million for 2014, a gross increase of \$425,000 over 2013.

Spend

Total expenditures by the League on advocacy, member programs and governance totaled \$4.18 million, right on target with the original budgeted spending in the 2014 Plan. As you will see in the financial reports, there were several departments that did show over budget spending for the year. As in the Income segment, some of these were conscious decisions while other situations were not. The Washington Office showed an overage, more than half of fell in the category of Legal fees, much of which was related to the additional work generated by our efforts on H.R. 4969. Field Services had additional expenditures for more than planned on printing and postage, primarily because there were more Section elections than planned in 2014 (a good thing) and the printing of Centennial Section certificates which was not originally planned. VEC was also over budget but, given the volume of work involved in a year where exams and candidates increase dramatically, this is to be expected and the overage was more than covered by the additional fees collected.

Governance expenses of \$344,000 were about \$5,000 over budget for the year but, as is historically the case, total Division expenses were within budgeted parameters. There was also an additional \$10,000 spent on various volunteer travel to Washington D.C. to engage members of Congress in support of H.R. 4969.

Cash Flow

With a financial loss, investment in several unique Centennial activities and several significant capital expenditures, not the least of which being a replacement for the HVAC system at Headquarters, the organization produced a negative cash flow year in 2014 of approximately \$1million. While this was a unique year and there were certainly sufficient assets to cover this, the portfolio's increase in value helped offset some of it. However, this is not something we want to plan for on a regular basis going forward.

Operating Matters

After all these years I begin to sound like a broken record on this, but there is a substantial amount of work that goes on behind the scenes at Headquarters every day. Most of it isn't seen unless, of course, something goes wrong. But for the most part, even the issues that are raised to visibility are handled in the same professional manner as the day-to-day activities and we continue to move forward, not as quickly as some would prefer, but forward nonetheless.

A good example is the work of the Controller's Department (including the Mailroom), managed by Diane Middleton, KC1BQF. Throughout the year, in addition to the regular tasks involved with the receiving, processing and recording all the transactions that arrive at Headquarters, this group provides support across the organization. They are the first to handle paper membership transactions, DXCC and other award applications, invoices, checks and any other piece of mail received at HQ. The amount of paper checks and, yes even some cash, that we still receive at HQ in payment for many of our products and services continues to amaze me. But this doesn't begin to describe the support they provide to the Warehouse, Sales & Marketing, FS&R, Development and others across the organization.

In addition, the Controller's Department, specifically Mrs. Middleton, provided invaluable analytic support for work done on the annual health insurance renewal and two subcommittees of the A&F Committee regarding the possible scenarios for dues increases.

The quality of the Accounting Department can be seen in the fact that we completed another financial audit for the year 2013 with no significant adjustments and, more importantly, another unmodified opinion. (Or, as they used to call them back in the day, a "clean opinion".) In addition, the annual tax return was completed and thanks in part to good planning, we again had no income tax liability.

The Mailroom is responsible for all the membership solicitations and renewals that originate from HQ, ballots for Section elections, publication solicitations, various MVP awards, Development mailings and, in times of high publication volumes, provides additional manpower and support to the Warehouse.

Early in the year, the vendor which provides administration for the ARRL sponsored equipment insurance and club liability plans, Hays Affinity Group, began to experience difficulties providing adequate support to our members. A trip to Minneapolis in March appeared to have the issues back on track, however, later in the year the problems resurfaced. We began a search for a

possible replacement while, at the same time, working with Hays who expressed a desire to sell the book of business to another broker. Negotiations for the sale are almost finalized and we have been in discussions with the buyer who we believe is capable of handling the requirements of our plans.

The ARRL IT Department has been busy throughout the year. With the addition of two new programmers approved by the A&F Committee for Logbook of the World in May, they were able to begin the arduous process of digging out of the hole of “technical debt” that had been identified in the system. Significant progress was made in 2014, although there is still a way to go before we can declare victory. What was accomplished included:

- Brought a new LoTW database server on-line. This second “instance” is currently being used for software engineering, code development and load testing. It will eventually be used to support “fail-over” processing when necessary as well as these other functions.
- Completed the redesign/coding of the LoTW database class modules using ODBC interface (and open interface rather than SAP proprietary interface currently being used)
- Upgraded the LoTW certificate request processing computer in MVP.
- Created a new LoTW development web site and began testing ODBC-based web site for interactive use, log processing, etc.

In addition, to the LoTW work, IT deployed the “Dealer Order” component of the eStore/order fulfillment module in AIS. Although not completed at year-end, progress was made on the DXCC system project as well as the Advertising module of AIS. There was also work done, periodically, on the fulfillment processes for the Centennial QSO and W1AW operating events which will be completed in early 2015 when all the requirements have been determined.

The Infrastructure team of IT was also busy in the second half of the year. Major projects completed include:

- Completed the testing and implementation of the ARRL web site to higher performance servers at Rackspace, the outside hosting service.
- Updated Rackspace firewall configuration to conform to Rackspace’s best practices recommendations.
- Deployed additional storage to support the needs of the Production, Graphics and Advertising Departments.
- Installed an additional storage device in support of the Virtual Machine (VM) environment.

- Moved Advertising Department and Lab upload areas from a server which presented security issues to an offsite service (Dropbox).
- Created a new Library for Public Relations Media Library uploads for the new ARRL On-line Library.
- Deployed new hardware at the ARRL warehouse (laptop, printer and secure WiFi) necessary to respond to new Amazon shipping requirements.

The organization was the victim of two separate computer hacking incidents in the second half of the year. Both disrupted operations temporarily. Unfortunately, these events are not unique in today's environment and, as shown by these two intrusions, it isn't only the largest of companies that are targeted by the intruders. Even diligence can't always guard against an incident as shown with one of the intrusions which was a "same day" vulnerability that occurred within about an hour of our receiving the security update to apply from the manufacturer. Both incidents disrupted operations temporarily and the IT Department was able to mitigate each one. As a result, the department has embarked on an aggressive plan to upgrade the security protocols and procedures. Included in this is a step to engage an outside firm to do a vulnerability assessment of our infrastructure. Included with this report as Appendix #2 is a more detailed report on the incidents prepared by IT Department Manager Michael Keane, K1MK. This was presented to and discussed by the Administration and Finance Committee at their November meeting. As noted above, there are a series of steps that have already been taken and will be taken in the new year, to upgrade and improve the technology infrastructure for the organization.

The Centennial year provided an opportunity to upgrade the look of the Headquarters facilities and several projects were completed with planning and oversight from the staff. Some of these were the updating and painting of all the hallways in the building, eye catching graphics on the first floor hallway including the Centennial timeline, exterior panels on the outside of the building, the Second Century Terrace, upgrade of the video capabilities in the conference room, repaving of the parking lot and repair the concrete supporting the loading dock. WIAW also benefited from new exterior windows, repair and replacement of the front stairs and walkway, and trim work around the door and roofline. All in all, a significant amount of work was done on the grounds and facilities in advance of the Centennial and receiving roughly 3,000 visitors to the Headquarters properties.

In Summary

2014 has been an exciting and interesting year. We are all rightfully excited and proud of the Centennial year, the National Convention in Hartford, the enthusiasm generated by the operating events and how the Second Century Campaign has helped bolster the organization's financial strength for the future. And we have every reason to be.

However, we also need to be mindful of where the organization wants to go in the future and how we need to carefully chart that path, both operationally and financially. There is a proposal before the Board which includes a dues increase, something that has not been proposed in 14

years. Raising dues should never be taken lightly, nor are we taking it lightly now. However, overall revenues for the organization have flattened out in recent years and we cannot expect to expand our offerings of programs and services without increasing revenues and/or cutting some existing services.

The 2015 Plan includes another year of “deficit spending” which is not something we prefer to do. We have done it in the past when there have been specific, one-time unique items or activities we chose to fund from our financial reserves. This is not the case in 2015 and beyond at this point. We need to consider how much we want to accomplish and how those plans are going to be funded. I look forward to the discussions on these topics at the upcoming meeting.

In Closing

There are many people in the organization that have contributed to the organization’s achievements in the past twelve months. Staff and volunteers alike all contributed to a very successful Centennial year. Many went well over and above the call to complete assignments that served to enhance the experience of every member who took part in this amazing year.

The list of people who I need to recognize personally is long. From the work of the entire staff, to the support and guidance provided by the Administration and Finance Committee and ultimately the Board of Directors, all contributed to, and should take some pride in the results.

If anyone has any questions about this report I would be more than happy to discuss them with you prior to the Board meeting or once you arrive in Connecticut.

Respectfully Submitted,

Barry J. Shelley, N1VXY
Chief Financial Officer

ARRL
FINANCIAL RESULTS PACKAGE
December 31, 2014

AMERICAN RADIO RELAY LEAGUE, INC.		
BALANCE SHEET		
As of December 31, 2014 and December 31, 2013		
	2014	2013
ASSETS		
Cash & Short Term Investments	\$1,787,737	\$2,023,698
Accounts Receivable, Net	364,288	449,742
Contributions Receivable, Net	920,264	1,141,832
Inventory, Net of Reserve	667,320	710,506
Prepaid Expenses	282,689	225,114
Investments at Market	20,782,567	20,324,854
Land, Building & Equipment, Net of Accumulated Depreciation	1,598,161	919,419
TOTAL ASSETS	\$26,403,026	\$25,795,165
LIABILITIES & FUNDS		
Liabilities:		
Accounts Payable	\$230,273	\$484,114
Other Accrued Liabilities	412,203	542,100
Deferred Membership Dues - Term	3,530,293	3,419,811
Deferred Membership Dues - Life	7,016,077	6,802,834
TOTAL LIABILITIES	11,188,846	11,248,859
Fund Balances:		
Unrestricted	5,326,276	5,556,468
Designated Unrestricted	0	0
Temporarily Restricted	1,586,354	1,604,551
Permanently Restricted	8,301,550	7,385,287
TOTAL FUND BALANCES	15,214,180	14,546,306
TOTAL LIABILITIES & FUND BALANCES	\$26,403,026	\$25,795,165

AMERICAN RADIO RELAY LEAGUE, INC.

SUMMARY

December 2014

	December			Year-To-Date			2013
	Actual	Plan	Variance	Actual	Plan	Variance	Actual YTD
REVENUES	\$1,210,487	\$1,226,717	(\$16,230)	\$13,882,809	\$13,726,885	\$155,924	\$13,855,351
EXPENSES	966,227	883,584	(82,643)	10,989,032	10,581,509	(407,523)	10,564,562
NET AVAILABLE INCOME	244,260	343,133	(98,873)	2,893,777	3,145,376	(251,599)	3,290,789
MEMBER PROGRAM EXPENDITURES	453,958	365,694	(88,264)	4,175,148	4,175,639	491	4,001,836
SUB-TOTAL	(209,698)	(22,561)	(187,137)	(1,281,371)	(1,030,263)	(251,108)	(711,047)
CONTRIBUTIONS	194,956	163,324	31,632	1,047,858	1,079,968	(32,110)	946,506
INCOME FROM OPERATIONS	(14,742)	140,763	(155,505)	(233,513)	49,705	(283,218)	235,459
SECOND CENTURY CAMPAIGN	(217)	(20,840)	20,623	(222,127)	(330,974)	108,847	(182,464)
2014 NATIONAL CONVENTION	(2,397)	0	(2,397)	(166,685)	(88,561)	(78,124)	(4,863)
CENTENNIAL ACTIVITIES	(7,316)	11,485	(18,801)	(34,369)	(1,950)	(32,419)	0
GAIN/(LOSS) ON INVESTMENT	75,242	0	75,242	274,557	0	274,557	204,430
NET EXCESS (DEFICIT)	\$50,570	\$131,408	(\$80,838)	(\$382,137)	(\$371,780)	(\$10,357)	252,562
UNREALIZED GAIN (LOSS)	(\$350,575)			\$151,943			1,704,810

AMERICAN RADIO RELAY LEAGUE, INC.

INCOME

December 2014

	December			Year-To-Date			2013
	Actual	Plan	Variance	Actual	Plan	Variance	Actual YTD
REVENUES	\$1,210,487	\$1,242,987	(\$32,500)	\$14,113,774	\$14,040,860	\$72,914	\$13,855,351
Product Sales	340,022	355,492	(15,470)	3,748,193	3,587,655	160,538	3,856,617
QST and Magazines	19,991	20,136	(145)	223,436	248,096	(24,660)	232,408
Advertising	195,157	205,500	(10,343)	2,536,434	2,572,818	(36,384)	2,594,067
Membership Dues	505,414	499,807	5,607	5,915,074	5,874,830	40,244	5,785,794
Program Fees	105,952	87,440	18,512	1,095,172	1,068,570	26,602	1,014,877
Interest/Dividends	31,774	34,847	(3,073)	217,066	248,926	(31,860)	232,325
2014 Convention Revenue	0	0	0	230,965	228,725	2,240	0
Centennial Activities	0	16,270	(16,270)	0	85,250	(85,250)	0
Other	12,177	23,495	(11,318)	147,434	125,990	21,444	139,263
EXPENSES	\$976,157	\$909,209	(\$66,948)	\$11,643,178	\$11,316,969	(\$326,209)	\$10,751,889
Product Sales	259,473	266,548	7,075	2,970,206	2,700,437	(269,769)	2,844,543
QST and Magazines	240,478	235,944	(4,535)	2,727,060	2,765,333	38,273	2,746,465
Advertising	32,640	29,395	(3,245)	278,887	269,695	(9,192)	256,556
Membership Dues	96,184	88,271	(7,913)	997,712	964,187	(33,525)	902,307
Investment Expenses	63	0	(63)	2,493	0	(2,493)	0
2014 Convention Expenses	2,397	0	(2,397)	397,650	317,286	(80,364)	4,863
Centennial Activities	7,316	4,785	(2,531)	34,369	87,200	52,831	0
Support:	\$337,606	\$284,266	(\$53,340)	\$4,234,800	\$4,212,830	(\$21,970)	\$3,997,155
Administration	98,859	90,375	(8,484)	898,509	916,972	18,463	847,221
Development/Fundraising	45,919	23,769	(22,150)	351,883	346,788	(5,095)	362,809
2nd Century	217	20,840	20,623	222,127	330,974	108,847	182,464
Controller	75,805	89,049	13,244	902,541	874,499	(28,042)	863,968
Information Technology	131,537	129,264	(2,273)	1,225,396	1,157,227	(68,169)	916,578
Administrative Services	32,866	28,072	(4,794)	253,870	264,044	10,174	250,747
Personnel	(93,465)	(140,780)	(47,315)	(121,402)	(195,650)	(74,248)	91,381
Building	45,868	43,677	(2,191)	501,876	517,976	16,100	481,987
NET AVAILABLE INCOME	\$234,330	\$333,778	(\$99,448)	\$2,470,596	\$2,723,891	(\$253,295)	\$3,103,462
Product Sales	80,549	88,944	(8,395)	777,987	887,218	(109,231)	1,012,074
QST and Magazines	(220,487)	(215,808)	(4,680)	(2,503,624)	(2,517,237)	13,613	(2,514,057)
Advertising	162,517	176,105	(13,588)	2,257,547	2,303,123	(45,576)	2,337,511
Membership Dues	409,230	411,536	(2,306)	4,917,362	4,910,643	6,719	4,883,487
Program Fees	105,952	87,440	18,512	1,095,172	1,068,570	26,602	1,014,877
Investment Income	31,711	34,847	(3,136)	214,573	248,926	(34,353)	232,325
2014 Convention	(2,397)	0	(2,397)	(166,685)	(88,561)	(78,124)	(4,863)
Centennial Activities	(7,316)	11,485	(18,801)	(34,369)	(1,950)	(32,419)	0
Other and Support	(325,429)	(260,771)	(64,658)	(4,087,366)	(4,086,840)	(526)	(3,857,892)

AMERICAN RADIO RELAY LEAGUE, INC.

SPENDING

December 2014

	December			Year-To-Date			2013
	Actual	Plan	Variance	Actual	Plan	Variance	Actual YTD
MEMBER PROGRAM							
EXPENDITURES	\$453,958	\$365,694	(\$88,264)	\$4,175,148	\$4,175,639	\$491	\$4,001,836
Advocacy	\$93,645	\$75,892	(\$17,753)	\$929,597	\$918,268	(\$11,329)	\$858,777
Washington	68,198	59,710	(8,488)	677,532	633,693	(43,839)	648,083
International/IARU	15,464	4,440	(11,024)	142,212	143,680	1,468	143,403
Public Relations	9,983	11,742	1,759	109,853	140,895	31,042	67,291
Membership/Vol Programs	\$215,764	\$170,642	(\$45,122)	\$1,782,114	\$1,770,129	(\$11,985)	\$1,696,271
Administration	29,984	28,618	(1,366)	279,253	272,937	(6,316)	259,378
Contest	23,651	12,126	(11,525)	158,996	155,061	(3,935)	117,107
DXCC/Awards	52,732	50,205	(2,527)	524,697	537,976	13,279	507,621
QSL Bureau	13,829	11,798	(2,031)	89,284	93,215	3,931	85,136
W1AW	15,329	13,905	(1,424)	151,602	147,540	(4,062)	132,998
Field Services	33,642	28,478	(5,164)	307,011	283,602	(23,409)	317,815
Emergency Preparedness & Response	18,013	15,173	(2,840)	163,968	155,730	(8,238)	158,691
Section Expenses	28,584	10,339	(18,245)	107,303	124,068	16,765	117,525
Educational Programs	\$13,382	\$20,147	\$6,765	\$238,511	\$306,400	\$67,889	\$271,444
Education Services	9,300	13,610	4,310	108,734	131,436	22,702	140,267
Educ & Technology	4,082	6,537	2,455	129,777	174,964	45,187	131,177
VEC	\$46,895	\$36,439	(\$10,456)	\$441,806	\$404,565	(\$37,241)	\$390,286
LAB	\$52,512	\$44,376	(\$8,136)	\$439,314	\$436,950	(\$2,364)	\$421,695
Governance	\$31,760	\$18,198	(\$13,562)	\$343,806	\$339,327	(\$4,479)	\$363,363
Divisions	11,858	9,448	(2,410)	109,188	113,327	4,139	114,567
Officers	2,549	3,000	451	21,117	40,000	18,883	25,367
Board Meetings	7,114	0	(7,114)	125,610	116,500	(9,110)	154,847
Committees	10,239	5,750	(4,489)	87,891	69,500	(18,391)	68,582

AMERICAN RADIO RELAY LEAGUE, INC.
CONTRIBUTIONS / INVESTMENT ACTIVITY

December 2014

	December			Year-To-Date			2013
	Actual	Plan	Variance	Actual	Plan	Variance	Actual YTD
CONTRIBUTIONS AND SUPPORT	\$194,956	\$163,324	\$31,632	\$1,047,858	\$1,079,968	(\$32,110)	\$946,506
Unrestricted	\$89,820	\$85,500	\$4,320	\$424,974	\$410,000	\$14,974	\$352,990
Diamond Club	60,399	45,000	15,399	336,838	310,000	26,838	302,777
Miscellaneous	29,421	40,500	(11,079)	88,136	100,000	(11,864)	50,213
Member Loyalty	0	0	0	546	0	546	2,058
Donor-Restricted: "Uses"	\$105,136	\$77,824	\$27,312	\$622,884	\$669,968	(\$47,084)	\$593,516
Capital Campaign Earnings	\$25,540	\$7,661	17,879	\$91,915	\$54,706	37,209	\$56,962
Defense:	\$63,758	\$60,000	\$3,758	\$288,199	\$350,000	(\$61,801)	\$295,595
Advocacy	53,396	59,280	(5,884)	240,392	300,380	(59,988)	239,723
Fundraising	10,362	720	9,642	47,807	49,620	(1,813)	55,872
Education & Technology:	\$8,048	\$6,576	\$1,472	\$157,213	\$198,864	(\$41,651)	\$157,165
Program	8,032	6,537	1,495	134,030	174,964	(40,934)	131,162
Fundraising	16	39	(23)	23,183	23,900	(717)	26,003
W1AW Endowment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Legal Research & Resource	720	587	133	4,960	7,000	(2,040)	15,607
Lab Fund	0	0	0	10,000	10,000	0	0
Preservation of Artifacts	1,070	0	1,070	1,760	0	1,760	723
W1AW	0	0	0	14,687	9,398	5,289	9,956
Ham Aid	0	0	0	2,150	0	2,150	0
ARDF	0	0	0	0	0	0	0
E. Smith Earnings	3,000	3,000	0	40,000	40,000	0	40,000
Colvin Award	1,500	0	1,500	6,500	0	6,500	15,000
Hiram Percy Fund	1,500	0	1,500	1,500	0	1,500	0
Project Goodwill	\$0	\$0	0	\$4,000	\$0	4,000	2,508
GAIN/(LOSS) ON SALE OF INVESTMENTS	\$75,242	\$0	\$75,242	\$274,557	\$0	\$274,557	\$204,430

**American Radio Relay League
Detailed Income Statement
December 31, 2014**

	Month of December			Year-to-date			2013	2014
	Actual	Plan	Variance	Actual	Plan	Variance	YTD Actual	Total Plan
RECONCILIATION BY TOTALS								
REVENUES								
PUBLICATIONS & PRODUCTS	\$340,022	\$355,492	(\$15,470)	\$3,748,193	\$3,587,655	\$160,538	\$3,856,618	\$3,587,655
ADVERTISING	195,157	205,500	(10,343)	2,536,434	2,572,818	(36,384)	2,594,067	2,572,818
DUES & SUBSCRIPTIONS	525,405	519,943	5,462	6,138,510	6,122,926	15,584	6,018,202	6,122,926
PROGRAM & SERVICE FEES	105,952	87,440	18,512	1,095,172	1,068,570	26,602	1,014,877	1,068,570
INVESTMENT INCOME	107,016	34,847	72,169	491,623	248,926	242,697	436,755	248,926
CONTRIBUTIONS & SUPPORT	194,956	163,324	31,632	1,047,858	1,079,968	(32,110)	946,506	1,079,968
2014 NATIONAL CONVENTION	0	0	0	230,965	228,725	2,240	0	228,725
CENTENNIAL ACTIVITIES	0	16,270	(16,270)	0	85,250	(85,250)	0	85,250
OTHER	12,177	23,495	(11,318)	147,434	125,990	21,444	139,263	125,990
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TOTAL REVENUES	1,480,685	1,406,311	74,374	15,436,189	15,120,828	315,361	15,006,288	15,120,828
DIRECT COSTS								
PUBLICATIONS & PRODUCTS	143,565	155,496	(11,931)	1,811,490	1,561,538	249,952	1,736,422	1,561,538
MEMBERSHIP & SUBS	179,210	176,749	2,461	2,151,853	2,187,992	(36,139)	2,140,250	2,187,992
ADVERTISING	0	0	0	0	522	(522)	0	522
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TOTAL DIRECT COSTS	322,775	332,245	(9,470)	3,963,343	3,750,052	213,291	3,876,672	3,750,052
ADMINISTRATIVE EXPENSES								
HEADQUARTERS	1,047,003	914,121	132,882	11,403,875	11,279,161	124,714	10,396,170	11,279,161
BOARD OF DIRECTORS, OFFICERS & COMMITTEES	31,758	18,198	13,560	343,805	339,327	4,478	363,364	339,327
SECTION LEVEL	28,579	10,339	18,240	107,303	124,068	(16,765)	117,519	124,068
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TOTAL ADMIN EXPENSES	1,107,340	942,658	164,682	11,854,983	11,742,556	112,427	10,877,053	11,742,556
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TOTAL EXPENSES	1,430,115	1,274,903	155,212	15,818,326	15,492,608	325,718	14,753,725	15,492,608
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NET EXCESS (DEFICIT) FROM OPERATIONS	50,570	131,408	(80,838)	(382,137)	(371,780)	(10,357)	252,563	(371,780)
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American Radio Relay League

Detailed Income Statement

December 31, 2014

	Month of December			Year-to-date			2013	2014
	Actual	Plan	Variance	Actual	Plan	Variance	YTD Actual	Total Plan
REVENUES:								
PUBLICATION AND PRODUCT SALES:								
ARRL Handbook	\$75,137	\$75,000	\$137	\$462,238	\$557,236	(\$94,998)	\$822,133	\$557,236
Repeater Directory	11,021	8,350	2,671	182,819	194,832	(12,013)	179,473	194,832
Ham Radio License Manual	25,645	35,000	(9,355)	569,252	455,146	114,106	472,222	455,146
Training Aids	32,166	32,000	166	360,753	400,490	(39,737)	388,926	400,490
Non-ARRL Publications	15,906	25,000	(9,094)	168,416	183,875	(15,459)	179,336	183,875
Royalty Items	19,524	25,000	(5,476)	195,595	216,148	(20,553)	221,528	216,148
Other Books	86,954	95,000	(8,046)	822,622	861,906	(39,284)	822,939	861,906
RSGB	8,505	7,000	1,505	64,035	75,906	(11,871)	72,655	75,906
Other Pubs/Product Sales	86	0	86	4,591	0	4,591	4,893	0
Membership Supplies	24,323	13,000	11,323	544,122	224,912	319,210	208,666	224,912
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	299,267	315,350	(16,083)	3,374,443	3,170,451	203,992	3,372,771	3,170,451
Apparel Commissions	0	0	0	4,003	3,000	1,003	4,166	3,000
Other Products: Publishing Rights	18	0	18	7,186	12,600	(5,414)	10,573	12,600
On-line Courses	584	1,840	(1,256)	11,119	22,080	(10,961)	21,955	22,080
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	602	1,840	(1,238)	22,308	37,680	(15,372)	36,694	37,680
Postage/Handling Fees	38,848	41,302	(2,454)	387,484	415,524	(28,040)	459,662	415,524
Sales Returns and Allow.	1,305	(3,000)	4,305	(36,042)	(36,000)	(42)	(12,509)	(36,000)
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TOTAL PUBLICATION AND PRODUCT SALES	340,022	355,492	(15,470)	3,748,193	3,587,655	160,538	3,856,618	3,587,655
ADVERTISING								
QST	180,487	192,450	(11,963)	2,224,400	2,269,318	(44,918)	2,297,641	2,269,318
QST Specialty	0	0	0	66,503	63,500	3,003	63,381	63,500
Electronic Advertising	3,480	3,500	(20)	46,594	42,000	4,594	46,188	42,000
Ham Ads	478	700	(222)	8,146	8,400	(254)	9,455	8,400
QEX	1,742	1,900	(158)	11,094	9,900	1,194	11,060	9,900
NCJ	2,995	1,800	1,195	18,592	10,800	7,792	12,308	10,800
WEB Banners	5,975	4,800	1,175	60,237	57,600	2,637	56,601	57,600
All Other Advertising	0	350	(350)	100,868	111,300	(10,432)	97,433	111,300
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TOTAL ADVERTISING	195,157	205,500	(10,343)	2,536,434	2,572,818	(36,384)	2,594,067	2,572,818
MEMBERSHIP DUES AND SUBSCRIPTIONS								
Term Membership Dues	462,960	457,434	5,526	5,405,172	5,366,354	38,818	5,277,306	5,366,354
Life Membership Dues	42,454	42,373	81	509,902	508,476	1,426	508,488	508,476
QST: Dealer	963	1,137	(174)	15,384	13,644	1,740	15,647	13,644
QEX Subscriptions	14,730	14,483	247	160,302	180,588	(20,286)	166,558	180,588
NCJ Subscriptions	4,298	4,516	(218)	47,750	53,864	(6,114)	50,203	53,864
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TOTAL DUES & SUBSCRIPTIONS	525,405	519,943	5,462	6,138,510	6,122,926	15,584	6,018,202	6,122,926

**American Radio Relay League
Detailed Income Statement
December 31, 2014**

	Month of December			Year-to-date			2013	2014
	Actual	Plan	Variance	Actual	Plan	Variance	YTD Actual	Total Plan
REVENUES:								
PROGRAMS & SERVICE FEES								
QSL Bureau Service	\$4,586	\$5,590	(\$1,004)	\$47,984	\$58,080	(\$10,096)	\$51,499	\$58,080
DXCC Fees and Receipts	52,071	50,220	1,851	501,710	528,310	(26,600)	474,156	528,310
CQ Awards	3,276	2,280	996	26,457	28,420	(1,963)	30,161	28,420
W1AW Cert Fees	131	0	131	1,351	0	1,351	0	0
Contest Fees	1,987	2,330	(343)	19,536	21,435	(1,899)	18,334	21,435
Lab Fees	20	70	(50)	500	825	(325)	489	825
Volunteer Exam Fees	35,629	25,100	10,529	479,149	409,000	70,149	425,929	409,000
VEC Certificate Fees	689	750	(61)	2,118	9,000	(6,882)	0	9,000
IARP Fees	281	125	156	2,893	1,500	1,393	3,204	1,500
Vanity Renewal Fees	7,144	850	6,294	12,180	10,500	1,680	9,115	10,500
Non-Member FCC changes	138	125	13	1,294	1,500	(206)	1,990	1,500
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TOTAL FEES	105,952	87,440	18,512	1,095,172	1,068,570	26,602	1,014,877	1,068,570
INVESTMENT INCOME								
Interest/Dividend Income	31,774	34,847	(3,073)	217,066	248,926	(31,860)	232,325	248,926
Gain/(Loss) from Sale of Investments	75,242	0	75,242	274,557	0	274,557	204,430	0
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TOTAL INVESTMENT INCOME	107,016	34,847	72,169	491,623	248,926	242,697	436,755	248,926
CONTRIBUTIONS & SUPPORT								
Contributions - Unrestricted	29,421	40,500	(11,079)	87,590	100,000	(12,410)	48,155	100,000
Contributions - Diamond Club	60,399	45,000	15,399	336,838	310,000	26,838	302,777	310,000
Contributions - Member Loyalty	0	0	0	546	0	546	2,058	0
Contributions - Restricted	105,136	77,824	27,312	622,884	669,968	(47,084)	593,516	669,968
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TOTAL CONTRIBUTIONS & SUPPORT	194,956	163,324	31,632	1,047,858	1,079,968	(32,110)	946,506	1,079,968
2014 NATIONAL CONVENTION								
Ticket Sales	0	0	0	95,620	124,000	(28,380)	0	124,000
Banquet Sales	0	0	0	64,176	47,750	16,426	0	47,750
Exhibitor Sales	0	0	0	31,446	26,975	4,471	0	26,975
Other Convention Revenue	0	0	0	39,723	30,000	9,723	0	30,000
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TOTAL 2014 NATIONAL CONVENTION	-	-	-	230,965	228,725	2,240	-	228,725
CENTENNIAL ACTIVITIES								
DXCC Centennial Fees	0	16,270	(16,270)	0	85,250	(85,250)	0	85,250
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TOTAL CENTENNIAL ACTIVITIES	-	16,270	(16,270)	-	85,250	(85,250)	-	85,250
OTHER REVENUES								
Royalties	778	525	253	16,407	8,000	8,407	8,738	8,000
Affinity Credit Card	3,980	3,400	580	44,399	40,800	3,599	38,413	40,800
Insurance Commission	0	6,800	(6,800)	11,343	13,600	(2,257)	22,858	13,600
Affinity Insurance Royalty	645	470	175	10,418	5,640	4,778	5,946	5,640
Gain/(Loss) from Sale of Assets	0	0	0	4,606	0	4,606	1,724	0
Auction Revenue	0	0	0	12,338	12,750	(412)	13,551	12,750
Misc. Other Income	6,774	12,300	(5,526)	47,923	45,200	2,723	48,033	45,200
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TOTAL OTHER REVENUES	12,177	23,495	(11,318)	147,434	125,990	21,444	139,263	125,990

**American Radio Relay League
Detailed Income Statement
December 31, 2014**

	Month of December			Year-to-date			2013	2014
	Actual	Plan	Variance	Actual	Plan	Variance	YTD Actual	Total Plan
DIRECT COSTS:								
DIRECT COSTS OF PUBLICATIONS AND PRODUCTS:								
ARRL Handbook	\$16,079	\$19,500	(\$3,421)	\$118,325	\$144,881	(\$26,556)	\$226,828	\$144,881
Repeater Directory	3,548	2,923	625	58,796	68,192	(9,396)	57,392	68,192
Ham Radio License Manual	2,800	4,550	(1,750)	95,942	59,169	36,773	57,021	59,169
Training Aids	4,498	5,760	(1,262)	50,188	72,087	(21,899)	55,122	72,087
Non-ARRL Publications	10,942	16,750	(5,808)	111,960	123,197	(11,237)	118,748	123,197
Royalty Items	14,623	11,500	3,123	116,856	99,429	17,427	93,918	99,429
Other Books	17,654	23,750	(6,096)	166,600	215,477	(48,877)	207,157	215,477
RSGB	5,198	4,410	788	46,651	47,821	(1,170)	50,224	47,821
Other Pubs/Product COGS	72	0	72	4,663	0	4,663	4,397	0
Membership Supplies	11,477	5,200	6,277	332,798	89,965	242,833	83,508	89,965
On-line Course Expense	0	540	(540)	1,830	8,470	(6,640)	6,041	8,470
e-Book Expenses	0	0	0	1,394	0	1,394	500	0
Publications Forwarding Expense	48,568	50,456	(1,888)	571,570	507,271	64,299	625,068	507,271
Advertising/Promotion Expense	100	0	100	3,175	3,000	175	8,590	3,000
In-House Pub Use	11,469	8,157	3,312	112,205	98,579	13,626	101,800	98,579
Obsolete Inventory	(3,463)	2,000	(5,463)	18,537	24,000	(5,463)	40,108	24,000
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TOTAL DIRECT PUBLICATION AND PRODUCT SALES	143,565	155,496	(11,931)	1,811,490	1,561,538	249,952	1,736,422	1,561,538
DIRECT COSTS OF MEMBERSHIPS AND SUBSCRIPTIONS:								
QST Publication Expense	93,225	92,181	1,044	1,060,229	1,092,376	(32,147)	1,047,223	1,092,376
QST Insertion Costs	0	6,500	(6,500)	18,968	34,000	(15,032)	26,617	34,000
QST Forwarding Expense	78,367	75,750	2,617	907,166	909,000	(1,834)	921,897	909,000
QST Electronic Production Exp.	2,428	2,318	110	30,998	27,816	3,182	31,204	27,816
QEX Publication Expense	1,456	0	1,456	50,213	42,000	8,213	40,932	42,000
QEX Forwarding Expense	2,103	0	2,103	34,036	36,000	(1,964)	31,330	36,000
NCJ Publication Expense	340	0	340	31,743	31,200	543	25,320	31,200
NCJ Forwarding Expense	1,291	0	1,291	18,500	15,600	2,900	15,727	15,600
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TOTAL DIRECT MEMBERSHIP & SUBSCRIPTION COSTS	179,210	176,749	2,461	2,151,853	2,187,992	(36,139)	2,140,250	2,187,992
DIRECT COSTS OF ADVERTISING:								
Client On-line Services	0	0	0	0	522	(522)	0	522
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TOTAL DIRECT ADVERTISING COSTS	-	-	-	-	522	(522)	-	522

American Radio Relay League

Detailed Income Statement

December 31, 2014

	Month of December			Year-to-date			2013	2014
	Actual	Plan	Variance	Actual	Plan	Variance	YTD Actual	Total Plan
	HEADQUARTERS OPERATIONS:							
Salaries Regular	\$535,325	\$496,031	\$39,294	\$5,527,140	\$5,538,824	(\$11,684)	\$5,392,013	\$5,538,824
Salaries Overtime	3,382	1,935	1,447	71,171	40,850	30,321	48,079	40,850
Commissions and Bonuses	2,650	2,750	(100)	19,550	14,500	5,050	15,100	14,500
Employee Recognition /Awards	5,037	3,800	1,237	8,139	8,110	29	7,788	8,110
Temporary Employees	0	0	0	703	0	703	7,283	0
Benefit Allocation	0	1	(1)	0	7	(7)	0	7
Employee Benefits	132,960	122,778	10,182	1,532,565	1,542,914	(10,349)	1,474,071	1,542,914
Recruiting Advertising	0	0	0	1,140	0	1,140	3,126	0
Legal and Professional	7,837	9,000	(1,163)	134,664	108,000	26,664	120,974	108,000
Accounting/Audit Fees	10,320	10,320	0	43,000	43,000	0	51,825	43,000
Other Consultants	25,805	39,349	(13,544)	302,756	334,508	(31,752)	237,222	334,508
Education Grants	0	0	0	2,635	6,000	(3,365)	6,590	6,000
Promotional Materials	0	0	0	7,643	7,300	343	612	7,300
Donor Recognition	3,442	269	3,173	65,294	61,889	3,405	42,180	61,889
Office Supplies	13,697	4,541	9,156	87,120	63,730	23,390	83,799	63,730
Stationery/Printing/Forms	43,277	20,965	22,312	386,623	421,616	(34,993)	316,848	421,616
Exhibit Expense	2,467	0	2,467	156,995	110,029	46,966	46,980	110,029
Expensed Equipment/Furniture	6,390	400	5,990	39,932	33,490	6,442	18,103	33,490
Computer Supplies	2,180	2,108	72	26,952	25,296	1,656	28,401	25,296
Purchased Software Packages	1,654	250	1,404	12,938	3,000	9,938	7,208	3,000
Telephone	3,534	3,386	148	42,790	42,462	328	40,510	42,462
Internet/ISP/Electronic Mail	2,299	2,302	(3)	28,274	27,624	650	26,694	27,624
ARRL.net	1,412	2,625	(1,213)	19,222	31,500	(12,278)	32,597	31,500
Postage	79,190	65,600	13,590	725,394	753,662	(28,268)	638,283	753,662
Dues and Subscriptions	3,258	3,920	(662)	42,221	40,039	2,182	38,590	40,039
IARU Dues	5,950	4,225	1,725	51,160	50,700	460	49,578	50,700
Business Travel	20,572	562	20,010	186,034	195,414	(9,380)	118,735	195,414
Overseas Travel	19,686	4,188	15,498	169,635	159,605	10,030	163,610	159,605
Member Contact Travel	2,306	3,255	(949)	37,519	41,100	(3,581)	48,182	41,100
Program Travel	(4,160)	0	(4,160)	37,816	65,970	(28,154)	42,726	65,970
Utilities	11,932	10,775	1,157	121,234	127,773	(6,539)	121,657	127,773
Insurance	9,191	9,296	(105)	108,761	113,252	(4,491)	102,439	113,252
Property Taxes	9,955	9,827	128	118,313	118,274	39	118,350	118,274
Building Maintenance	11,626	10,588	1,038	136,231	143,739	(7,508)	122,874	143,739
Computer Maintenance	1,756	2,000	(244)	31,739	24,000	7,739	21,610	24,000
Maintenance of Equipment	3,696	4,053	(357)	56,959	64,771	(7,812)	43,823	64,771
Rent/Leased - Equipment	7,016	5,997	1,019	207,062	142,247	64,815	62,908	142,247
Rent/Leased - Storage	4,909	4,265	644	52,482	51,180	1,302	51,739	51,180
Rent/Leased - Office Space	2,281	2,281	0	26,868	26,868	0	25,956	26,868
Vehicle Expenses	407	175	232	4,026	2,100	1,926	981	2,100
Overseas QSL Service	3,336	2,555	781	28,097	27,980	117	26,073	27,980
Awards Expense	18,399	4,295	14,104	107,403	100,485	6,918	92,215	100,485
CQ Award Expense	983	684	299	8,003	8,529	(526)	9,108	8,529
W1AW Station Expense	133	295	(162)	3,640	3,675	(35)	1,733	3,675
Product Review Expense	2,057	400	1,657	13,744	4,800	8,944	8,149	4,800
Lab Expense	1,849	500	1,349	8,727	6,000	2,727	8,343	6,000

**American Radio Relay League
Detailed Income Statement
December 31, 2014**

	Actual	0 Plan	Variance	Actual	Year-to-date Plan	Variance	0 YTD Actual	0 Total Plan
Payroll Processing	1,326	846	480	10,980	8,359	2,621	7,693	8,359
Bank Service Charges	2,237	2,200	37	25,766	26,400	(634)	22,731	26,400
Credit Card Fees	16,699	18,000	(1,301)	220,019	217,000	3,019	217,203	217,000
Credit and Collections	0	125	(125)	0	1,500	(1,500)	554	1,500
Bad Debt Expense	(17,225)	750	(17,975)	(8,975)	9,000	(17,975)	19,290	9,000
Other Taxes and Permits	0	200	(200)	2,532	1,000	1,532	2,294	1,000
Depreciation and Amortization	23,667	19,354	4,313	247,357	205,815	41,542	198,784	205,815
Banquet Expenses	0	0	0	96,921	64,860	32,061	0	64,860
Miscellaneous	303	100	203	8,961	8,415	546	1,956	8,415
TOTAL HEADQUARTERS OPERATIONAL EXPENSES	1,047,003	914,121	132,882	11,403,875	11,279,161	124,714	10,396,170	11,279,161

American Radio Relay League

Detailed Income Statement

December 31, 2014

	Month of December			Year-to-date			2013	2014
	Actual	Plan	Variance	Actual	Plan	Variance	YTD Actual	Total Plan
BOARD of DIRECTORS, OFFICERS & COMMITTEES								
Divisions	\$11,857	\$9,448	\$2,409	\$109,187	\$113,327	(\$4,140)	\$114,568	\$113,327
President and Officers	2,549	3,000	(451)	21,117	40,000	(18,883)	25,367	40,000
BOD Meetings	7,114	0	7,114	125,610	116,500	9,110	154,847	116,500
Committees	10,238	5,750	4,488	87,891	69,500	18,391	68,582	69,500
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	31,758	18,198	13,560	343,805	339,327	4,478	363,364	339,327
Section Level Administrative Exp.	28,579	10,339	18,240	107,303	124,068	(16,765)	117,519	124,068
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TOTAL BOARD DIRECT AUTHORIZATIONS	60,337	28,537	31,800	451,108	463,395	(12,287)	480,883	463,395

The American Radio Relay League, Inc.		
Statement of Changes in Financial Position		
December 31, 2014		
Excess (deficit) of revenues over expenses		\$ (382,137)
Operating items not using/(providing) cash:		
Depreciation	247,357	
Pension accrual	-	
Decrease (increase) in accounts receivable	307,022	
Decrease (increase) in inventory	43,186	
Decrease (increase) in prepaid expenses	(57,575)	
Increase (decrease) in accounts payable	(253,841)	
Increase (decrease) in other accrued liabilities	(129,901)	
Increase (decrease) in deferred		
membership dues - term	110,482	
membership dues - life	213,243	
		<u>479,973</u>
Gross cash from operations		97,836
Other sources (uses) of cash:		
Net sales (purchases) of investments	(305,770)	
Pension contributions	-	
Capital purchases	(926,093)	
Increase (decrease) in designated unrestricted funds	-	
Increase (decrease) in temporarily restricted funds	(18,197)	
Increase (decrease) in permanently restricted funds	916,263	
		<u>(333,797)</u>
Net Increase (decrease) in Cash and		
Cash Equivalents before Investment Market Adjustment		(235,961)
Increase (decrease) in Market Value of Investments		<u>151,943</u>
Net Increase (decrease) in Cash and		
Cash Equivalents		<u>\$ (84,018)</u>

American Radio Relay League, Inc.							
Fund Activity - Contributions Received and Used							
As of December 31, 2014							
				Realized			
		Beg Bal.		Interest	Pledges	Funds	Ending Bal.
Fund	Acct #	January 1, 2014	Contributions	& Capital	Received	Used	December 31, 2014
				Gains (Loss)			
Designated Unrestricted:							
Preservation of Artifacts	32011-000-00	-	1,760	-	-	(1,760)	-
Temporarily Restricted:							
Hiram Percy Maxim Award	33001-000-00	41,171	-	1,084	-	(1,500)	40,755
Project Goodwill	33003-000-00	5,672	-	-	-	(4,000)	1,672
Exceptional Merit	33004-000-00	1,086,534	-	28,187	-	(40,000)	1,074,721
Legal Research & Resource	33005-000-00	157,455	13,212	-	-	(4,960)	165,707
Starr Technology Fund	33006-000-00	2,719	-	-	-	-	2,719
Rinaldo Technology Fund	33007-000-00	1,000	-	-	-	-	1,000
ARRL SAREX Fund	33008-000-00	6,710	-	-	-	-	6,710
Defense of Frequencies	33009-000-00	-	286,203	1,997	-	(288,199)	-
Ham Aid Fund	33010-000-00	15,374	611	-	-	(2,150)	13,835
Fred Fish Awards Fund	33011-000-00	-	1,320	-	-	-	1,320
Legislative Issues Advocacy Fund	33012-000-00	-	4,500	-	-	-	4,500
Colvin Investment Earnings	33030-000-00	4,151	-	9,203	-	(6,500)	6,853
Capital Campaign Earnings	33040-000-00	-	-	91,916	-	(91,916)	-
DX Log Archive Earnings	33041-000-00	-	-	4,623	-	-	4,623
Educational Activities	33051-000-00	3,581	-	-	-	-	3,581
Lab Contributions	33052-000-00	13,852	4,233	-	-	(10,000)	8,085
W1AW Fund	33053-000-00	110,518	-	30,090	-	(14,686)	125,922
Education Project	33054-000-00	144,481	117,815	7,935	-	(157,213)	113,018
Fund for ARDF	33055-000-00	1,334	-	-	-	-	1,334
Steven Rich Fund	33058-000-00	10,000	-	-	-	-	10,000
Total Temporarily Restricted		1,604,551	427,894	175,034	-	(621,125)	1,586,354
Permanently Restricted:							
Colvin Fund	34005-000-00	154,340	-	-	-	-	154,340
W1AW Endowment	34010-000-00	501,475	7,460	-	-	-	508,934
Youth and Education Endowment	34015-000-00	72,177	-	-	-	-	72,177
Defense Endowment	34120-000-00	21,500	35,461	-	-	-	56,961
General Endowment	34100-000-00	4,215,273	9,000	-	-	-	4,224,273
Capital Campaign-2nd Century	34020-000-00	1,230,651	819,397	-	-	-	2,050,048
CC-2nd Century-DX Log Archive	34016-000-00	-	229,390	-	-	-	229,390
CC-2nd Century-Youth & Education		48,039	36,973	-	-	-	85,012
CC-2nd Century-W1AW		-	150	-	-	-	150
Capital Campaign-2nd Century-Pledges	34020-563-50	1,141,832	173,769	-	(395,337)	-	920,264
Total Permanently Restricted		7,385,287	1,311,600	-	(395,337)	-	8,301,550
Total Fund Activity		8,989,838	1,741,253	175,034	(395,337)	(622,884)	9,887,904
24							

American Radio Relay League, Inc.			
Cash Flow			
December 31, 2014			
Operations		Investments	
Beginning Balance	<u>\$992,404</u>	Beginning Balance	<u>\$1,035,242</u>
Receipts:		Receipts:	
Publication Sales	516,239	Interest	28,232
Membership Dues	573,068	Dividends	56,052
Advertising	183,752	Sales	837,389
Program Fees	105,952		
Contributions	235,692		
Other Revenue	<u>73,669</u>	Other Revenue	
Total Receipts:	\$1,688,372	Total Receipts:	<u>\$921,673</u>
Transfer from (to) Investments	<u>(\$111,682)</u>	Transfer from (to) Operations	\$111,682
Disbursements:		Disbursements:	
Payroll and Taxes	<u>(701,860)</u>	Purchases	<u>(1,096,701)</u>
Operating Expenses	<u>(1,041,807)</u>	Other	<u>(62)</u>
Capital Expenses	<u>(9,525)</u>		
Total Disbursements:	<u>(\$1,753,192)</u>	Total Disbursements:	<u>(\$1,096,763)</u>
Ending Balance	<u>\$815,903</u>	Ending Balance	<u>\$971,834</u>
Monthly Inc(Dec) in Cash	<u>(\$176,502)</u>	Monthly Inc(Dec) in Cash	<u>(\$63,408)</u>
YTD Inc(Dec) in Cash	<u>(\$375,573)</u>	YTD Inc(Dec) in Cash	<u>\$139,612</u>

Recent IT Security Incidents & Response Plan—Report to the A&F Committee

Incident 1

Servers affected:

p1k — ARRL Web Services host
easyDXCC — OnlineDXCC host

Operating system:

p1k — Linux (Fedora Core 3)
easyDXCC — Linux (CentOS 5.10)

Date of Discovery:

Thursday, 2 Oct 2014

Approximate Date of Initial Intrusion:

Thursday, 25 Sep 2014

Exploit Used to Gain Access:

p1k — Shellshock vulnerability (CVE-2014-6271)
easyDXCC — SQL injection attack permitted by coding of the OnlineDXCC application

Extent of Intrusion:

Intruder gained access initially to the account that was used by the web server (on p1k) and then to the account of the database server (on easyDXCC). Intruder would have been able to read all “world-readable” files on both servers and contents of AIS database tables and modify files writable by the web server (on p1k) and database server (on easyDXCC) accounts.

No evidence has been found to indicate that the intruder was able to elevate privilege and “break root” on either machine. No evidence has been found to indicate that the intruder modified any files on either machine. Data in the easyDXCC database was modified by the intruder apparently in the course of carrying out the SQL injection attack. The changes that were made do not appear to have been malicious or even intentional.

Lessons Learned

- The long-planned for replacement and retirement of the p1k had fallen victim to multiple competing priorities — this is a case where “squeaky wheel” optimization did not yield a good solution

- Security must be given a high priority. However —given the number of security needs (see below) which need to be addressed and the finite resources available to work on addressing them —simply making security an absolute priority would have the *de facto* effect of placing a freeze on all non-security related network and infrastructure tasks for approximately 6-8 months unless additional resources were provided.
- Zero day bugs will always be with us and will appear in unanticipated places
 - responding to constantly emerging news threats in a timely fashion requires that only software which is being actively maintained be used
- Application coding also plays a role in maintaining security
 - Use existing code and libraries which have been tested for vulnerabilities rather than “re-inventing the wheel”
 - Enforce by conducting rigorous design and code reviews as an integral part of the application software development process

Incident 2

Servers affected:

Lotw64-web— outward facing Logbook of the World web server

Operating system:

Linux (CentOS 6.5)

Date of Discovery:

Monday, 20 Oct 2014

Approximate Date of Initial Intrusion:

Sunday, 19 Oct 2014

Exploit Used to Gain Access:

The root password was cracked by brute force. It was the culmination of persistent attempts coming from multiple external hosts indicative of a coordinated “botnet” attack.

Extent of Intrusion:

Intruder immediately had root access to lotw64-web machine. Intruder used this root access to install modified copies of the operating system kernel and associated files which contained various backdoors and detection avoidance measures.

The intruder then used lotw64-web to launch a Denial of Service (DoS) attack against several hosts served by an ISP located in Hong Kong. Incoming connections — possibly from command servers —were observed coming from ISPs located in Beijing and Kazakhstan.

Intruder was quickly detected at start of business Monday morning by the disruptions of the ARRL HQ network caused by the magnitude of the outgoing DoS attack.

No evidence has been found to indicate that the intruder accessed or modified any file on lotw64-web other than ones associated with the operating system. No

evidence has been found to indicate that the intruder accessed the ARRL HQ LAN other than to conduct their DoS attack.

Lessons Learned

- Allowing remote root login via ssh is a well-know security risk. Learning that such logins are enabled by default in CentOS was a disappointing lesson to have learned.

Response Plan

In the wake of these two incidents, an internal network vulnerability assessment was conducted and resulted in the following response plan:

Already Complete

- All Linux servers and firewalls patched for the Shellshock (CVE-2014-6271) vulnerability
- All servers are patched for the POODLE (CVE-2014-3566) vulnerability
- P1K (Old) cutoff from external access and will remain that way until completely retired
- Replacement P1K (p1kexternal) is operational. Currently being used for:
 - Proxies for OnlineDXCC and LoTW
 - Proxies for Web Archive
 - Proxy for Logbook web site ad server
- Secure tunnels between web site and new p1k (p1kexternal) established
- New (off-site) advertising upload area created
- Version 3 of SSL protocol no longer allowed for any ARRL services
 - Known adverse impact to users of obsolete versions of Internet Explorer and MS Windows
- All ARRL HQ intranet services cutoff from external access
- Disable remote root login on all servers
- Server root passwords changed to 64 random characters
- Replace pfSense firewall with Cisco ASA 5505 Firewall
- Enable McAfee e-mail reporting
- Code for OnlineDXCC application changed to eliminate SQL injection vulnerability
- Code for internal processing of credit card transactions changed to adhere to best practices

High Priority (2015 Q1/Q2)

- Upgrade McAfee anti-virus / anti-malware (currently version 4.6) to “Complete Endpoint Protection” (version 5+)¹
- Deploy McAfee E-mail and Web Security¹

¹ Included in 2015 operating budget request

- Upgrading Windows Server Update Services (WSUS) server to latest version
- Install Cisco 5515-x firewall² and create a working DMZ
- Install Cisco 5505 at warehouse; establish IPsec VPN connection between HQ and warehouse
- Deploy Cisco AnyConnect secure VPN on Cisco 5515-x firewall² as the new outward facing VPN for HQ LAN replacing exiting MS PPTP VPN
- Engage an outside firm to perform a vulnerability and security review of the ARRL systems and infrastructure.

Medium Priority (2015 Q2/Q3)

- Deploy McAfee Host Intrusion Prevention¹
- Test McAfee Deep Defender¹ hardware-assisted endpoint security within IT initially
- Establish a common server security policy across all servers and investigate a centralized configuration management tool for servers, e.g. Puppet, for implementing this common policy
- Begin centralized collection of log files by mean of proposed Network Monitoring Center²
- Penetration test all computer systems exposed to outside (Metasploit²)
- Deploy IPsec VPN between ARRL firewall at Rackspace and HQ Cisco 5515-x firewall² as a replacement for the existing secure tunnels

Lower Priority (2015 Q3/Q4)

- Transition all desktop users to Standard users; remove Administrator rights from desktop users
- Centralize management of application installation and upgrade to user desktops
- Bi-annual (minimal annual) computer security training for desktop users
- Develop and implement a wireless device policy for access to ARRL HQ LAN
- Evaluate options for additional security information and event management (SEIM) software, e.g. Event Tracker, and provide recommendation for 2016 IT Plan & Capital Budget

² Included in 2015 capital plan