

THE ARRL FOUNDATION, INC.

FINANCIAL STATEMENTS

June 30, 2003

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position - June 30, 2003 and 2002	2
Statements of Activities for the Years Ended June 30, 2003 and 2002	3
Statements of Cash Flows for the Years Ended June 30, 2003 and 2002	4
Summary of Significant Accounting Policies	5 - 6
Notes to the Financial Statements	7
Supplementary Schedules	
<u>Schedule 1</u> - Restricted Fund Summary for the Years Ended June 30, 2003 and 2002	8

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The ARRL Foundation, Inc.

We have audited the accompanying statements of financial position of The ARRL Foundation, Inc. (the Foundation) as of June 30, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARRL Foundation, Inc. as of June 30, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 21, 2003

Haggett, Longobardi & Company, LLC

THE ARRL FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 964,876	\$ 1,342,417
Investments	1,187,930	796,172
Interest receivable	9,512	6,936
Total assets	<u>\$ 2,162,318</u>	<u>\$ 2,145,525</u>
NET ASSETS		
Net assets		
Unrestricted	\$ 204,001	\$ 209,584
Temporarily restricted	919,202	896,826
Permanently restricted	<u>1,039,115</u>	<u>1,039,115</u>
Total net assets	<u>\$ 2,162,318</u>	<u>\$ 2,145,525</u>

The accompanying accounting policies and notes are an integral part of the financial statements

THE ARRL FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2003 and 2002

	2003				2002			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Other Revenue								
Contributions	\$ 13,258	\$ 7,060	\$ -	\$ 20,318	\$ 13,161	\$ 10,760	\$ -	\$ 23,921
Investment income, net	10,604	44,816	-	55,420	14,620	59,287	-	73,907
Net assets released from restrictions	29,500	(29,500)	-	-	37,684	(37,684)	-	-
	53,362	22,376	-	75,738	65,465	32,363	-	97,828
Expenditures								
Scholarships	33,250	-	-	33,250	34,650	-	-	34,650
Grants	14,400	-	-	14,400	14,534	-	-	14,534
Administrative	19,695	-	-	19,695	17,841	-	-	17,841
	67,345	-	-	67,345	67,025	-	-	67,025
(Deficit) excess of public support revenues over expenditures	(13,983)	22,376	-	8,393	(1,560)	32,363	-	30,803
Realized and unrealized gain (loss) on investments	8,400	-	-	8,400	(55,389)	-	-	(55,389)
Change in net assets	(5,583)	22,376	-	16,793	(56,949)	32,363	-	(24,586)
Net assets, beginning of year	209,584	896,826	1,039,115	2,145,525	266,533	864,463	1,039,115	2,170,111
Net assets, end of year	\$ 204,001	\$ 919,202	\$ 1,039,115	\$ 2,162,318	\$ 209,584	\$ 896,826	\$ 1,039,115	\$ 2,145,525

The accompanying accounting policies and notes are
an integral part of the financial statements

THE ARRL FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 16,793	\$ (24,586)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in unrealized (gain) loss on investments	(8,511)	55,389
Realized loss on investments	111	-
Increase in interest receivable	<u>(2,576)</u>	<u>(3,568)</u>
Net cash provided by operating activities	<u>5,817</u>	<u>27,235</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	<u>(383,358)</u>	<u>35,389</u>
Net (decrease) increase in cash and cash equivalents	(377,541)	62,624
Cash and cash equivalents, beginning of year	<u>1,342,417</u>	<u>1,279,793</u>
Cash and cash equivalents, end of year	<u><u>\$ 964,876</u></u>	<u><u>\$ 1,342,417</u></u>

The accompanying accounting policies and notes are an integral part of these financial statements

THE ARRL FOUNDATION, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The ARRL Foundation, Inc. (The Foundation) was incorporated as a not-for-profit corporation in September 1973 by a group of volunteers exclusively for charitable, educational and scientific purposes. The Foundation distributes scholarships and grants to study and contribute to the development of Amateur satellite programs and other innovative programs related to the purposes of The America Radio Relay League, Inc.

The American Radio Relay League, Inc. (ARRL) contributes various administrative support services to the Foundation. The Foundation began reimbursing ARRL for this cost beginning in January 2002.

Cash Equivalents

Cash equivalents represent investments in interest bearing securities with original maturities of 90 days or less. At June 30, 2003 and 2002, the Foundation had no cash equivalents.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from private foundation status under IRC Section 509(a)(3).

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. They are described as follows:

Unrestricted - Net assets that are not subject to explicit donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Foundation is subject to explicit donor-imposed stipulations that can be fulfilled by actions of the Foundation or that expire by the passage of time.

Permanently Restricted - Net assets subject to explicit donor-imposed stipulations that they be maintained permanently by the Foundation and stipulate the use of income and/or appreciation as either unrestricted or temporarily restricted.

THE ARRL FOUNDATION, INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. 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 Statement of Activities as net assets released from restrictions.

Contributions Receivable

Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, contributions received or promises to give are recognized in the accompanying statements of activities as revenue in the period the promise to give is received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any loss in such accounts. The Foundation believes that they are not exposed to any significant credit risk on cash and cash equivalents.

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

THE ARRL FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

(1) Investments

The Foundation accounts for its investments in accordance with SFAS 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. This statement requires all equity and debt investments to be reported at fair value with unrealized gains and losses included in the statements of activities. The following is a summary of investments held at June 30:

	2003		2002	
	Cost	Market Value	Cost	Market Value
U.S. Government Securities	\$ 936,127	\$ 979,711	\$493,508	\$554,071
Bonds	51,211	48,933	73,707	58,264
Mutual Funds	69,569	58,028	107,464	79,081
Common Stocks	116,322	101,258	115,303	104,756
Total investments	<u>\$1,173,229</u>	<u>\$1,187,930</u>	<u>\$789,982</u>	<u>\$796,172</u>
Unrealized gains as of June 30, 2003			\$14,701	
Unrealized gains as of June 30, 2002			6,190	
Change in unrealized gain (loss) on investment			<u>\$8,511</u>	

(2) Contributions Restricted by Donors

The Foundation receives donor contributions which are restricted for specific purposes as specified by the donors. These restricted contributions are administered by designated officials of the Foundation in accordance with the directions of the donors.

(3) Permanently Restricted Net Assets

Permanently restricted net assets are the principal portion of the endowment fund investments. Income generated from these assets are temporarily restricted for use as scholarships and grant awards.

THE ARRL FOUNDATION, INC.

Restricted Fund Summary

For the Years Ended June 30, 2003 and 2002

Fund Name	Balance		Investment		Balance	
	July 1, 2002	Contributions	Income, Net	Expenditures	June 30, 2003	
Riebhoff	\$ 16,918	\$ -	\$ 788	\$ (1,000)	\$ 16,706	
Scholarship	22,694	-	998	-	23,692	
Bieberman	9,810	525	434	-	10,769	
P. Grauer	46,171	150	2,077	(1,000)	47,398	
Hadlock	9,607	-	511	(2,000)	8,118	
Goldwater	52,587	173	2,536	(5,000)	50,296	
V. Clark	17,815	250	796	(250)	18,611	
WARC	1,985	-	87	-	2,072	
McDaniel Mem.	18,955	-	856	(500)	19,311	
Friend in PA	85,783	-	3,817	(1,000)	88,600	
Metzger	8,864	200	408	(500)	8,972	
Wicker	54,484	-	2,440	(1,000)	55,924	
Bennett	10,226	-	450	-	10,676	
Lawson	21,108	-	928	-	22,036	
Fischer	50,537	-	2,267	(1,000)	51,804	
K2TEO	3,512	1,018	198	(1,000)	3,728	
PHD	30,703	-	1,394	(1,000)	31,097	
Six Meters	13,008	-	594	(500)	13,102	
FEMARA	114,829	1,172	5,223	(3,000)	118,224	
Mississippi	17,225	-	780	(500)	17,505	
Comstock	1,149	1,000	99	(1,000)	1,248	
Cook	30,974	-	1,406	(1,000)	31,380	
NEMAL	506	-	22	-	528	
Cirdke	32,491	-	1,473	(1,000)	32,964	
FLOSI	440	-	19	-	459	
Chicago FM	2,524	500	150	(500)	2,674	
M.L. Brown	60,113	-	2,754	(2,500)	60,367	
ARRL Scout Handbook	190	-	8	-	198	
Eugene "Gene" Sallee	1,228	500	93	(500)	1,321	
AARC	1,455	-	86	(500)	1,041	
Anderson	24,114	-	1,116	(1,250)	23,980	
IDEA	102	-	5	-	107	
Craigie	1,165	-	51	-	1,216	
Walton	2,844	-	147	(500)	2,491	
Central Arizona DX Ass.	1,112	547	84	(500)	1,243	
W6SAI	1,138	1,000	69	-	2,207	
WRTC USA	235	25	11	-	271	
Strohmeier	5,174	-	227	-	5,401	
H. Broughton Earnings	6,824	-	2,557	(1,000)	8,381	
Goldfarb Earnings	116,050	-	6,827	-	122,877	
N. TX Memorial Earnings	177	-	30	-	207	
Total Temporarily Restricted Funds	\$ 896,826	\$ 7,060	\$ 44,816	\$ (29,500)	\$ 919,202	
H. Broughton	119,551	-	-	-	119,551	
Wm. Goldfarb	919,064	-	-	-	919,064	
N. TX KB5BNU	500	-	-	-	500	
Total Permanently Restricted Funds	\$ 1,039,115	\$ -	\$ -	\$ -	\$ 1,039,115	

Fund Name	Balance July 1, 2001	Contributions	Investment Income, Net	Expenditures	Balance June 30, 2002
Riebhoff	\$ 16,976	\$ -	\$ 942	\$ (1,000)	\$ 16,918
Scholarship	21,430	-	1,264	-	22,694
Bieberman	9,202	100	542	(34)	9,810
P. Grauer	44,600	-	2,571	(1,000)	46,171
Hadlock	8,788	-	819	-	9,607
Goldwater	54,655	298	2,634	(5,000)	52,587
V. Clark	21,938	1,807	1,070	(7,000)	17,815
WARC	1,874	-	111	-	1,985
McDaniel Mem.	18,399	-	1,056	(500)	18,955
Friend in PA	82,006	-	4,777	(1,000)	85,783
Metzger	9,089	300	475	(1,000)	8,864
Wicker	52,312	145	3,027	(1,000)	54,484
Bennett	9,657	-	569	-	10,226
Lawson	19,933	-	1,175	-	21,108
Fischer	48,723	-	2,814	(1,000)	50,537
K2TEO	4,316	-	196	(1,000)	3,512
PHD	29,538	465	1,700	(1,000)	30,703
Six Meters	12,784	-	724	(500)	13,008
FEMARA	113,868	-	6,361	(5,400)	114,829
Mississippi	16,266	-	959	-	17,225
Comstock	1,123	1,020	6	(1,000)	1,149
Cook	30,249	-	1,725	(1,000)	30,974
NEMAL	478	-	28	-	506
Cirdke	31,682	-	1,809	(1,000)	32,491
FLOSI	416	-	24	-	440
Chicago FM	2,392	500	132	(500)	2,524
M.L. Brown	59,265	-	3,348	(2,500)	60,113
ARRL Scout Handbook	179	-	11	-	190
Eugene "Gene" Sallee	1,660	-	68	(500)	1,228
AARC	1,874	-	81	(500)	1,455
Anderson	24,021	-	1,343	(1,250)	24,114
IDEA	596	-	6	(500)	102
Craigie	1,100	-	65	-	1,165
Walton	3,186	-	158	(500)	2,844
Central Arizona DX Ass.	1,050	-	62	-	1,112
W6SAI	1,027	50	61	-	1,138
WRTC USA	101	1,075	59	(1,000)	235
Strohmeier	-	5,000	174	-	5,174
H. Broughton Earnings	5,381	-	2,443	(1,000)	6,824
Goldfarb Earnings	102,190	-	13,860	-	116,050
N. TX Memorial Earnings	139	-	38	-	177
Total Temporarily Restricted Funds	\$ 864,463	\$ 10,760	\$ 59,287	\$ (37,684)	\$ 896,826
H. Broughton	119,551	-	-	-	119,551
Wm. Goldfarb	919,064	-	-	-	919,064
N. TX KB5BNU	500	-	-	-	500
Total Permanently Restricted Funds	\$ 1,039,115	\$ -	\$ -	\$ -	\$ 1,039,115

The accompanying accounting policies and notes are
an integral part of these financial statements