

**The ARRL  
Foundation, Inc.**

**Financial Statements**

**June 30, 2004**

# THE ARRL FOUNDATION, INC.

## FINANCIAL STATEMENTS

June 30, 2004

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## 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, 2004 and 2003, 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, 2004 and 2003, 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 22, 2004



# THE ARRL FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2004 and 2003

### ASSETS

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 541,605	\$ 964,876
Investments	1,573,248	1,187,930
Interest receivable	11,314	9,512
Total assets	<u>\$ 2,126,167</u>	<u>\$ 2,162,318</u>

### LIABILITY AND NET ASSETS

<b>Liability</b>		
Accrued expenses	<u>\$ 1,344</u>	<u>\$ -</u>
<b>Net assets</b>		
Unrestricted	107,336	204,001
Temporarily restricted	958,372	919,202
Permanently restricted	<u>1,059,115</u>	<u>1,039,115</u>
Total net assets	<u>2,124,823</u>	<u>2,162,318</u>
<b>Total net assets</b>	<u>\$ 2,126,167</u>	<u>\$ 2,162,318</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, 2004 and 2003

	2004				2003			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Public Support and Other Revenue</b>								
Contributions	\$ 4,595	\$ 13,806	\$ 20,000	\$ 38,401	\$ 13,258	\$ 7,060	\$ -	\$ 20,318
Investment income, net	7,439	64,978	-	72,417	10,604	44,816	-	55,420
Net assets released from restrictions	39,614	(39,614)	-	-	29,500	(29,500)	-	-
	<u>51,648</u>	<u>39,170</u>	<u>20,000</u>	<u>110,818</u>	<u>53,362</u>	<u>22,376</u>	<u>-</u>	<u>75,738</u>
<b>Expenditures</b>								
Scholarships	39,432	-	-	39,432	33,250	-	-	33,250
Grants	12,151	-	-	12,151	14,400	-	-	14,400
Administrative	23,618	-	-	23,618	19,695	-	-	19,695
	<u>75,201</u>	<u>-</u>	<u>-</u>	<u>75,201</u>	<u>67,345</u>	<u>-</u>	<u>-</u>	<u>67,345</u>
(Deficit) excess of public support revenues over expenditures	<u>(23,553)</u>	<u>39,170</u>	<u>20,000</u>	<u>35,617</u>	<u>(13,983)</u>	<u>22,376</u>	<u>-</u>	<u>8,393</u>
<b>Realized and unrealized (loss) gain on investments</b>	<u>(73,112)</u>	<u>-</u>	<u>-</u>	<u>(73,112)</u>	<u>8,400</u>	<u>-</u>	<u>-</u>	<u>8,400</u>
Change in net assets	(96,665)	39,170	20,000	(37,495)	(5,583)	22,376	-	16,793
Net assets, beginning of year	204,001	919,202	1,039,115	2,162,318	209,584	896,826	1,039,115	2,145,525
Net assets, end of year	<u>\$ 107,336</u>	<u>\$ 958,372</u>	<u>\$ 1,059,115</u>	<u>\$ 2,124,823</u>	<u>\$ 204,001</u>	<u>\$ 919,202</u>	<u>\$ 1,039,115</u>	<u>\$ 2,162,318</u>

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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (37,495)	\$ 16,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Receipts to establish or increase permanent endowment	(20,000)	-
Change in unrealized loss (gain) on investments	44,363	(8,511)
Realized loss on investments	28,749	111
Increase in interest receivable	(1,802)	(2,576)
Increase in accrued expenses	<u>1,344</u>	<u>-</u>
Net cash provided by operating activities	<u>15,159</u>	<u>5,817</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchases of investments	<u>(458,430)</u>	<u>(383,358)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts to increase permanent endowment	<u>20,000</u>	<u>-</u>
Net decrease in cash and cash equivalents	(423,271)	(377,541)
Cash and cash equivalents, beginning of year	<u>964,876</u>	<u>1,342,417</u>
Cash and cash equivalents, end of year	<u>\$ 541,605</u>	<u>\$ 964,876</u>

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

# **THE ARRL FOUNDATION, INC.**

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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### **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 American Radio Relay League, Inc.

The American Radio Relay League, Inc. (ARRL) contributes various administrative support services to the Foundation.

### **Cash Equivalents**

Cash equivalents represent investments in interest bearing securities with original maturities of 90 days or less. At June 30, 2004 and 2003, 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)**

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### **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:

	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Government Securities	\$1,105,337	\$1,115,115	\$ 910,127	\$ 979,711
Bonds	50,000	48,856	51,211	48,933
Mutual Funds	52,354	38,165	69,569	58,028
Common Stocks	169,697	171,563	116,322	101,258
Preferred Stocks	100,000	100,000	-	-
Certificate of Deposit	99,522	99,549	-	-
Total investments	<u>\$1,576,910</u>	<u>\$1,573,248</u>	<u>\$1,147,229</u>	<u>\$1,187,930</u>
Unrealized losses as of June 30, 2004			\$(3,662)	
Unrealized gains as of June 30, 2003			40,701	
Change in unrealized loss on investment			<u>\$(44,363)</u>	

During the course of the audit, it was discovered that an investment purchased in a prior year was recorded with an incorrect cost basis. As a result cost basis investments were decreased by \$26,000 and the unrealized gains were increased by \$26,000.

### (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.

## **THE ARRL FOUNDATION, INC.**

### **NOTES TO THE FINANCIAL STATEMENTS**

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#### **(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.

#### **(4) Related Party Transactions**

The Foundation has some common directors with the ARRL board. ARRL performs administrative services for the Foundation and charges an administrative fee which amounted to \$13,200 during the years ended June 30, 2004 and 2003. At June 30, 2004 and 2003, there were no amounts payable to ARRL.

During 2004, a Member of the Board of Directors provided investment advisory services to the Foundation in the amount of \$1,344. The amount payable at June 30, 2004 was \$1,344.

# THE ARRL FOUNDATION, INC.

## Restricted Fund Summary

For the Years Ended June 30, 2004 and 2003

Fund Name	Balance July 1, 2003	Contributions	Investment Income, Net	Expenditures	Balance June 30, 2004
Riebhoff	\$ 16,706	\$ -	\$ 623	\$ (1,000)	\$ 16,329
Scholarship	23,692	-	833	-	24,525
Bieberman	10,769	270	384	(20)	11,403
P. Grauer	47,398	2,385	1,772	(1,000)	50,555
Hadlock	8,118	-	356	(2,000)	6,474
Goldwater	50,296	83	1,946	(5,000)	47,325
V. Clark	18,611	565	726	(2,600)	17,302
WARC	2,072	-	73	-	2,145
McDaniel Mem.	19,311	-	697	(500)	19,508
Friend in PA	88,600	-	3,151	(1,000)	90,751
Metzger	8,972	1,700	337	-	11,009
Wicker	55,924	-	2,002	(1,000)	56,926
Bennett	10,676	-	375	-	11,051
Lawson	22,036	-	792	(500)	22,328
Fischer	51,804	-	1,857	(1,000)	52,661
K2TEO	3,728	-	166	(1,000)	2,894
PHD	31,097	-	1,129	(1,000)	31,226
Six Meters	13,102	-	478	(500)	13,080
FEMARA	118,224	-	4,221	(1,800)	120,645
Mississippi	17,505	-	616	-	18,121
Comstock	1,248	1,000	84	(1,000)	1,332
Cook	31,380	-	1,104	-	32,484
NEMAL	528	-	19	-	547
Cirdke	32,964	-	1,194	(1,000)	33,158
FLOSI	459	-	16	-	475
Chicago FM	2,674	500	125	(500)	2,799
M.L. Brown	60,367	-	2,211	(2,500)	60,078
ARRL Scout Handbook	198	-	7	-	205
Eugene "Gene" Sallee	1,321	500	65	(500)	1,386
AARC	1,041	-	54	(500)	595
Anderson	23,980	-	887	(1,250)	23,617
IDEA	107	-	4	-	111
Craigie	1,216	-	43	-	1,259
Walton	2,491	-	105	(500)	2,096
Central Arizona DX Ass.	1,243	-	61	(500)	804
W6SAI	2,207	-	78	-	2,285
WRTC USA	271	-	10	-	281
Strohmeier	5,401	-	225	(1,000)	4,626
H. Broughton Earnings	8,381	-	2,687	(1,000)	10,068
Goldfarb Earnings	122,877	-	33,184	(9,444)	146,617
N. TX Memorial Earnings	207	-	25	-	232
IRARC Memorial	-	2,936	241	-	3,177
Yankee Clipper Contest Club	-	1,500	6	-	1,506
Albert H. Hix, W8AH	-	2,367	9	-	2,376
<b>Total Temporarily Restricted Funds</b>	<b>\$ 919,202</b>	<b>\$ 13,806</b>	<b>\$ 64,978</b>	<b>\$ (39,614)</b>	<b>\$ 958,372</b>
H. Broughton	119,551	-	-	-	119,551
Wm. Goldfarb	919,064	-	-	-	919,064
N. TX KB5BNU	500	-	-	-	500
IRARC Memorial	-	20,000	-	-	20,000
<b>Total Permanently Restricted Funds</b>	<b>\$ 1,039,115</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,059,115</b>

<b>Fund Name</b>	<b>Balance July 1, 2002</b>	<b>Contributions</b>	<b>Investment Income, Net</b>	<b>Expenditures</b>	<b>Balance June 30, 2003</b>
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
<b>Total Temporarily Restricted Funds</b>	<b>\$ 896,826</b>	<b>\$ 7,060</b>	<b>\$ 44,816</b>	<b>\$ (29,500)</b>	<b>\$ 919,202</b>
H. Broughton	119,551	-	-	-	119,551
Wm. Goldfarb	919,064	-	-	-	919,064
N. TX KB5BNU	500	-	-	-	500
<b>Total Permanently Restricted Funds</b>	<b>\$ 1,039,115</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,039,115</b>

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