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

We have audited the accompanying financial statements of The American Radio Relay League, Incorporated, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Radio Relay League, Incorporated as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Report on Supplementary Information*

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

*CohnReznick LLP*

Hartford, Connecticut  
April 26, 2016

**The American Radio Relay League, Incorporated**

**Statements of Financial Position  
December 31, 2015 and 2014**

Assets

	2015	2014
Current assets:		
Cash	\$ 957,526	\$ 815,902
Accounts receivable, net of allowance for doubtful accounts of \$62,756 and \$54,868	355,616	309,718
Inventories, net	794,351	667,320
Pledges receivable, current	144,158	211,121
Other receivables	67,337	59,834
Prepaid expenses and other current assets	261,187	293,601
Total current assets	2,580,175	2,357,496
Other assets:		
Investments	21,826,857	21,754,401
Long term pledges receivable, net of discount and allowance of \$288,592 and \$304,276	666,773	709,143
Land, building and equipment, net	1,594,853	1,603,159
Total other assets	24,088,483	24,066,703
Total assets	\$ 26,668,658	\$ 26,424,199

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 299,913	\$ 264,229
Accrued liabilities	354,785	385,238
Deferred revenue	30,862	15,795
Subtotal operational current liabilities	685,560	665,262
Deferred life membership dues, current	511,898	509,902
Deferred term membership dues, current	3,140,790	2,726,388
Total current liabilities	4,338,248	3,901,552
Long-term liabilities:		
Deferred life membership dues, less current portion	6,721,379	6,543,980
Deferred term membership dues, less current portion	836,192	803,905
Total long-term liabilities	7,557,571	7,347,885
Total liabilities	11,895,819	11,249,437
Commitments	-	-
Net assets:		
Unrestricted:		
Undesignated	2,258,335	3,084,516
Board designated	6,096,570	5,876,847
Temporarily restricted	2,039,014	2,193,086
Permanently restricted	4,378,920	4,020,313
Total net assets	14,772,839	15,174,762
Total liabilities and net assets	\$ 26,668,658	\$ 26,424,199

See Notes to Financial Statements.

**The American Radio Relay League, Incorporated**

**Statement of Activities  
Year Ended December 31, 2015**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,996,104	\$ -	\$ -	\$ 5,996,104
Net publication sales	3,769,971	-	-	3,769,971
Advertising	2,451,635	-	-	2,451,635
Investment income	216,810	118,324	-	335,134
Examination fees and other	483,136	-	-	483,136
Program and service fees	712,478	-	-	712,478
Contributions and support	625,756	540,017	228,598	1,394,371
Net assets released from restrictions	622,494	(622,494)	-	-
	<u>14,878,384</u>	<u>35,847</u>	<u>228,598</u>	<u>15,142,829</u>
Expenditures:				
Programs and services	8,478,219	-	-	8,478,219
Publications	4,233,726	-	-	4,233,726
Administration	1,880,345	-	-	1,880,345
Fundraising	429,838	-	-	429,838
Governance	244,539	-	-	244,539
	<u>15,266,667</u>	<u>-</u>	<u>-</u>	<u>15,266,667</u>
Increase (decrease) in net assets before other income	<u>(388,283)</u>	<u>35,847</u>	<u>228,598</u>	<u>(123,838)</u>
Other income:				
Bequests, Board designated functioning as an endowment	280,146	-	-	280,146
Second Century Campaign endowment contributions	-	-	130,009	130,009
Unrealized loss on investments	(498,321)	(189,919)	-	(688,240)
	<u>(218,175)</u>	<u>(189,919)</u>	<u>130,009</u>	<u>(278,085)</u>
Change in net assets	(606,458)	(154,072)	358,607	(401,923)
Net assets, beginning of year	<u>8,961,363</u>	<u>2,193,086</u>	<u>4,020,313</u>	<u>15,174,762</u>
Net assets, end of year	<u>\$ 8,354,905</u>	<u>\$ 2,039,014</u>	<u>\$ 4,378,920</u>	<u>\$ 14,772,839</u>

See Notes to Financial Statements.

**The American Radio Relay League, Incorporated**

**Statement of Activities  
Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and contributions:				
Membership dues	\$ 5,915,074	\$ -	\$ -	\$ 5,915,074
Net publication sales	3,960,510	-	-	3,960,510
Advertising	2,536,434	-	-	2,536,434
Investment income	491,623	175,035	-	666,658
Examination fees and other	485,454	-	-	485,454
Program and service fees	852,127	-	-	852,127
Contributions and support	573,845	467,855	44,582	1,086,282
Net assets released from restrictions	656,586	(656,586)	-	-
	<u>15,471,653</u>	<u>(13,696)</u>	<u>44,582</u>	<u>15,502,539</u>
Expenditures:				
Programs and services	8,919,762	-	-	8,919,762
Publications	4,427,230	-	-	4,427,230
Administration	1,627,752	-	-	1,627,752
Fundraising	624,789	-	-	624,789
Governance	224,903	-	-	224,903
	<u>15,824,436</u>	<u>-</u>	<u>-</u>	<u>15,824,436</u>
Increase (decrease) in net assets before other income	<u>(352,783)</u>	<u>(13,696)</u>	<u>44,582</u>	<u>(321,897)</u>
Other income:				
Bequests, Board designated functioning as an endowment	9,000	-	-	9,000
Second Century Campaign endowment contributions	-	-	827,219	827,219
Unrealized gain on investments	111,179	40,764	-	151,943
	<u>120,179</u>	<u>40,764</u>	<u>827,219</u>	<u>988,162</u>
Change in net assets	(232,604)	27,068	871,801	666,265
Net assets, beginning of year	<u>9,193,967</u>	<u>2,166,018</u>	<u>3,148,512</u>	<u>14,508,497</u>
Net assets, end of year	<u>\$ 8,961,363</u>	<u>\$ 2,193,086</u>	<u>\$ 4,020,313</u>	<u>\$ 15,174,762</u>

See Notes to Financial Statements.

**The American Radio Relay League, Incorporated**

**Statements of Cash Flows  
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating activities:		
Change in net assets	\$ (401,923)	\$ 666,265
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Receipts to establish or increase permanent endowment	(358,607)	(871,801)
Depreciation	269,441	242,356
Gain on sale of equipment	(2,513)	(4,606)
Bad debt expense (recovery)	49,811	(8,975)
Discount and allowance for pledges receivable	(15,684)	(46,955)
Change in inventory reserve	27,263	(6,223)
Unrealized (gain) loss on investments	688,240	(151,943)
Realized gain on investments allocated to general and permanent funds	(44,808)	(356,391)
Changes in operating assets and liabilities:		
Accounts receivable	(95,709)	95,549
Inventories	(154,294)	49,409
Pledges receivable	125,017	268,523
Other receivables	(7,503)	105,014
Prepaid expenses and other current assets	32,414	(179,886)
Accounts payable and accrued liabilities	5,231	(344,319)
Deferred revenue	15,067	(16,633)
Deferred life membership dues, net of allocated realized gain	151,108	(17,267)
Deferred term membership dues	446,689	110,483
Net cash provided by (used in) operating activities	<u>729,240</u>	<u>(467,400)</u>
Investing activities:		
Purchase of equipment	(261,135)	(928,638)
Proceeds from sale of equipment	2,513	7,146
Sales of investments	2,645,431	4,133,146
Purchases of investments	(3,333,032)	(3,991,628)
Net cash used in investing activities	<u>(946,223)</u>	<u>(779,974)</u>
Financing activities:		
Receipts to establish or increase permanent endowment	<u>358,607</u>	<u>871,801</u>
Net increase (decrease) in cash	141,624	(375,573)
Cash, beginning of year	<u>815,902</u>	<u>1,191,475</u>
Cash, end of year	<u>\$ 957,526</u>	<u>\$ 815,902</u>

See Notes to Financial Statements.

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2015 and 2014

#### Note 1 - Organization and summary of significant accounting policies

##### Nature of activities

The American Radio Relay League, Incorporated (the "League") is a not-for-profit organization formed to promote interest in amateur radio communication, experimentation and the advancement of radio art, further the public welfare and foster education in the field of electronic communication. The League also publishes documents, books, magazines and pamphlets necessary or incidental to its purpose. The League's operations are primarily supported by membership dues, publication sales, advertising and contributions. The League's members are primarily located throughout the United States.

##### Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. To ensure observance of limitations and restrictions placed on the use of resources available to the League, the accounts of the League are maintained in the following net asset categories:

Unrestricted - Net assets represent available resources other than contributions restricted by donor-imposed stipulations or by operation of law. The Board of Directors of the League has earmarked a certain amount of those funds, which are shown as board designated net assets in the accompanying statements of financial position.

Temporarily Restricted - Net assets represent contributions and earnings thereon that are restricted by donor-imposed stipulations or by operation of law either as to purpose or as to time of expenditure.

Permanently Restricted - Net assets represent contributions received that are subject to donor-imposed restrictions or to those imposed by operation of law that the principal be invested in perpetuity while the income earned thereon is made available for operations.

##### Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid short-term instruments with an original maturity of three months or less when acquired. Temporary cash and cash equivalent balances associated with investment accounts are included with investments in these financial statements. There were no cash equivalents as of December 2015 or 2014 included in operating cash.

##### Allowance for doubtful accounts

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

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Pledges and contributions receivable**

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

**Inventories**

Inventories consist of publications, software, membership supplies and other miscellaneous items. Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. Inventories are reflected net of reserves for slow moving inventory of \$132,373 and \$105,110 as of December 31, 2015 and 2014, respectively.

**Investments**

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

**Land, building and equipment**

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

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

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

The League reviews long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of December 31, 2015 and 2014.

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



**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Endowment and spending policy**

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

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

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

**Revenue recognition**

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

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

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

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

## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2015 and 2014

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

#### **Income taxes**

The League is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the League is subject to federal and state income tax as a result of unrelated business income arising from net advertising income. There are no unrelated business income tax liabilities for the years ended December 31, 2015 and 2014.

The League's federal information returns prior to calendar year 2012 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The League recognizes interest and penalties associated with uncertain tax positions as part of the income tax provision and includes accrued interest and penalties with the related tax liability in the statements of financial position. The League has no unrecognized tax positions at December 31, 2015 and 2014.

#### **Functional expenses**

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

#### **Use of estimates**

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

#### **Reclassifications**

Certain prior year information has been reclassified to conform to the current year presentation.

#### **Subsequent events**

The League has evaluated events and transactions for potential recognition or disclosure through April 26, 2016, which is the date the financial statements were available to be issued.

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 2 - Pledges receivable**

Unconditional pledges receivable as of December 31, 2015 and 2014 are expected to be realized in the following periods:

	2015	2014
In one year or less	\$ 144,158	\$ 211,121
In one to five years	415,365	446,019
In more than five years	540,000	567,400
Total pledges receivable	1,099,523	1,224,540
Less: allowance for uncollectible pledges	(90,103)	(102,252)
Less: discount	(198,489)	(202,024)
	\$ 810,931	\$ 920,264

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

	2015	2014
Current	\$ 144,158	\$ 211,121
Long-term	666,773	709,143
	\$ 810,931	\$ 920,264

Pledges expected to be received in more than one year have been discounted using a discount rate of 3.5% and 3.25% at December 31, 2015 and 2014, respectively.

**Note 3 - Investments**

Investments are carried at their aggregate fair value. The following summarizes the relationship between the cost and fair values as presented in the financial statements as of December 31, 2015 and 2014:

	2015		2014	
	Fair Value	Cost	Fair Value	Cost
Cash and cash equivalents	\$ 1,339,146	\$ 1,339,146	\$ 971,834	\$ 971,834
Equities and mutual funds	11,261,000	8,993,903	11,919,625	9,029,542
Fixed maturities	9,226,711	9,270,932	8,862,942	8,841,909
	\$ 21,826,857	\$ 19,603,981	\$ 21,754,401	\$ 18,843,285

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

The League allocates its investments into categories related to life memberships, regular operations, temporarily restricted and endowment funds. The following summarizes the fair value of investments by category as of December 31, 2015 and 2014:

	2015	2014
Life membership	\$ 7,233,277	\$ 7,053,882
Regular operations	2,079,076	2,610,273
Temporarily restricted	2,039,014	2,193,086
Functioning as an endowment	6,096,570	5,876,847
Permanently restricted	4,378,920	4,020,313
	\$ 21,826,857	\$ 21,754,401

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

	2015	2014
Unrealized appreciation, beginning of year:		
Fair value	\$21,754,401	\$21,157,076
Cost	18,843,285	18,397,903
Net gain	2,911,116	2,759,173
Unrealized appreciation, end of year:		
Fair value	21,826,857	21,754,401
Cost	19,603,981	18,843,285
Net gain	2,222,876	2,911,116
Net unrealized gain (loss) for the year	\$ (688,240)	\$ 151,943

Investment income is summarized as follows for the years ended December 31, 2015 and 2014:

	2015	2014
Interest and dividend income	\$ 466,001	\$ 497,693
Net realized gain on investments	73,095	586,900
Gross investment income	539,096	1,084,593
Less:		
Net investment income allocated to deferred life liability	(203,962)	(417,935)
Total investment income	\$ 335,134	\$ 666,658

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 4 - Fair value measurements**

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

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data by correlation or other means. If an asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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

Financial assets carried at fair value at December 31, 2015 and 2014 are classified in the tables below in one of the three categories described above:

	2015			Total
	Level 1	Level 2	Level 3	
Money market fund	\$ 1,339,146	\$ -	\$ -	\$ 1,339,146
Mutual funds:				
Closed-end funds	17,290	-	-	17,290
Large blend fund	12,345	-	-	12,345
Small blend fund	8,706	-	-	8,706
Large growth fund	9,311	-	-	9,311
Total mutual funds	<u>47,652</u>	<u>-</u>	<u>-</u>	<u>47,652</u>
Exchange traded funds				
Small blend	287,664	-	-	287,664
Mid cap blend	396,086	-	-	396,086
Large blend	3,628,030	-	-	3,628,030
Short term bond	1,608,842	-	-	1,608,842
Foreign mid blend	74,296	-	-	74,296
Foreign large blend	430,662	-	-	430,662
Equity energy	124,680	-	-	124,680
Diversified emerging markets	133,794	-	-	133,794
Total exchange traded funds	<u>6,684,054</u>	<u>-</u>	<u>-</u>	<u>6,684,054</u>

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

Stocks:				
Domestic large cap	\$ 4,001,833	\$ -	\$ -	\$ 4,001,833
Domestic mid cap	164,965	-	-	164,965
Domestic small cap	38,866	-	-	38,866
International developed	323,630	-	-	323,630
Total stocks	<u>4,529,294</u>	<u>-</u>	<u>-</u>	<u>4,529,294</u>
Fixed maturities:				
Domestic corporate bonds	-	8,131,043	-	8,131,043
International developed bonds	-	795,068	-	795,068
Global high yield taxable	-	300,600	-	300,600
Total fixed maturities	<u>-</u>	<u>9,226,711</u>	<u>-</u>	<u>9,226,711</u>
Total assets at fair value	<u>\$ 12,600,146</u>	<u>\$ 9,226,711</u>	<u>\$ -</u>	<u>\$ 21,826,857</u>
2014				
	Level 1	Level 2	Level 3	Total
Money market fund	<u>\$ 971,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 971,834</u>
Mutual funds:				
Closed-end funds	76,360	-	-	76,360
Large blend fund	12,884	-	-	12,884
Open-end blended fund	220,390	-	-	220,390
Large growth fund	9,014	-	-	9,014
Total mutual funds	<u>318,648</u>	<u>-</u>	<u>-</u>	<u>318,648</u>
Exchange traded funds				
Small blend	303,317	-	-	303,317
Mid cap blend	409,046	-	-	409,046
Large blend	3,251,990	-	-	3,251,990
Short term bond	1,269,412	-	-	1,269,412
Foreign mid blend	76,248	-	-	76,248
Foreign large blend	535,922	-	-	535,922
Equity energy	167,430	-	-	167,430
Diversified emerging markets	136,067	-	-	136,067
Total exchange traded funds	<u>6,149,432</u>	<u>-</u>	<u>-</u>	<u>6,149,432</u>
Stocks:				
Domestic large cap	4,783,356	-	-	4,783,356
Domestic mid cap	200,207	-	-	200,207
Domestic small cap	68,982	-	-	68,982
International developed	399,000	-	-	399,000
Total stocks	<u>5,451,545</u>	<u>-</u>	<u>-</u>	<u>5,451,545</u>
Fixed maturities:				
Domestic corporate bonds	-	7,706,640	-	7,706,640
International developed bonds	-	746,947	-	746,947
Global high yield taxable	-	409,355	-	409,355
Total fixed maturities	<u>-</u>	<u>8,862,942</u>	<u>-</u>	<u>8,862,942</u>
Total assets at fair value	<u>\$ 12,891,459</u>	<u>\$ 8,862,942</u>	<u>\$ -</u>	<u>\$ 21,754,401</u>

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

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

The fair value of fixed maturities (Level 2), which consists principally of corporate and international bonds, is estimated using market price quotations (where observable), recently executed transactions or bond spreads of the issuer. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves or bond spreads.

The preceding is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodology used at December 31, 2015 and 2014.

The League's policy is to recognize transfers in and transfers out of levels at the actual date of the event or change in circumstances that caused the transfer. There were no transfers in or out of the respective levels during the years ended December 31, 2015 and 2014.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the League believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Note 5 - Land, building and equipment**

Land, building and equipment, and related accumulated depreciation are comprised of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land and building	\$ 1,094,693	\$ 1,094,693
Furnishings, equipment and building improvements	4,333,533	4,223,492
Computer software	<u>2,060,306</u>	<u>2,038,245</u>
	7,488,532	7,356,430
Less accumulated depreciation	<u>(5,893,679)</u>	<u>(5,753,271)</u>
	<u>\$ 1,594,853</u>	<u>\$ 1,603,159</u>

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

**Note 6 - 403(b) plan**

The League has the ARRL, Inc. 403(b) Pension Plan. Employees are eligible to participate in the plan immediately upon employment. After an employee has worked for 6 months, the League provides a contribution of 2% of the employee's compensation and will match any elective contributions made by the employee up to the employee's contribution of 4% of their compensation. The match was one dollar for every dollar contributed by the employee in 2015 and 2014. Total employer contributions were \$287,062 and \$282,607 in 2015 and 2014, respectively.

**Note 7 - Board designated net assets**

The League's Board of Directors' intent is to treat unrestricted bequests as funds functioning as an endowment. Since the beginning of 2004, the League has received bequests in the amount of \$4,525,919. As of December 31, 2015 and 2014, the balance of the bequests, inclusive of investment income and unrealized gains and losses, was \$6,096,570 and \$5,876,847, respectively.

**Note 8 - Temporarily restricted net assets**

Temporarily restricted net assets as of December 31, 2015 and 2014 were available for the following purposes:

	2015	2014
Exceptional merit	\$ 1,316,894	\$ 1,379,750
Education and research	184,602	126,968
Other specific purposes	537,518	686,368
	\$ 2,039,014	\$ 2,193,086

**Note 9 - Permanently restricted net assets**

Permanently restricted net assets as of December 31, 2015 and 2014 were comprised of the following:

	2015	2014
Colvin fund	\$ 154,340	\$ 154,340
W1AW fund	582,816	509,084
Second Century fund	3,100,321	2,970,312
Youth and Education fund	177,189	157,187
DX Log Archive fund	229,390	229,390
Dave Bell, W6AQ fund	134,864	-
	\$ 4,378,920	\$ 4,020,313

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



## The American Radio Relay League, Incorporated

### Notes to Financial Statements December 31, 2015 and 2014

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

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

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

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

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

#### **Note 10 - Endowment**

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

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, the League considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the League and donor-restricted

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the League and (7) the League's investment policies.

Changes in endowment net assets for the year ended December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2015	\$ 5,876,847	\$ 436,247	\$ 4,020,313	\$ 10,333,407
Investment income, net	121,101	85,943	-	207,044
Net unrealized loss	(206,319)	(141,480)	-	(347,799)
Contributions	307,061	-	358,607	665,668
Amounts appropriated for expenditure	(2,120)	(109,330)	-	(111,450)
Endowment net assets, December 31, 2015	<u>\$ 6,096,570</u>	<u>\$ 271,380</u>	<u>\$ 4,378,920</u>	<u>\$ 10,746,870</u>

Endowment net asset composition by type of fund as of December 31, 2015 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 271,380	\$ 4,378,920	\$ 4,650,300
Board Designated Endowment Funds	6,096,570	-	-	6,096,570
Total funds	<u>\$ 6,096,570</u>	<u>\$ 271,380</u>	<u>\$ 4,378,920</u>	<u>\$ 10,746,870</u>

Changes in endowment net assets for the year ended December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, January 1, 2014	\$ 5,590,584	\$ 383,884	\$ 3,148,512	\$ 9,122,980
Investment income, net	232,183	135,832	-	368,015
Net unrealized gain	45,080	29,633	-	74,713
Contributions	9,000	-	871,801	880,801
Amounts appropriated for expenditure	-	(113,102)	-	(113,102)
Endowment net assets, December 31, 2014	<u>\$ 5,876,847</u>	<u>\$ 436,247</u>	<u>\$ 4,020,313</u>	<u>\$ 10,333,407</u>

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

Endowment net asset composition by type of fund as of December 31, 2014 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ -	\$ 436,247	\$ 4,020,313	\$ 4,456,560
Board Designated Endowment Funds	5,876,847	-	-	5,876,847
Total funds	<u>\$ 5,876,847</u>	<u>\$ 436,247</u>	<u>\$ 4,020,313</u>	<u>\$ 10,333,407</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the League to retain as a fund of perpetual duration. There were no deficiencies of this nature reported in unrestricted net assets as of December 31, 2015 and 2014.

**Note 11 - Lease obligations**

The League leases warehouse space, office space and office equipment under operating leases with monthly payments ranging from \$107 to \$4,265, which expire at various times through May 2021. Total operating lease expense was \$132,662 and \$168,813 for the years ended December 31, 2015 and 2014, respectively.

The following are future minimum lease payments due under noncancelable operating leases as of December 31, 2015:

Year Ending December 31,	
2016	\$ 51,605
2017	51,175
2018	51,175
2019	51,175
2020	51,175
Thereafter	<u>21,323</u>
	<u>\$ 277,628</u>

**Note 12 - Concentrations**

**Credit risk**

Financial instruments, which potentially subject the League to concentrations of credit risk, consist primarily of cash, pledges and trade receivables. The League maintains its cash with high-credit quality financial institutions. At times, such amounts may exceed the federally insured limit. At December 31, 2015, the Company had approximately \$780,000 in excess of federally insured limits.

**The American Radio Relay League, Incorporated**

**Notes to Financial Statements  
December 31, 2015 and 2014**

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

**Market risk**

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

**Note 13 - Related party transactions**

The League has some common directors with The ARRL Foundation, Inc. The League performs administrative services for The ARRL Foundation, Inc. and was reimbursed for these services in the amount of \$15,000 and \$13,200 for the years ended December 31, 2015 and 2014.

**The American Radio Relay League, Incorporated**

**Schedules of Expenditures  
Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Salaries, compensation and benefits	\$ 7,172,579	\$ 7,181,166
Publication costs	2,188,638	2,444,268
Shipping and forwarding costs	1,537,538	1,517,290
Communication and postage	867,993	848,386
Other	709,752	610,707
Occupancy costs	544,990	544,881
Office supplies and expenditures	534,156	808,286
Legal and professional fees	486,710	454,097
Administrative expenses	437,319	441,813
Travel	383,178	431,401
Depreciation	269,441	242,356
Rentals and equipment maintenance	134,373	299,785
Totals	<u>\$ 15,266,667</u>	<u>\$ 15,824,436</u>

See Independent Auditor's Report.

The American Radio Relay League, Incorporated  
Temporarily Restricted Fund Summary  
Year Ended December 31, 2015

Fund Name	Balance January 1, 2015	Contributions	Investment Income, net	Unrealized Loss	Released from Restriction	Balance December 31, 2015
H.P. Maxim Award	\$ 40,754	\$ -	\$ 986	\$ -	\$ -	\$ 41,740
Project Goodwill	1,672	-	-	-	-	1,672
Exceptional Merit	1,379,750	-	25,583	(48,439)	(40,000)	1,316,894
Legal Research & Resource	165,709	14,556	-	-	(11,351)	168,914
Starr Technology	2,721	-	-	-	-	2,721
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	13,834	1,715	602	-	-	15,549
Defense of Frequencies	-	311,066	-	-	(311,668)	-
Lab Fund	8,087	1,069	-	-	(2,169)	6,987
Education and Technology	111,369	190,256	5,210	-	(131,822)	175,013
Steven Rich Fund	10,000	-	-	-	-	10,000
Direction Finding	1,334	-	-	-	-	1,334
Fred Fish Awards Fund	1,320	-	-	-	-	1,320
Legislative Issues Advocacy Fund	9,000	21,355	-	-	(16,154)	14,201
Colvin Fund earnings	35,936	-	4,321	(6,129)	(9,200)	24,928
W1AW Fund earnings	170,149	-	15,428	(24,350)	(40,359)	120,868
Youth and Education Fund earnings	12,019	-	-	(6,009)	-	6,010
Capital Campaign Fund ("CCF") earnings	213,520	-	59,771	(97,759)	(59,771)	115,761
CCF Earnings - DX Log Archive	4,623	-	6,423	(7,233)	-	3,813
Total temporarily restricted funds	\$ 2,193,086	\$ 540,017	\$ 118,324	\$ (189,919)	\$ (622,494)	\$ 2,039,014

See Independent Auditor's Report.

**The American Radio Relay League, Incorporated**  
**Temporarily Restricted Fund Summary**  
**Year Ended December 31, 2014**

Fund Name	Balance January 1, 2014	Contributions	Investment Income, net	Unrealized Gain	Released from Restriction	Balance December 31, 2014
H.P. Maxim Award	\$ 41,170	\$ -	\$ 1,084	\$ -	\$ (1,500)	\$ 40,754
Project Goodwill	5,672	-	-	-	(4,000)	1,672
Exceptional Merit	1,380,432	-	28,187	11,131	(40,000)	1,379,750
Legal Research & Resource	157,457	13,212	-	-	(4,960)	165,709
Starr Technology	2,721	-	-	-	-	2,721
Rinaldo Technology	1,000	-	-	-	-	1,000
ARRL SAREX	6,709	-	-	-	-	6,709
Educational Activities	3,580	-	-	-	-	3,580
Ham Aid Fund	15,373	611	-	-	(2,150)	13,834
Defense of Frequencies	-	321,664	1,997	-	(323,661)	-
Lab Fund	13,854	4,233	-	-	(10,000)	8,087
Education and Technology	142,832	117,815	7,935	-	(157,213)	111,369
Steven Rich Fund	10,000	-	-	-	-	10,000
Direction Finding	1,334	-	-	-	-	1,334
Fred Fish Awards Fund	-	1,320	-	-	-	1,320
Legislative Issues Advocacy Fund	-	9,000	-	-	-	9,000
Colvin Fund earnings	31,898	-	9,203	1,335	(6,500)	35,936
WIAW Fund earnings	149,980	-	30,090	4,765	(14,686)	170,149
Youth and Education Fund earnings	10,834	-	-	1,185	-	12,019
Capital Campaign Fund ("CCF") earnings	191,172	-	91,916	22,348	(91,916)	213,520
CCF Earnings - DX Log Archive	-	-	4,623	-	-	4,623
<b>Total temporarily restricted funds</b>	<b>\$ 2,166,018</b>	<b>\$ 467,855</b>	<b>\$ 175,035</b>	<b>\$ 40,764</b>	<b>\$ (656,586)</b>	<b>\$ 2,193,086</b>

See Independent Auditor's Report.

## **ARRL is the national association for Amateur Radio operators.**

The seed for Amateur Radio was planted in the 1890s, when Guglielmo Marconi began his experiments in wireless telegraphy. By 1914, there were thousands of Amateur Radio operators—hams—in the United States. Hiram Percy Maxim, a leading Connecticut inventor and industrialist, saw the need for an organization to band together this fledgling group of radio experimenters.

In May 1914 he founded the American Radio Relay League (ARRL) to meet that need. Today ARRL is the largest organization of radio amateurs in the United States.

### **The ARRL is proud of its continuing traditions in five key areas of action:**

#### **PUBLIC SERVICE**

ARRL members provide thousands of volunteer hours for communities and organizations requesting aid in emergency communications planning and disasters. Its ARES program is recognized by federal, state and national organizations for service in crises.

ARRL members provide even more hours of volunteer communications services annually to local organizations conducting large activities such as parades, scouting events and marathons.

#### **ADVOCACY**

The ARRL represents US radio amateurs in legislative matters.

The ARRL also represents US amateurs with the Federal Communications Commission and other government agencies in the US and abroad.

The ARRL is the International Secretariat for the International Amateur Radio Union, which is made up of similar societies in over 150 countries around the world.

#### **EDUCATION**

The ARRL promotes interest in Amateur Radio communications and experimentation.

The ARRL publishes the monthly journal *QST*, as well as newsletters and many other publications covering all aspects of Amateur Radio.

The ARRL sponsors and coordinates classes in licensing, radio communications, electronic technology and related topics both nationally and internationally.

#### **TECHNOLOGY**

The Amateur Radio Service frequency bands are the place on the usable radio spectrum where you as an individual can develop and experiment with wireless communication.

Hams not only can make and modify their own equipment, but can create whole new ways to do things.

#### **MEMBERSHIP**

The ARRL maintains fraternalism and a high standard of conduct among Amateur Radio operators.

The ARRL provides direct services to members, such as the Volunteer Examiner Coordinator Program and a QSL bureau.

The staff at ARRL Headquarters, in the Hartford suburb of Newington, is dedicated to providing quality member services.





*The Radio Amateur is **PATRIOTIC...** station and skill always ready for service to country and community.*

— from The Amateur's Code

## Basis and purpose of the Amateur Service

(a) Recognition and enhancement of the value of the amateur service to the public as a voluntary noncommercial communication service, particularly with respect to providing emergency communications.

(b) Continuation and extension of the amateur's proven ability to contribute to the advancement of the radio art.

(c) Encouragement and improvement of the amateur service through rules which provide for advancing skills in both the communication and technical phases of the art.

(d) Expansion of the existing reservoir within the amateur radio service of trained operators, technicians and electronics experts.

(e) Continuation and extension of the amateur's unique ability to enhance international goodwill.

Title 47, Code of Federal Regulations



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