

RADIO AMATEUR SATELLITE CORPORATION
(AMSAT)

FINANCIAL STATEMENTS

DECEMBER 31, 2003

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF
RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
WASHINGTON, DC

We have audited the accompanying Statement of Financial Position of Radio Amateur Satellite Corporation (AMSAT), a non-profit organization, as of December 31, 2003 and the related Statement of Activities and Changes in Net Assets and Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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 audit provides 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 Radio Amateur Satellite Corporation as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


BERLIN, RAMOS & COMPANY, P.A.

July 30, 2004

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RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2003

ASSETS

	2003
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 67,500
FIXED ASSETS	
Satellites	520,417
Office Furniture and Equipment	71,832
Less: Accumulated Depreciation	(64,875)
TOTAL FIXED ASSETS	527,374
LONG-TERM INVESTMENTS	
Mutual Funds	307,140
Certificates of Deposit	72,579
Corporate Stocks	18,521
TOTAL LONG-TERM INVESTMENTS	398,240
TOTAL ASSETS	\$ 993,114

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts Payable	\$ 63,761
Payroll and Withholding Taxes Payable	11,054
TOTAL CURRENT LIABILITIES	74,815
NET ASSETS - Unrestricted	886,589
NET ASSETS - Temporarily Restricted	31,710
TOTAL NET ASSETS	918,299
TOTAL LIABILITIES AND NET ASSETS	\$ 993,114

The accompanying notes are an integral part of this statement.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Product Related Income	\$ 2,992	\$	\$ 2,992
Cost of Products	(704)		(704)
Net Product Related Income	2,288		2,288
Contributions	417,392		417,392
Dues	103,324		103,324
Unrealized Gain on Investments	53,334		53,334
Net Gain on Sale of Investments	24,247		24,247
Publications	15,498		15,498
Investment Income	15,021		15,021
Net Assets Released from Restrictions	7,051	(7,051)	
Royalties	568		568
Miscellaneous	263		263
	<u>638,986</u>	<u>(7,051)</u>	<u>631,935</u>
EXPENSES			
Program Services			
Information and Symposia	120,346		120,346
Satellite Operations	67,156		67,156
Publications and Software	53,582		53,582
Satellite Development	21,423		21,423
Total Program Expenses	<u>262,507</u>		<u>262,507</u>
Supporting Services			
General and Administration	57,505		57,505
Fundraising	26,847		26,847
Total Supporting Services	<u>84,352</u>		<u>84,352</u>
TOTAL EXPENSES	<u>346,859</u>		<u>346,859</u>
CHANGE IN NET ASSETS	292,127	(7,051)	285,076
NET ASSETS, BEGINNING OF YEAR	494,791	38,761	533,552
PRIOR PERIOD ADJUSTMENTS	<u>99,671</u>		<u>99,671</u>
NET ASSETS, END OF YEAR	<u>\$ 886,589</u>	<u>\$ 31,710</u>	<u>\$ 918,299</u>

The accompanying notes are an integral part of this statement.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
 STATEMENTS OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	2003
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 285,076
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:	
Depreciation	2,562
Revenue from Donated Services	(236,009)
Donated Services Expensed	116,479
Unrealized Gains on Investments	(53,334)
Realized Gains on Investments	(24,247)
Increase In:	
Accounts Payable	44,708
Payroll Taxes Payable	8,574
NET CASH PROVIDED BY OPERATING ACTIVITIES	143,809
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of Furniture and Equipment	(4,671)
Construction of Satellites	(310,015)
Purchase of Securities	(145,114)
Sale of Securities	247,127
NET CASH USED BY INVESTING ACTIVITIES	(212,673)
 NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,864)
 CASH AND CASH EQUIVALENTS - BEGINNING	136,364
 CASH AND CASH EQUIVALENTS- ENDING	\$ 67,500

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

Purpose of Organization

Radio Amateur Satellite Corporation (AMSAT) is a non-profit educational and scientific organization that designs and produces satellites for world-wide amateur radio communication and experimentation, encourages the development of skills and the advancement of knowledge in the field of amateur radio communications, and disseminates scientific, technical, and operational information derived from such communications and experimentation. The organization is supported primarily through membership dues and contributions from members.

Cash and Cash Equivalents

AMSAT considers cash equivalents as those investments purchased with an initial maturity of less than 90 days.

Furniture and Equipment

Furniture and Equipment are stated at cost, or at fair market value at the time of donation. Assets are depreciated using the straight line method over a 3, 5, or 7-year life.

The costs of satellites launched after December 31, 2002 are capitalized, including allocated indirect costs and contributed services. Following a successful launch such costs will be depreciated using a straight line method over a 4 year life.

Recognition of Dues and Contributions

AMSAT recognizes annual dues as income when received.

Contributions are not generally pledged in advance of collection and are recognized upon receipt.

Contributed services are recognized as income when received.

Contributed Services

Volunteers worked for AMSAT in various capacities for the year ended December 31, 2003. A total of \$236,009 in donated revenue has been recorded in this period pertaining to these professional services rendered to the organization. The programs which benefited from the volunteer's donated services are as follows:

Information and Symposia	\$ 41,929
Satellite Operations	57,000
Satellite Development	<u>137,080</u>
	<u>\$236,009</u>

Of the \$137,080 services rendered in Satellite Development, \$119,530 has been capitalized and will be depreciated over a span of years following the successful launch of the satellite.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
DECEMBER 31, 2003

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED):

Estimates

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

Financial Statement Presentation

In 1995, the Organization elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-For-Profit Organizations." Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the organization is required to present a statement of cash flows.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Investments

The Organization elected to adopt SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations," in 1995. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets.

Fair Values of Financial Instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments.

Current financial instruments: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Long-term investments: The fair values of long-term investments are based on quoted market prices for those or similar assets.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
DECEMBER 31, 2003

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - RESTRICTIONS ON NET ASSETS

Restricted contributions totaling \$12,437 were received in 2002 for the "Eagle" project. Expenses incurred related to this project totaled \$5,386, leaving a balance of \$7,051 temporarily restricted for the "Eagle" project as of December 31, 2002. Further expenses exceeding \$7,051 were incurred on this project in 2003 leaving no funds restricted for this purpose.

The funds temporarily restricted for use in the "TDMA" project total \$31,710 as of December 31, 2003, all of which is now held in cash.

NOTE 3 - PROGRAM SERVICES

Satellite Development- AMSAT designs, constructs, and launches satellites for amateur radio communication, research, and education in the space sciences. The costs incurred on satellites to be launched after December 31, 2002 are capitalized as fixed assets. AMSAT owns and controls some of the orbiting satellites under license by the Federal Communications Commission. Some satellites are designed, constructed and operated in collaboration with similar amateur satellite groups in other parts of the world.

Publications and Software-AMSAT develops, publishes, prints, and distributes educational materials related to communication satellites, amateur radio, and scientific, educational, and technological programs. Included are the AMSAT Journal, Proceedings of the AMSAT-NA Space Symposium, a series of beginner's and satellite information guides, and a variety of computer programs and related hardware for computing and tracking orbiting satellites.

Information Services- AMSAT distributes world-wide regular and special information bulletins about amateur satellites and space science activities using amateur packet radio networks, amateur radio voice networks by way of amateur satellite and high frequency radio, and the internet. AMSAT sponsors and promotes technological discussions on amateur spacecraft and space science on all of its networks. AMSAT also sponsors technical symposia and provides telephone information services. Information services are available to over 500,000 licensed amateur radio operators and to educators and students.

Satellite Operations - AMSAT, through members who are licensed amateur radio operators, takes care of day-to-day operation of its satellites. These satellites are available for use by any properly licensed amateur radio operator world-wide. Satellite operations involve the technical command and control of on-board systems to insure proper operation and its long term well being. AMSAT operations personnel disseminate data and information to users for effective and timely use of satellite systems.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
DECEMBER 31, 2003

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 - PENSION PLAN

The company sponsors a simplified employee pension plan (SEP IRA) that covers all employees with five years of service. The amount of pension expense was \$6,390 in 2003.

NOTE 5 - MARKETABLE SECURITIES

Marketable securities held as Long-Term Investments at December 31, 2003 are as follows:

	<u>Cost</u>	<u>Market</u>
Equities	\$ 21,518	\$ 18,521
Certificates of Deposit	70,000	72,579
Mutual Funds	<u>277,884</u>	<u>307,140</u>
Total	<u>\$369,402</u>	<u>\$398,240</u>

NOTE 6 - GAIN (LOSS) ON SALE OF SECURITIES

During 2003, AMSAT sold the following investments:

	<u>Sales Price</u>	<u>Tax Cost</u>	<u>Tax Gain/(Loss)</u>
CD MBNA America Bank 6.8% Apr 2003	\$ 25,000	\$ 25,000	\$ 0
CD Bank Hapoalim New York 4.85% May 2007	26,736	25,000	1,736
Alger Large Cap Growth Portfolio CL B #2400	17,842	25,159	(7,317)
Alger Large Cap Growth Portfolio CL B #4574	36,130	47,949	(11,819)
Franklin Real Estate Securities Fund CL A #900	16,690	15,309	1,381
Davis NY Venture FD B #800	17,490	19,412	(1,922)
CD Fireside Thrift CO 3.1% 4/11/08 Semi	24,656	25,069	(413)
Franklin Real Estate Securities Fund CL A #1845	37,931	31,440	6,491
Merrill Lynch Global Allocation A	20,073	17,687	2,386
Merrill Lynch Bond FD High Income CL B	24,531	41,621	(17,090)
AT&T 2.913 Shares	49	64	(15)
	<u>\$247,128</u>	<u>\$273,710</u>	<u>\$(26,582)</u>

Pursuant to the adoption of SFAS 124, whereby investments are reported at the Fair Market Value (FMV), unrealized gains and losses from prior periods have already been included in the change of net assets. Accordingly, the gains and losses scheduled according to cost basis do not directly correspond to the change in net assets for the current period.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
DECEMBER 31, 2003

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 - LEASE COMMITMENTS

AMSAT leases space for its corporate offices. This operating lease is for the three years beginning May 1, 2002 and terminating April 30, 2005 includes annual increases at a rate of 3% per year. As of the date of this report, terms for the new lease are still being negotiated.

The terms are as follows:

5/1/2002 – 4/30/2003	\$ 982/Month	\$11,788/Year
5/1/2003 – 4/30/2004	1,012/Month	12,142/Year
5/1/2004 – 4/30/2005	1,042/Month	12,506/Year

This is AMSAT's sole operating lease.

Minimum future rental payments under this non-cancelable operating lease, through its date of expiration (April 30, 2005) and in the aggregate are:

Year Ended December 31,

2004	\$12,385
2005	<u>4,169</u>
Total Minimum Future Rental Payments	<u>\$16,554</u>

AMSAT also rents space at the Orlando Executive Airport at \$583 per month on a month-to-month basis.

NOTE 8 – PRIOR PERIOD ADJUSTMENTS

Satellite development costs incurred in 2002 totaling \$90,871 have been capitalized following adoption of a new capitalization policy implemented by the organization.

Capital stock having a market value of \$8,800 at December 31, 2002 was omitted from the prior fund balance. Those stocks are shares of Bell South, and are not held by the brokerage firm which holds all other AMSAT investments.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

TO THE BOARD OF DIRECTORS OF
RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
WASHINGTON, DC

Our report on our audit of the basic financial statements of Radio Amateur Satellite Corporation (AMSAT) for 2003 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the organization's management. 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.

Berlin Ramos & Company PA
Berlin, Ramos & Company, P. A.

July 30, 2004

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003

	PROGRAM SERVICES					SUPPORTING SERVICES			TOTALS
	Satellite Development	Publications and Software	Information and Symposia	Satellite Operations	Total Program Services	Management and General	Fund Raising	Total Supporting Services	2003
Advertising and Promotion	\$	\$	\$	\$	561	\$	\$	\$	\$ 561
Booth Rental			540		540				540
Components				438	438				438
Depreciation	1,079	313	445	269	2,106	114	342	456	2,562
Representation				23	23		821	821	844
Insurance	942			464	1,406	6,580		6,580	7,986
Postage Preparation		3,481			3,481	318	812	1,130	4,611
Legal and Accounting						7,120		7,120	7,120
Miscellaneous			65	15	80	180	175	355	435
Meeting						481		481	481
Office Supplies and Expense		988	3,877	122	4,987	10,456	1,659	12,115	17,102
Pension Plan		1,008	3,939	66	5,013	788	589	1,377	6,390
Postage and Shipping		9,935	4,587	460	14,982	3,775	4,608	8,383	23,365
Printing and Xerox		21,029	3,059		24,088	7,098	2,088	9,186	33,274
Rent	1,445		813	3,717	5,975	12,129		12,129	18,104
Repairs and Maintenance			93		93	1,008		1,008	1,101
Royalties		3,280			3,280				3,280
Salaries		12,602	49,758	724	63,084	3,313	7,488	10,801	73,885
Subcontract	17,550		41,929	57,000	116,479				116,479
Supplies	407	110	539	(10)	1,046		330	330	1,376
Taxes - Property						147		147	147
Taxes - Payroll		799	3,125	43	3,967	625	467	1,092	5,059
Telephone			1,301	1,665	2,966	2,649	539	3,188	6,154
Travel			5,244	1,924	7,168	724		724	7,892
Trophies and Plaques		37	471	236	744		6,929	6,929	7,673
Total Functional Expenses	\$ 21,423	\$ 53,582	\$ 120,346	\$ 67,156	\$ 262,507	\$ 57,505	\$ 26,847	\$ 84,352	\$ 346,859
Percent of Functional Expenses	6.18%	15.44%	34.70%	19.36%	75.68%	16.58%	7.74%	24.32%	100%

The accompanying notes are an integral part of this statement.