

**RADIO AMATEUR SATELLITE
CORPORATION (AMSAT)**

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Independent Accountant's Review Report

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

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Independent Accountant's Review Report

To the Board of Directors
Radio Amateur Satellite Corporation (AMSAT)
Washington, D.C.

We have reviewed the accompanying financial statements of Radio Amateur Satellite Corporation ("AMSAT") (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, except for the issue noted in the Known Departure from Accounting Principles Generally Accepted in the United States of America paragraph, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Known Departure from Accounting Principles Generally Accepted in the United States of America

Accounting principles generally accepted in the United States of America ("U.S. GAAP") requires that the financial statements include and disclose the value of the specialized services provided by volunteers. Management has elected not to record and make this disclosure due to the impracticability of developing the information. The effect of this departure from U.S. GAAP basis of accounting on financial position and change in net assets has not been determined.

Changes in Financial Statement Presentation

As discussed in Note 2, AMSAT adopted Accounting Standards Update ASU 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU has been applied retrospectively to all periods presented. Our conclusion is not modified with respect to these matters.



Rockville, Maryland
September 21, 2020

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 134,265	\$ 38,683
Total Current Assets	<u>134,265</u>	<u>38,683</u>
Property and equipment, net	<u>558</u>	<u>952</u>
Long-Term Investments:		
Mutual funds	591,202	577,572
Corporate stocks	<u>75,754</u>	<u>56,674</u>
Total Long-Term Investments	<u>666,956</u>	<u>634,246</u>
Other Assets:		
Licenses	<u>3,000</u>	<u>3,000</u>
Total Assets	<u>\$ 804,779</u>	<u>\$ 676,881</u>
LIABILITIES AND NET ASSETS		
Program Expenses:		
Accounts payable	\$ 23,582	\$ 36,876
Accrued payroll	<u>7,905</u>	<u>5,548</u>
Total Current Liabilities	<u>31,487</u>	<u>42,424</u>
Net Assets:		
Without donor restrictions	675,416	603,937
With donor restrictions subject to purpose restrictions	<u>97,876</u>	<u>30,520</u>
Total Net Assets	<u>773,292</u>	<u>634,457</u>
Total Liabilities and Net Assets	<u>\$ 804,779</u>	<u>\$ 676,881</u>

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Contributions - cash and in-kind	\$ 123,944	\$ 275,476	\$ 399,420
Dues	134,526	-	134,526
Interest and dividends	27,996	-	27,996
Unrealized gain on investments	89,380	-	89,380
Product-related income	32,499	-	32,499
Publications	20,847	-	20,847
Annual general meeting	13,905	-	13,905
Advertising	3,000	-	3,000
Net assets released from restrictions	208,120	(208,120)	-
Total Public Support and Revenue	<u>654,217</u>	<u>67,356</u>	<u>721,573</u>
Expenses and Losses:			
Unrealized loss on investments	-	-	-
Loss on sale of investments	7,596	-	7,596
Total Losses	<u>7,596</u>	<u>-</u>	<u>7,596</u>
Program Expenses:			
Information and symposia	198,385	-	198,385
Satellite operations	81,182	-	81,182
Publications and software	102,524	-	102,524
Satellite development	113,014	-	113,014
Total Program Expenses	<u>495,105</u>	<u>-</u>	<u>495,105</u>
Supporting Services:			
Management and general	73,959	-	73,959
Fundraising	6,078	-	6,078
Total Supporting Services	<u>80,037</u>	<u>-</u>	<u>80,037</u>
Total Expenses and Losses	<u>582,738</u>	<u>-</u>	<u>582,738</u>
Change in net assets	71,479	67,356	138,835
Net assets, beginning of year	603,937	30,520	634,457
Net assets, end of year	<u>\$ 675,416</u>	<u>\$ 97,876</u>	<u>\$ 773,292</u>

The accompanying notes to the financial statements are an integral part of these statements.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Contributions - cash and in-kind	\$ 232,275	\$ -	\$ 232,275
Dues	99,592	-	99,592
Interest and dividends	32,753	-	32,753
Product-related income	14,624	-	14,624
Publications	19,057	-	19,057
Annual general meeting	2,561	-	2,561
Advertising	1,750	-	1,750
Net assets released from restrictions	10,000	(10,000)	-
Total Public Support and Revenue	<u>412,612</u>	<u>(10,000)</u>	<u>402,612</u>
Expenses and Losses:			
Unrealized loss on investments	53,546	-	53,546
Loss on sale of investments	36,421	-	36,421
Total Losses	<u>89,967</u>	<u>-</u>	<u>89,967</u>
Program Expenses:			
Information and symposia	137,563	-	137,563
Satellite operations	188,586	-	188,586
Publications and software	89,465	-	89,465
Satellite development	32,131	-	32,131
Total Program Expenses	<u>447,745</u>	<u>-</u>	<u>447,745</u>
Supporting Services:			
Management and general	44,354	-	44,354
Fundraising	13,879	-	13,879
Total Supporting Services	<u>58,233</u>	<u>-</u>	<u>58,233</u>
Total Expenses	<u>595,945</u>	<u>-</u>	<u>595,945</u>
Change in net assets	(183,333)	(10,000)	(193,333)
Net assets, beginning of year	787,270	40,520	827,790
Net assets, end of year	<u>\$ 603,937</u>	<u>\$ 30,520</u>	<u>\$ 634,457</u>

The accompanying notes to the financial statements are an integral part of these statements.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES	
	Satellite Development	Publications and Software	Information and Symposia	Satellite Operations	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Subcontractors	\$ 68,750	\$ 21,600	\$ 12,791	\$ 37,259	\$ 140,400	\$ -	\$ -	\$ -	\$ 140,400
Salaries	3,562	11,396	39,355	7,123	61,436	8,191	3,561	11,752	73,188
Legal and accounting	-	-	6,297	8,392	14,689	41,142	-	41,142	55,831
Printing and xerox	-	37,430	13,324	-	50,754	-	-	-	50,754
Events	1,350	-	40,138	-	41,488	6,433	-	6,433	47,921
Travel	1,466	-	12,895	16,820	31,181	11,387	-	11,387	42,568
Components	34,136	-	3,910	-	38,046	-	-	-	38,046
Postage and shipping	91	18,060	10,993	4,104	33,248	272	91	363	33,611
Rent	2,447	3,512	13,597	2,666	22,222	2,524	1,098	3,622	25,844
Office supplies and expense	80	1,020	15,798	368	17,266	592	197	789	18,055
Pension plan	506	1,620	5,314	1,012	8,452	1,164	506	1,670	10,122
Insurance	343	1,096	3,596	685	5,720	788	342	1,130	6,850
Taxes - payroll	283	905	2,971	566	4,725	1,070	283	1,353	6,078
Supplies	-	-	4,114	1,671	5,785	-	-	-	5,785
Booth rental	-	-	5,670	-	5,670	-	-	-	5,670
Postage preparation	-	4,045	675	-	4,720	-	-	-	4,720
Telephone	-	-	3,149	465	3,614	-	-	-	3,614
Trophies and plaques	-	-	3,508	-	3,508	-	-	-	3,508
Royalties	-	1,840	-	-	1,840	-	-	-	1,840
Depreciation	-	-	-	-	-	396	-	396	396
Miscellaneous	-	-	213	51	264	-	-	-	264
Taxes - other	-	-	77	-	77	-	-	-	77
Total Functional Expenses	\$ 113,014	\$ 102,524	\$ 198,385	\$ 81,182	\$ 495,105	\$ 73,959	\$ 6,078	\$ 80,037	\$ 575,142
Percent of Functional Expenses	19.65%	17.83%	34.49%	14.12%	86.08%	12.86%	1.06%	13.92%	100.00%

The accompanying notes to the financial statements are an integral part of these statements.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTAL EXPENSES	
	Satellite Development	Publications and Software	Information and Symposia	Satellite Operations	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Subcontractors	\$ -	\$ 18,000	\$ -	\$ 96,900	\$ 114,900	\$ -	\$ -	\$ -	\$ 114,900
Components	4,580	-	2,312	71,182	78,074	-	259	259	78,333
Salaries	4,986	11,397	42,737	7,123	66,243	1,425	3,561	4,986	71,229
Printing and xerox	-	31,229	11,561	12	42,802	3,207	-	3,207	46,009
Postage and shipping	2,930	15,012	10,217	487	28,646	3,807	91	3,898	32,544
Travel	6,543	-	9,035	2,140	17,718	10,583	-	10,583	28,301
Rent	1,811	4,139	16,221	3,805	25,976	517	1,294	1,811	27,787
Legal and accounting	-	-	3,649	-	3,649	23,209	-	23,209	26,858
Office supplies and expense	216	542	15,958	193	16,909	352	-	352	17,261
Trophies and plaques	-	-	1,466	2,103	3,569	-	7,620	7,620	11,189
Satellite testing	9,140	-	200	-	9,340	-	-	-	9,340
Pension plan	499	1,140	4,273	712	6,624	142	355	497	7,121
Supplies	330	990	2,060	2,437	5,817	-	-	-	5,817
Booth rental	-	-	5,720	-	5,720	-	-	-	5,720
Taxes - payroll	381	872	3,269	545	5,067	109	273	382	5,449
Telephone	-	-	4,482	486	4,968	-	-	-	4,968
Postage preparation	-	3,250	1,062	-	4,312	650	-	650	4,962
Insurance	323	738	2,767	461	4,289	92	231	323	4,612
Royalties	-	2,156	-	-	2,156	-	-	-	2,156
Miscellaneous	-	-	214	-	214	39	195	234	448
Depreciation	392	-	-	-	392	-	-	-	392
Consultants	-	-	360	-	360	-	-	-	360
Taxes - other	-	-	-	-	-	222	-	222	222
Total Functional Expenses	\$ 32,131	\$ 89,465	\$ 137,563	\$ 188,586	\$ 447,745	\$ 44,354	\$ 13,879	\$ 58,233	\$ 505,978
Percent of Functional Expenses	6.35%	17.68%	27.19%	37.27%	88.49%	8.77%	2.74%	11.51%	100.00%

The accompanying notes to the financial statements are an integral part of these statements.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 138,835	\$ (193,333)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	396	392
(Gain) loss on sale of investments	7,596	36,421
Unrealized (gain) loss on investments	(89,380)	53,546
Changes in assets and liabilities:		
Accounts payable	(13,294)	(42,890)
Accrued payroll	2,356	(1,069)
Net cash flows from operating activities	<u>46,509</u>	<u>(146,933)</u>
Cash flows from investing activities:		
Purchase of investments	(58,019)	(129,430)
Proceeds from sale of investments	107,092	185,716
Net cash flows from investing activities	<u>49,073</u>	<u>56,286</u>
Net change in cash and cash equivalents	95,582	(90,647)
Cash and cash equivalents - beginning	38,683	129,330
Cash and cash equivalents - ending	<u>\$ 134,265</u>	<u>\$ 38,683</u>

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

Note 1—Organization and business

Nature of Activities – 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.

Note 2—Summary of significant accounting policies

Basis of Accounting and Presentation – The financial statements of AMSAT have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). AMSAT reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are not subject to donor-imposed stipulations. These net assets are available for the overall operations at the discretion of the Board of Directors.

Net Assets With Donor Restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations that will be met either by actions of the organization and/or the passage of time. Other restrictions are those which are contributed with donor restrictions requiring that they be held in perpetuity.

Cash and Cash Equivalents – AMSAT considers highly liquid debt investments with an original maturity of less than or equal to three months to be cash equivalents. AMSAT places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. AMSAT from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2019 and 2018, AMSAT had an amount of \$0 on deposit in excess of these insured amounts; AMSAT’s management does not believe AMSAT is exposed to any substantial risk.

Fair Value Measurement – The carrying amounts reflected in the statements of financial position for current assets and current liabilities approximate their respective fair values due to the short maturities on those instruments.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

Note 2—Summary of significant accounting policies (continued)

Recognition of Dues and Contributions – AMSAT recognizes annual dues as income when earned. Contributions are not generally pledged in advance of collection and are recognized in accordance with Accounting Standards Update (“ASU”) 2018-08. Grants are recognized as exchange transactions if the provider receives commensurate value in exchange for the asset granted. Contributions are recognized as conditional if there are barriers which must be overcome before AMSAT is entitled to the asset and a right of return to the grantor exists. Otherwise grants and donations are recognized upon receipt.

Accounting Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities 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.

Functional Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis, which is based on time spent on the various program services and supporting services by the manager.

Contributed Services – Volunteers worked for AMSAT in various capacities for the years ended December 31, 2019 and 2018. Volunteers and their contributed services are essential to all aspects of AMSAT's mission. They provide services including the writing, editing, and publishing of various educational materials including the Journal. Volunteers mentor university students on satellite projects and assist schools with contacts between the International Space Station and students. Volunteers design, build, and test AMSAT's satellites. They provide outreach and support for hams and potential hams. U.S. GAAP requires management to record and disclose services that create or enhance non-financed assets or those that require special skills. Management has elected not to record and disclose the information. The valuation of their work and its effect on the financial statements has not been determined.

Income Taxes – AMSAT is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, AMSAT has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

AMSAT evaluates uncertainty in income tax positions based on a more likely than not recognition standard. If that threshold is met, the tax position is then measured at the largest amount that is greater than 50% likely of being realized upon ultimate settlement. As of December 31, 2019, AMSAT has evaluated its material tax positions and determined that no accruals for uncertain tax positions are required on AMSAT's financial statement as AMSAT has no tax obligation at this time. If applicable, AMSAT records interest and penalty expense as a component of income tax expense. Returns filed for tax periods ended after December 31, 2016 are open to examination and any changes by the taxing authorities may affect AMSAT's income tax liability.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

Note 2—Summary of significant accounting policies (continued)

Adopted Pronouncements – In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a more detailed framework for determining whether a grant or similar contract should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides additional guidance to help determine whether a contribution is conditional, and better distinguish between a donor-imposed condition and a donor-imposed restriction. The ASU is effective for fiscal years beginning after December 15, 2018. The standard had no effect on the financial statements.

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, requiring lessees to recognize lease assets and liabilities on the statement of financial position for all arrangements with terms longer than 12 months. Lessor accounting remains consistent with current U.S. GAAP. This ASU is effective for fiscal years beginning after December 15, 2021. AMSAT is currently evaluating the effect the ASU will have on the financial statements.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. It is effective for annual reporting periods beginning after December 15, 2019, for all non-SEC filers, including not-for-profit entities. AMSAT is currently evaluating the effect the ASU will have on the financial statements.

Note 3—Liquidity

The table below represents financial assets available for general expenditures within one year at December 31:

	<u>2019</u>	<u>2018</u>
Financial assets at year end		
Cash	\$ 134,265	\$ 38,683
Investments	<u>666,956</u>	<u>634,246</u>
Total financial assets at year end	<u>801,221</u>	<u>672,929</u>
Less amounts not available to be used for general expenditures within one year:		
Donor restricted with purpose restrictions	<u>97,876</u>	<u>30,520</u>
Financial assets not available to be used within one year	<u>97,876</u>	<u>30,520</u>
Financial assets available to meet general expenditures within one year	<u>\$ 703,345</u>	<u>\$ 642,409</u>

General expenditures include general and administrative and fundraising expenses expected to be paid in the subsequent year. As part of AMSAT’s liquidity management plan, cash in excess of monthly expenditure requirements is invested in corporate stocks and mutual funds. AMSAT solicits general contributions on an ongoing basis to maintain an operating reserve.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

Note 4—Cash and cash equivalents

Cash and cash equivalents as of December 31 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Merrill Lynch Cash account	\$ 4,685	\$ 4,121
Eagle Bank Checking account	129,580	34,562
	<u>\$ 134,265</u>	<u>\$ 38,683</u>

Note 5—Net assets with donor restrictions

AMSAT received net assets with donor restriction contributions during the years ended December 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Information & Symposia	\$ -	\$ -
Publications	-	-
Satellite Development	275,476	-
Satellite Operation	-	-
Total with donor restriction contributions	<u>\$ 275,476</u>	<u>\$ -</u>

Net assets with donor restrictions as of December 31, 2019 and 2018 are available for the following:

	<u>2019</u>	<u>2018</u>
Satellite Development	\$ 97,876	\$ 30,520
Total net assets with donor restriction	<u>\$ 97,876</u>	<u>\$ 30,520</u>

Note 6—Pension Plan

AMSAT sponsors a simplified employee pension plan (SEP IRA) that covers all employees with five years of service. The amount of pension expense was \$10,122 and \$7,122 for the years ended December 31, 2019 and 2018, respectively.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

Note 7—Program services

Satellite Development – AMSAT designs, constructs, and launches satellites for amateur radio communication, research, and education in the space sciences. 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 beginners and satellite information guides, and a variety of computer programs and related hardware for computing and tracking orbiting satellites.

Information and Symposia – 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 700,000 licensed amateur radio operators and to educators and students.

Satellite Operations – AMSAT, through members who are licensed amateur radio operators, takes care of the 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)
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)

Note 8—Long-term investments

AMSAT classifies its investments in marketable equity securities and mutual funds as available-for-sale investments and are shown at fair market values. The cost basis method used by the investment company is average cost for open-end mutual funds and first-in, first-out for all other securities. The gross proceeds from sales of mutual funds and other marketable securities for the years ended December 31, 2019 and 2018 were \$107,092 and \$185,716, respectively.

The following tables summarize the available-for-sale investments:

	December 31, 2019			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Publicly-Traded Corporate Stocks:				
Communications	\$ 1,719	\$ 74,035	\$ -	\$ 75,754
Publicly-Traded Stock Funds:				
Communications	31,480	1,952	-	33,432
World allocation	86,888	-	(796)	86,092
Pacific/Asia stock	34,387	9,636	-	44,023
Emerging markets	31,717	1,241	-	32,958
Managed futures	28,966	-	(4,363)	24,603
Convertibles	41,077	2,655	-	43,732
World stock	49,588	-	(6,799)	42,789
Bank loan	36,752	-	(472)	36,280
Large growth	38,508	5,770	-	44,278
Long/short equity	36,954	3,566	-	40,520
Commodities	36,372	-	(6,147)	30,225
Large value	49,018	779	-	49,797
Publicly-Traded Bond Funds:				
World bond fund	44,406	-	(3,898)	40,508
Multisector bond	41,571	394	-	41,965
Total Marketable Securities	\$ 589,403	\$ 100,028	\$ (22,475)	\$ 666,956

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)
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Note 8—Long-term investments (continued)

	December 31, 2018			Fair Value
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	
Publicly-Traded Corporate Stocks:				
Communications	\$ 1,717	\$ 54,957	\$ -	\$ 56,674
Publicly-Traded Stock Funds:				
Communications	36,950	-	(10,582)	26,368
World allocation	111,218	-	(11,049)	100,169
Pacific/Asia stock	32,246	1,726	-	33,972
Emerging markets	30,466	-	(120)	30,346
Managed futures	38,842	-	(4,693)	34,149
Convertibles	39,098	-	(2,818)	36,280
World stock	49,023	-	(14,687)	34,336
Bank loan	35,315	-	(1,103)	34,212
Large growth	35,064	-	(2,425)	32,639
Long/short equity	33,696	1,283	-	34,979
Commodities	35,930	-	(10,340)	25,590
Large value	46,256	-	(4,430)	41,826
Publicly-Traded Bond Funds:				
World bond fund	41,936	-	(1,936)	40,000
Multisector bond	40,313	-	(2,341)	37,972
Inflation protected bond	36,410	-	(1,676)	34,734
Total Marketable Securities	<u>\$ 644,480</u>	<u>\$ 57,966</u>	<u>\$ (68,200)</u>	<u>\$ 634,246</u>

The following table presents the gross realized gains and losses as of December 31:

	2019	2018
Gross realized gains	\$ 171	\$ 7,853
Gross realized losses	(7,767)	(44,274)
Total	<u>\$ (7,596)</u>	<u>\$ (36,421)</u>

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Note 8—Long-term investments (continued)

Fair Value Measurements – The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

The following table sets forth by level, within the fair value hierarchy, marketable securities at fair value as of December 31, 2019:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Publicly-Traded Corporate Stocks:				
Communications	\$ 75,754	\$ -	\$ -	\$ 75,754
Publicly-Traded Stock Funds:				
Communications	33,432	-	-	33,432
World allocation	86,092	-	-	86,092
Pacific/Asia stock	44,023	-	-	44,023
Emerging markets	32,958	-	-	32,958
Managed futures	24,603	-	-	24,603
Convertibles	43,732	-	-	43,732
World stock	42,789	-	-	42,789
Floating rate loans	36,280	-	-	36,280
Large growth	44,278	-	-	44,278
Long/short equity	40,520	-	-	40,520
Commodities	30,225	-	-	30,225
Large value	49,797	-	-	49,797
Publicly-Traded Bond Funds:				
World bond fund	40,508	-	-	40,508
Multisector bond	41,965	-	-	41,965
Total Marketable Securities	<u>\$ 666,956</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 666,956</u>

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)**NOTES TO THE FINANCIAL STATEMENTS***DECEMBER 31, 2019 AND 2018**(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)***Note 8—Long-term investments (continued)**

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Publicly-Traded Corporate Stocks:				
Communications	\$ 56,674	\$ -	\$ -	\$ 56,674
Publicly-Traded Stock Funds:				
Communications	26,368	-	-	26,368
World allocation	100,169	-	-	100,169
Pacific/Asia stock	33,972	-	-	33,972
Emerging markets	30,346	-	-	30,346
Managed futures	34,149	-	-	34,149
Convertibles	36,280	-	-	36,280
World stock	34,336	-	-	34,336
Floating rate loans	34,212	-	-	34,212
Large growth	32,639	-	-	32,639
Long/short equity	34,979	-	-	34,979
Commodities	25,590	-	-	25,590
Large value	41,826	-	-	41,826
Publicly-Traded Bond Funds:				
World bond fund	40,000	-	-	40,000
Multisector bond	37,972	-	-	37,972
Inflation protected bond	34,734	-	-	34,734
Total Marketable Securities	<u>\$ 634,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,246</u>

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Note 9—Lease commitments

On April 11, 2014, AMSAT entered into a five-year lease at a new location for its office. The lease agreement provides for additional rent to be paid for increases in common building expenses and taxes. On February 7, 2019, AMSAT entered into an amendment to the current lease. The amendment extends the lease with existing space to March 31, 2024.

Minimum rent is increased annually at a rate of 3%. Office rent expense for the years ended December 31, 2019 and 2018 including building expenses and taxes was \$21,739 and \$25,870, respectively. Additional rent of \$4,104 and \$1,917 was paid for a storage facility in Florida for the years ended December 31, 2019 and 2018, respectively. The rental agreement for that space is renewed in 6-month periods. Management has determined that the deferred rent is immaterial as of December 31, 2019 and 2018.

Future minimum lease commitments are as follows:

2020	\$	20,361
2021		20,971
2022		21,600
2023		22,249
2024		5,729
Thereafter		-
Total	\$	<u>90,910</u>

Note 10—Net product-related income

Net product-related income is comprised of the following:

	<u>2019</u>	<u>2018</u>
Product-related revenues	\$ 74,654	\$ 41,492
Cost of revenues	(42,155)	(26,868)
Net product-related income	<u>\$ 32,499</u>	<u>\$ 14,624</u>

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

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Note 11—Property and equipment

Furniture and equipment are recorded at cost or at fair market value at the time of purchase or donation, respectively. Assets are depreciated using the straight-line method over their estimated useful life of 5 to 7 years. Software is recorded at cost and is amortized using the straight-line method over 3 years.

Property and equipment is comprised of the following:

	<u>2019</u>	<u>2018</u>
Furniture	\$ 32,267	\$ 32,267
Equipment	61,006	61,006
Software	<u>3,745</u>	<u>3,745</u>
	97,018	97,018
Less accumulated depreciation and amortization	<u>(96,460)</u>	<u>(96,066)</u>
	<u>\$ 558</u>	<u>\$ 952</u>

Note 12—Commitments and contingencies

AMSAT is subject to legal proceedings and claims, which arise in the ordinary course of business. In the opinion of management, there is no pending or threatened litigation or administrative proceeding that is expected to have a material adverse impact on AMSAT's financial position or change in net assets.

Note 13—Subsequent events

On April 24, 2020, AMSAT received loan proceeds in the amount of approximately \$17,700 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. AMSAT intends to use the proceeds for purposes consistent with the PPP. While management currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, management cannot guarantee that actions will not be taken which could cause AMSAT to be ineligible for forgiveness of the loan, in whole or in part.

The date to which events occurring after December 31, 2019, the date of the most recent statement of financial position has been evaluated for possible adjustment to the financial statements or disclosure is September 21, 2020 which is the date on which the financial statements were available to be issued. In January 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a "public health emergency of international concern," which continues to spread throughout the world and has adversely impacted global commercial activity.

RADIO AMATEUR SATELLITE CORPORATION (AMSAT)

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DECEMBER 31, 2019 AND 2018

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Note 13—Subsequent events (continued)

The coronavirus outbreak and government responses are creating disruption in global supply chains and impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and could trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to AMSAT and its performance and its financial results.