



Independent Auditors' Report and
Financial Statements for



Amateur Radio Digital Communications

December 31, 2024 and 2023

Amateur Radio Digital Communications

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Amateur Radio Digital Communications
San Diego, California

Opinion

We have audited the accompanying financial statements of Amateur Radio Digital Communications (a California nonprofit corporation), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2024 financial statements referred to above present fairly, in all material respects, the financial position of Amateur Radio Digital Communications as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Amateur Radio Digital Communications and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Amateur Radio Digital Communications as of December 31, 2023 were audited by other auditors whose report dated November 14, 2024 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Amateur Radio Digital Communications' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Amateur Radio Digital Communications' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Amateur Radio Digital Communications' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Redwitz, Inc.

A handwritten signature in black ink that reads "Redwitz, Inc." with a stylized, cursive script.

Irvine, California
November 13, 2025

Amateur Radio Digital Communications

Statements of Financial Position

December 31, 2024 and 2023

ASSETS		
	2024	2023
Current assets		
Cash	\$ 138,256	\$ 159,462
Other assets	-	2,000
Total current assets	138,256	161,462
Investments	128,054,162	117,075,257
Total assets	<u>\$ 128,192,418</u>	<u>\$ 117,236,719</u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 8,618	\$ 3,565
Payroll liabilities	7,995	10,210
Accrued excise tax	16,817	15,949
Grants payable	518,162	1,126,616
Total current liabilities	551,592	1,156,340
Deferred excise taxes	458,830	360,181
Total liabilities	1,010,422	1,516,521
Net assets without donor restrictions	127,181,996	115,720,198
Total liabilities and net assets	<u>\$ 128,192,418</u>	<u>\$ 117,236,719</u>

Amateur Radio Digital Communications

Statements of Activities and Changes in Net Assets

For the Years Ended December 31, 2024 and 2023

	2024	2023
Revenue		
Investment income, net	\$ 16,154,868	\$ 17,521,840
Expenses		
Program	3,952,200	7,056,206
Management and general	571,044	582,673
Total expenses	4,523,244	7,638,879
Changes in net assets without donor restrictions from operations	11,631,624	9,882,961
Excise tax and deferred excise tax	(169,826)	(243,559)
Increase in net assets without donor restrictions	11,461,798	9,639,402
Net assets beginning of the year	115,720,198	106,080,796
Net assets end of year	\$ 127,181,996	\$ 115,720,198

Amateur Radio Digital Communications

Statements of Functional Expenses

For the Years Ended December 31, 2024 and 2023

	2024			2023		
	Program	Management and general	Total	Program	Management and general	Total
44Net IP addresses management	\$ 251,441	\$ -	\$ 251,441	\$ 218,776	\$ -	\$ 218,776
Grants	3,100,062	-	3,100,062	6,246,219	-	6,246,219
Office expenses	-	28,107	28,107	40,414	24,235	64,649
Other	18,000	13,384	31,384	55,500	122,305	177,805
Professional services	16,300	167,596	183,896	9,950	31,000	40,950
Salaries and related costs	532,588	340,926	873,514	400,334	369,539	769,873
Travel and conference	33,809	21,031	54,840	85,013	35,594	120,607
	<u>\$ 3,952,200</u>	<u>\$ 571,044</u>	<u>\$ 4,523,244</u>	<u>\$ 7,056,206</u>	<u>\$ 582,673</u>	<u>\$ 7,638,879</u>

Amateur Radio Digital Communications

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets without donor restrictions	\$ 11,461,798	\$ 9,639,402
Adjustments to reconcile increase in net assets without donor restriction to net cash used in operating activities:		
Unrealized and realized (gains)/losses on investments	(13,024,296)	(14,829,712)
Deferred excise tax	98,649	189,202
Decrease (increase) in operating assets:		
Other assets	2,000	1,500
Increase (decrease) in operating liabilities:		
Accounts payable	5,053	14,100
Payroll liabilities	(2,215)	(4,867)
Accrued excise tax	868	(5,705)
Grants payable	(608,454)	(491,310)
Net cash used by operating activities	(2,066,597)	(5,487,390)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	7,400,998	7,443,945
Purchases of investments	(5,355,607)	(1,884,143)
Net cash provided by investing activities	2,045,391	5,559,802
Net increase (decrease) in cash	(21,206)	72,412
Cash beginning of year	159,462	87,050
Cash end of year	\$ 138,256	\$ 159,462
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for taxes	\$ 70,309	\$ 47,876

Amateur Radio Digital Communications

Notes to the Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Amateur Radio Digital Communications ("ARDC") was established as a nonprofit public benefit California corporation in 2011 to encourage and support research regarding amateur radio, computer networking and related topics. ARDC manages 44Net, which is shorthand for Internet network 44 (44.0.0.0/9, 44.128.0.0/10), also known as AMPRNet. Prior to 2011, ARDC had operated as an unincorporated association of amateur (ham) radio operators. ARDC furthers the goals of amateur radio by allocating network resources, publishing technical articles, and participating in activities to promote the public good of amateur radio digital communications and related fields.

ARDC provides stewardship for invested funds that provide resources for the charitable mission of ARDC. The assets and income from these funds support an array of activities that support ARDC's present and future mission. The primary goals of ARDC for the investment of the portfolio are as follows:

- Preservation of capital with appropriate liquidity.
- Sufficient growth of capital to offset the effects of inflation and provide for future needs.
- Improved ability to realize the philanthropic goals of ARDC.

Basis of presentation

The ARDC's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of ARDC. These net assets may be used at the discretion of ARDC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ARDC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that funds be maintained in perpetuity. As of December 31, 2024 and 2023, ARDC had no net assets with donor restrictions.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP Requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of 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.

Amateur Radio Digital Communications

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurements

ARDC reports certain financial instruments at fair value in the financial statements. Fair value is defined as 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. The U.S. GAAP fair value framework uses a three-tier approach and fair value measurements are classified and disclosed in one of the following three categories:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities,

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

Level 3 – Prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

The fair value hierarchy requires an entity to maximize use of observable inputs and minimize use of unobservable inputs when measuring fair value. When available, ARDC measures fair value using Level 1 inputs because they generally provide most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The carrying value of other assets, accounts payable, grants payable, payroll liabilities, and accrued excise tax approximate their respective fair values due to their short-term maturities.

ARDC's investments are the only assets reported at fair value on a recurring basis in the accompanying statements of financial position. The fair values of investment securities are based on quoted prices in active markets for identical items (Level 1). ARDC did not have any liabilities measured at fair value on a recurring basis as of December 31, 2024 and 2023.

Cash

For purposes of the statements of cash flows, ARDC considers cash to include checking accounts in a commercial bank.

Investments

ARDC carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Amateur Radio Digital Communications

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

ARDC is qualified as an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and the California Revenue and Tax Code Section 23701. ARDC operates as a private foundation subject to an excise tax on net investment income, as defined under Section 4942(j)(3) of the IRC.

The IRC imposes an excise tax on private foundations of 1.39% of the net investment income (principally interest, dividends, and net realized gains, less expenses incurred on the production of investment income). ARDC is also subject to IRC regulations governing required minimum expenditures for charitable purposes.

Management of ARDC considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities, including changes to ARDC's status as a nonprofit entity. Management believes ARDC met the requirements to maintain its tax-exempt status and has not identified any uncertain tax positions subject to the unrelated business income tax that require recognition or disclosure in the accompanying financial statements. ARDC's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Expenses are charged directly to program services or supporting services categories based on direct expenses incurred.

For expenses that are not directly attributable to a specific program or supporting service, an allocation methodology is used to distribute these costs across the appropriate functional categories. This allocation is based on reasonable and consistently applied bases, such as the proportion of time spent by personnel on each activity, or other relevant metrics that reflect the usage of resources. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of ARDC.

Subsequent events

Subsequent events have been evaluated through November 13, 2025, which is the date the financial statements were available to be issued.

NOTE 2. CONCENTRATIONS OF CREDIT RISK

ARDC maintains its operating cash balances in a commercial bank, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At certain times during the year, cash balances exceeded the insured amounts. ARDC has not experienced any losses in such accounts. ARDC is not exposed to any significant credit risk on its operating cash balance as of December 31, 2024 and 2023.

Amateur Radio Digital Communications

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 2. CONCENTRATIONS OF CREDIT RISK (CONTINUED)

ARDC also has a portfolio of investments held at the brokerage firms that are subject to market fluctuations and that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000.

NOTE 3. INTELLECTUAL PROPERTY

ARDC supports a network of amateur radio operators by making available and administering a block of 12,582,912 internet protocol (IPv4) addresses with which the amateur radio operators communicate, experiment and research technologies without charge by ARDC. These addresses were acquired in 1981 at no charge from a United States Federal contractor overseeing the creation of the internet. At the time of receipt, there was no discernible market value for the IPv4 addresses and, accordingly, they are carried at no value on ARDC's statements of financial position.

IPv4 addresses are fixed-size (32-bit) numeric identifiers, so the supply of them is finite. With widespread development of the internet, demand for these addresses grew, and eventually their scarcity led to pressure to buy and sell them.

The first sale of IPv4 addresses occurred in 2011. In 2019, ARDC elected to sell, on a one-time basis, one quarter of its IPv4 addresses to a large internet company, yielding \$109,051,904 of proceeds. ARDC intends to use the proceeds of the historical sale for grantmaking and other activity to support the fields of amateur radio and digital communications, in line with its mission statement.

NOTE 4. INVESTMENTS

Investment policy

ARDC generally intends to hold investments long-term as a base for grantmaking activities and preservation of the 44Net IP addresses. Accordingly, the investments are shown as long-term assets in the statements of financial position regardless of long-term or short-term purpose. Cash in the investment portfolio is excluded from cash for purposes of the statements of cash flow.

ARDC implemented an investment policy in which there are two components:

- **Cash pool-** The investment objective of the cash pool is to maintain the value and liquidity of funds by investing in cash and cash equivalent investments, such as money market funds, U.S. Treasury securities, bank certificates of deposit, and such other investments of this type that the Investment Committee shall select. The credit quality of these investments shall be high, and the maturities shall be short-term. Since this strategy is useful for funds that may be dispersed in the near term, the liquidity of this strategy is a prime objective. A minimum balance for the cash pool is three years of projected expenses for ARDC.

Amateur Radio Digital Communications

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 4. INVESTMENTS (CONTINUED)

Investment policy (Continued)

- **Long-term pool** - The investment objective of the long-term pool is to provide for a disciplined longer term and higher risk and return investment program that is consistent with the needs of longer horizon nonprofit funds. Careful management of the long-term pool is designed to ensure a total return (income plus capital change minus costs and fees) necessary to preserve and enhance (in real dollar terms) the principal, and at the same time, to provide a dependable source of monies for current operations and programs of ARDC. The long-term pool generally holds listed domestic and global equity securities, domestic and global fixed income securities, and cash and cash equivalents.

Distribution policy

Periodically, as required by the activities of ARDC, distributions are made for ARDC's operations from funds managed within the portfolio. The Investment Committee sets the procedures by which the required funds for distribution are raised within the cash pool, long-term pool, or both to meet such distribution needs.

Investment and investment income summary

The following information of investments are Level 1 type of investments and do not include any Level 2 or 3 investments:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 6,469,835	\$ 6,463,474	\$ 1,503,149	\$ 1,503,149
Mutual funds	7,170,297	9,933,361	7,090,711	9,908,418
Treasury bills	11,306,936	11,335,564	16,815,003	16,947,630
Exchange traded funds	70,104,134	100,321,763	69,749,898	88,716,060
	<u>\$ 95,051,202</u>	<u>\$ 128,054,162</u>	<u>\$ 95,158,761</u>	<u>\$ 117,075,257</u>

The following schedule summarizes the investment income in ARDC's statements of activities and changes in net assets for the years ended December 31:

	2024	2023
Unrealized gains	\$ 11,092,758	\$ 13,611,717
Interest and dividends	3,130,572	2,692,128
Realized gains	1,931,538	1,217,995
	<u>\$ 16,154,868</u>	<u>\$ 17,521,840</u>

Amateur Radio Digital Communications

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 5. GRANTS EXPENSE

ARDC makes grants to other organizations that operate in the amateur radio and digital communications field and are recorded as grant expense once the Board of Directors approves the grant, and all significant conditions are met. Conditional awards are recognized as expense on the date all barriers are overcome by the grant recipient or explicitly waived by ARDC. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. Grants without donor restrictions are recorded as expense when transferred or unconditionally pledged. Grants awarded before assets are transferred are accounted for as grants payable. Certain grants may be paid over multiple years, based on the terms of the agreements.

ARDC has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the recipient organization fails to overcome one or more barriers. During the years ended December 31, 2024 and 2023, ARDC received various refunds from grantees totaling \$321,265 and \$99,545, respectively. The refunded amounts have been recorded as a reduction of grants expense in the accompanying statement of activities.

ARDC recognized grant expense, net of refunds, totaling \$3,100,062 and \$6,246,219 for the years ended December 31, 2024 and 2023, respectively, which are reflected as grants in the statements of functional expenses.

As of December 31, 2024 and 2023, all grants payable were expected to be paid in the years following the statement of financial position date. A reconciliation of the grants payable is as follows:

December 31, 2022	\$ 1,617,926
Issuance	6,246,219
Less: Grants paid	<u>(6,737,529)</u>
December 31, 2023	<u>1,126,616</u>
Issuance	3,421,327
Less: Grants paid	<u>(4,029,781)</u>
December 31, 2024	<u><u>\$ 518,162</u></u>

NOTE 6. EXCISE TAX AND DEFERRED TAXES

The current Federal excise tax obligation was calculated using the statutory rate of 1.39% arising from net investment earnings, excluding unrealized gains and losses. ARDC incurred current obligations for Federal excise taxes of \$71,177 and \$54,357, for the years ended December 31, 2024 and 2023, respectively.

Amateur Radio Digital Communications

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 6. EXCISE TAX AND DEFERRED TAXES (CONTINUED)

ARDC records deferred excise taxes related to its future excise tax liability for accumulated unrealized appreciation on investments. Such appreciation represents investment gains which are not recognized for current excise tax purposes until the investments are sold and the gains are realized and are computed using the statutory rate of 1.39%. The deferred excise tax liability was \$458,830 and \$360,181 at December 31, 2024 and 2023, respectively.

The components of excise tax expense are as follows for the years ended December 31:

	2024	2023
Current	\$ 71,177	\$ 54,357
Deferred	98,649	189,202
Total excise tax expense	<u>\$ 169,826</u>	<u>\$ 243,559</u>

NOTE 7. RELATED PARTY

A board member of ARDC is employed by the University of California San Diego, and served as the Director of the Center for Applied Internet Data Analysis (CAIDA) at UCSD. During the year ended December 31, 2024, ARDC paid CAIDA \$206,619 to operate equipment to import into its network AMPRnet data from ARDC as part of the UCSD telescope research project, and ARDC is provided use of this equipment. The board member received no funds as a result of this relationship.

The board of directors and management take actions to ensure that related party transactions, if any, are in compliance with ARDC's conflict of interest policy. The policy requires board members to abstain from votes on grants to any organization with which a board member, officer or spouse of a board member or officer may be related.

NOTE 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

ARDC's primary source of revenue is derived from income generated by its investments in marketable securities. Cash financial assets are available for general operating use within one year of the statements of financial position date as of December 31, 2024 and 2023. As of December 31, 2024 and 2023, ARDC had \$138,256 and \$159,463, respectively, available for operations. In addition, ARDC implemented an investment policy under which none of the investments are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Investments available for general expenditures within one year are \$128,054,162 and \$117,075,257 as of December 31, 2024 and 2023.

NOTE 9. RECLASSIFICATION

Certain amounts in the 2023 financial statements have been reclassified to conform with the 2024 presentation.