

American Registry for Internet Numbers, Ltd.

Financial Report
December 31, 2016

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RSM US LLP

Independent Auditor's Report

To the Board of Trustees
American Registry for Internet Numbers, Ltd.
Chantilly, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of American Registry for Internet Numbers, Ltd. (ARIN), which comprise the statements of financial position as of December 31, 2016 and 2015, 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 American Registry for Internet Numbers, Ltd. as of December 31, 2016 and 2015, 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.

RSM US LLP

McLean, Virginia
May 11, 2017

American Registry for Internet Numbers, Ltd.

**Statements of Financial Position
December 31, 2016 and 2015**

	2016	2015
Assets		
Cash and cash equivalents	\$ 795,522	\$ 1,615,739
Investments:		
Legal defense reserve fund	2,114,269	2,092,660
Operating reserve fund	4,194,312	2,777,982
Long-term reserve fund	23,969,185	26,819,965
	<u>30,277,766</u>	<u>31,690,607</u>
Accounts receivable, net	366,309	586,217
Prepaid expenses	809,057	761,939
Property and equipment, net	10,279,924	7,066,052
Deposits	130,384	177,492
	<u>\$ 42,658,962</u>	<u>\$ 41,898,046</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,172,075	\$ 1,396,111
Due to ICANN	122,220	112,152
Due to NRO	244,439	-
Deferred revenue	6,692,871	7,063,644
Deferred rent	2,150,213	147,836
Total liabilities	<u>11,381,818</u>	<u>8,719,743</u>
Commitments (Notes 4, 5 and 6)		
Net assets:		
Unrestricted	<u>31,277,144</u>	<u>33,178,303</u>
	<u>\$ 42,658,962</u>	<u>\$ 41,898,046</u>

See notes to financial statements.

American Registry for Internet Numbers, Ltd.

Statements of Activities

Years Ended December 31, 2016 and 2015

	2016	2015
Revenue and support:		
Registrations	\$ 14,809,470	\$ 14,587,900
Maintenance fees	2,467,699	2,288,800
IP end-user registrations	150,250	668,500
Contributions	246,438	241,716
Network transfers	568,000	276,500
Membership dues	28,464	34,000
Other revenue	7,053	4,542
Total revenue and support	18,277,374	18,101,958
Operating expenses:		
Program services:		
Engineering	12,053,375	9,172,969
Member services	4,154,938	3,839,166
Registration services group	3,204,065	2,620,380
Total program services	19,412,378	15,632,515
Support services:		
General and administrative	2,524,679	2,407,455
Total operating expenses	21,937,057	18,039,970
Change in net assets before investment activities	(3,659,683)	61,988
Realized and unrealized gain (losses) on investments	1,060,701	(1,200,897)
Interest and dividends	697,823	1,106,237
Change in net assets	(1,901,159)	(32,672)
Unrestricted net assets, beginning of year	33,178,303	33,210,975
Unrestricted net assets, end of year	\$ 31,277,144	\$ 33,178,303

See notes to financial statements.

American Registry for Internet Numbers, Ltd.

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,901,159)	\$ (32,672)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,153,262	2,735,164
Realized and unrealized (gains) losses in investments	(1,060,701)	1,200,897
Loss (gain) on disposal of property and equipment	314	(232)
Increase in allowance for doubtful accounts	1,750	34,000
Loss on lease termination	476,489	-
Deferred rent	132,166	(31,352)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	218,158	(158,821)
Prepaid expenses	(47,118)	(271,069)
Deposits	47,108	(76,123)
Increase (decrease) in:		
Accounts payable and accrued expenses	299,475	183,184
Due to ICANN	10,068	(311)
Due to NRO	244,439	(76,442)
Deferred revenue	(370,773)	311,649
Net cash provided by operating activities	1,203,478	3,817,872
Cash flows from investing activities:		
Property and equipment acquisitions	(4,497,437)	(3,962,823)
Proceeds from the sale of equipment	200	317
Proceeds from the sale of investments	9,674,553	14,378,332
Purchase of investments	(7,201,011)	(15,397,477)
Net cash used in investing activities	(2,023,695)	(4,981,651)
Net decrease in cash and cash equivalents	(820,217)	(1,163,779)
Cash and cash equivalents:		
Beginning	1,615,739	2,779,518
Ending	\$ 795,522	\$ 1,615,739
Supplemental schedule of noncash investing activities:		
Property and equipment acquired under tenant allowance	\$ 1,930,153	\$ -

See notes to financial statements.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: American Registry for Internet Numbers, Ltd. (ARIN) was established on August 28, 1997, and began operations on December 22, 1997. ARIN, a nonprofit member-based organization, supports the operation of the Internet through the management of Internet number resources throughout its service region; which is Canada, the United States and several islands in the Caribbean Sea and North Atlantic Ocean. ARIN coordinates the development of policies by the community for the management of Internet Protocol (IP) number resources and advances the Internet through information and educational outreach.

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, where unconditional support is recognized when received, revenues are recognized when earned and expenses are recognized when incurred.

A summary of ARIN's significant accounting policies is as follows:

Basis of presentation: The accompanying financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). ARIN reports information regarding its financial position and activities according to the existence or absence of externally (donor) imposed restrictions into three classes of net assets. The net asset classes are: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. ARIN had no temporarily or permanently restricted net assets at December 31, 2016 and 2015.

The Board of Trustees has designated net assets for the following purposes:

Legal defense reserve fund: Funds legal challenges as they arise. At December 31, 2016 and 2015, the legal defense reserve fund totaled \$2,114,269 and \$2,092,660, respectively.

Operating reserve fund: Provides short-term financial stability for ARIN. At December 31, 2016 and 2015, the operating reserve fund totaled \$4,194,312 and \$2,777,982, respectively.

Long-term reserve fund: Provides long-term financial stability for ARIN. At December 31, 2016 and 2015, the long-term reserve fund totaled \$23,969,185 and \$26,819,965, respectively.

Cash and cash equivalents: For the purposes of the statements of cash flows, ARIN considers all highly liquid instruments purchased with an original maturity of three months or less and available for general operating purposes to be cash equivalents. Cash accounts maintained in brokerage accounts are subject to Board of Trustees' approval and are not considered as cash and cash equivalents.

Financial risk: ARIN maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. ARIN has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash.

ARIN invests in a portfolio that contains cash, exchange traded funds, mutual funds, money market funds and certificates of deposit. Such investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: ARIN includes in investments all accounts, including cash equivalents and money market funds, which are managed by investment advisors. Investments are recorded at fair market value, and realized and unrealized gains and losses are reported in the accompanying statements of activities.

Accounts receivable: Accounts receivable consist of registration fees and are recorded at original invoice less an estimate made for doubtful receivables. Management determines the allowance for doubtful receivables by regularly evaluating individual customer receivables. Receivables are written off when deemed uncollectible. At December 31, 2016 and 2015, management established an allowance in the amount of \$78,500 and \$76,750, respectively.

Property and equipment: ARIN capitalizes all property and equipment purchased of \$1,000 or more at cost. Expenditures for additions, renewals and improvements are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of property, the cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Leasehold improvements are amortized over the shorter of the expected useful life of the improvement or the remaining lease term. Depreciation of property and equipment is provided for using the straight-line method over the estimated useful life of the assets which range from three to five years.

ARIN expenses preliminary project stage costs as incurred. Capitalized applications stage software costs are amortized over five years using the straight-line method. Post-implementation and operation stage costs are expensed as incurred.

Impairment of long-lived assets: ARIN reviews long-lived assets and certain identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. As of December 31, 2016 and 2015, management has determined that there has been no impairment in the carrying value of long-lived assets reflected in the accompanying financial statements.

Deferred rent: ARIN's lease for office space includes escalations of the base rent. Rent expense is recorded on a straight-line basis over the entire lease term. The deferred rent liability recorded in the accompanying statement of financial position represents the cumulative difference between the monthly rent expense and rent paid. ARIN's office leases provide for certain incentives in the form of a landlord improvement allowance provided for leasehold improvements. This benefit is being amortized on a straight-line basis over the life of the lease.

Deferred revenue: Payments received in advance of the period in which it is earned is deferred to subsequent periods. Deferred revenue is comprised principally of registration fees received in advance.

Income taxes: ARIN is a qualifying nonprofit organization as defined in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal income taxes. ARIN did not have any unrelated business income the years ended December 31, 2016 and 2015. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Management evaluated ARIN's tax positions and concluded that ARIN had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, ARIN is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2013.

Revenue recognition: Registration revenue of Autonomous System Number (ASN) and IP registrations are recognized in the applicable period. Resources are not issued until payment is received.

Both initial and renewal registration revenue are recognized in the corresponding period in which the services are rendered.

Fees for maintenance and administration of the addresses are recognized as revenue when received.

Membership dues are recorded as revenue in the applicable period to which the membership applies.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give are recognized as revenue or gains in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Functional allocation of expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Expenses are charged to each program based on direct expenditures incurred. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain management and staff expenses have been allocated to programs on a percentage basis.

Recent accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-05 is effective for annual periods beginning after December 15, 2017, with early adoption permitted. ARIN is currently evaluating the impact the adoption of this guidance will have on its financial statements.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. ARIN is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In May 2014, the 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. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. ARIN has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Subsequent events: In preparing these financial statements, ARIN has evaluated subsequent events through May 11, 2017, which is the date the financial statements were available to be issued.

Note 2. Investments and Fair Value Measurements

In accordance with the FASB ASC guidance, Fair Value Measurement, ARIN has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and mutual funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, government obligations and over-the-counter derivatives.

Level 3: These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

Exchange traded, mutual funds and money market funds: Valued at quoted market prices in active markets for identical assets, and therefore classified as Level 1 assets.

Certificates of deposit: Valued at market prices based upon observable inputs such as interest rates, and therefore classified as Level 2 assets.

The following table sets forth by level, within the fair value hierarchy, ARIN's assets at fair value at December 31, 2016:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Bond fund	\$ 6,220,397	\$ -	\$ -	\$ 6,220,397
Growth funds	5,154,752	-	-	5,154,752
Foreign blended funds	3,749,288	-	-	3,749,288
U.S. blended funds	2,243,171	-	-	2,243,171
Multialternative	1,086,697	-	-	1,086,697
Bank loan	1,010,277	-	-	1,010,277
	<u>19,464,582</u>	<u>-</u>	<u>-</u>	<u>19,464,582</u>
Equity exchange traded funds	4,497,528	-	-	4,497,528
Money market funds	291,147	-	-	291,147
Certificates of deposit	-	3,128,721	-	3,128,721
	<u>\$ 24,253,257</u>	<u>\$ 3,128,721</u>	<u>\$ -</u>	<u>\$ 27,381,978</u>

The table below reconciles total investments to the statement of financial position at December 31, 2016:

Investments held at fair value	\$ 27,381,978
Investments held at cost	2,895,788
	<u>\$ 30,277,766</u>

Cash accounts maintained in brokerage accounts totaling \$2,895,788 are not included in the above table, because they are recorded at cost.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 2. Investments and Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, ARIN's assets at fair value at December 31, 2015:

Description	Level 1	Level 2	Level 3	Total
Mutual funds:				
Growth funds	\$ 10,623,777	\$ -	\$ -	\$ 10,623,777
Bond fund	6,599,973	-	-	6,599,973
U.S. blended funds	1,651,471	-	-	1,651,471
Foreign blended funds	704,543	-	-	704,543
Bank loan	1,082,110	-	-	1,082,110
Multialternative	1,201,171	-	-	1,201,171
	<u>21,863,045</u>	-	-	<u>21,863,045</u>
Equity exchange traded funds	4,969,303	-	-	4,969,303
Certificates of deposit	-	3,687,676	-	3,687,676
Money market funds	689,564	-	-	689,564
	<u>\$ 27,521,912</u>	<u>\$ 3,687,676</u>	<u>\$ -</u>	<u>\$ 31,209,588</u>

The table below reconciles total investments to the statement of financial position at December 31, 2015:

Investments held at fair value	\$ 31,209,588
Investments held at cost	481,019
	<u>\$ 31,690,607</u>

Cash accounts maintained in brokerage accounts totaling \$481,019 are not included in the above table because they are recorded at cost.

Note 3. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2016 and 2015, are as follows:

	2016	2015
Database	\$ 14,280,089	\$ 11,581,848
Computer equipment	6,219,311	5,857,438
Computer software	810,026	779,149
Furniture and fixtures	816,630	319,340
Office equipment	66,640	66,640
Software (in process)	590,091	517,942
Leasehold improvements	3,085,890	982,626
	<u>25,868,677</u>	<u>20,104,983</u>
Less accumulated depreciation and amortization	15,588,753	13,038,931
	<u>\$ 10,279,924</u>	<u>\$ 7,066,052</u>

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 4. Retirement Plan

ARIN has a 401(k) retirement plan, which is available to all employees within their first month of hire. ARIN makes a discretionary matching contribution equal to 200% of the first 3% of salary deferred and 100% of the next 3% deferred. Total retirement plan contribution for 2016 and 2015 was \$1,110,123 and \$897,678, respectively.

Note 5. Related Party Transactions

ARIN is provided internet numbers for distribution by the Internet Corporation for Assigned Names and Numbers (ICANN). ARIN pays ICANN a voluntary contribution based on ARIN's fees collected and resources allocated. During 2016 and 2015, ARIN paid ICANN \$254,507 and \$223,993, respectively.

On October 24, 2003, the four Regional Internet Registries (RIRs) and ARIN, along with Asia Pacific Registry (APNIC), Latin American Registry (LACNIC) and European Registry (RIPE NCC), entered into a memorandum of understanding to form the Number Resource Organization (NRO). In April 2005, ICANN recognized the African Registry (AfriNIC) as the fifth RIR in the world. Until 2004, number resources were managed in Africa by the RIPE NCC, ARIN and APNIC.

The purpose of the NRO is to undertake joint activities of the RIRs, including joint technical projects, liaison activities and policy coordination. The NRO Executive Council consists of one person selected by each RIR. NRO expenses are borne by the RIR signatories on an equal basis of each RIR, unless specifically superseded by a specific or general per capita agreement by the NRO Executive Council. RIRs may donate funds, personnel, services and equipment to the NRO at their individual discretion in addition to the provisions for cost sharing. ARIN's contribution to finance the operations of NRO for 2016 and 2015 were \$244,448 and \$128,156, respectively.

Note 6. Commitments

Lease commitments: ARIN has a lease (old lease) for old office space in Chantilly, Virginia under an operating lease expiring in January 2019, with a current base monthly rental payment of \$20,959. The base rent is subject to an annual escalation percentage of 3% and increases in its proportionate share of operating expense. Deferred rent was recorded in relation to the escalating lease payments. Also, ARIN had utilized \$162,475 of the tenant improvement allowances provided by the old lease. ARIN vacated the space during the year ended December 31, 2016. At the cease use date, August 1, 2016, ARIN recorded a loss of \$476,489 associated with the old lease exit costs, which included the write-off of deferred rent liability and tenant improvement allowances. As of December 31, 2016, the remaining liability of \$427,217 is included with accounts payable and accrued expenses in the accompanying statements of financial position. Subsequent to year-end, ARIN terminated the lease for their old office space with an effective date of May 1, 2017.

During December 2015, ARIN entered into a new lease agreement (new lease) for new office space in Chantilly, Virginia. The new lease commenced in August 2016 and expires in January 2028, with a base monthly rental payment of \$54,579. Rent payments commence on the one-year anniversary of the lease commencement date. The base rent is subject to an annual escalation percentage of 2.5% and increases in its proportionate share of operating expense. Deferred rent is recorded in relation to the escalating lease payments. The lease provides two optional renewal terms of five years each. As of December 31, 2016, ARIN utilized \$1,930,153 of the tenant improvement allowances provided by the lease. This allowance is included with property and equipment in the accompanying statement of financial position and is being amortized over the life of the lease. A deferred rent liability is recorded on the statement of financial position in relation to the tenant improvement allowance and escalating lease payments.

American Registry for Internet Numbers, Ltd.

Notes to Financial Statements

Note 6. Commitments (Continued)

Future minimum lease payments for the years ending December 31, are as follows:

Years ending December 31:	
2017	\$ 397,003
2018	678,336
2019	695,244
2020	712,667
2021	730,496
Thereafter	<u>4,005,527</u>
	<u>\$ 7,219,273</u>

Rent expense totaled \$357,059 and \$234,827 during 2016 and 2015, respectively.

Severance agreement commitments: ARIN provides various severance plans to employees within various levels of the organization under specific conditions and for various time periods up to 12 months.

Independent Auditor's Report on the Supplementary Information

To the Board of Trustees
American Registry for Internet Numbers, Ltd.
Chantilly, Virginia

We have audited the financial statements of American Registry for Internet Numbers, Ltd. (ARIN) as of and for the years ended December 31, 2016 and 2015, and have issued our report thereon, which contains an unmodified opinion on those financial statements as a whole. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information is presented for purposes of additional analysis, and is 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.

RSM US LLP

McLean, Virginia
May 11, 2017

American Registry for Internet Numbers, Ltd.

**Schedules of Operating Expenses
Years Ended December 31, 2016 and 2015**

	2016	2015
Salaries and employee benefits	\$ 10,864,414	\$ 9,092,160
Hiring costs	1,595	9,162
Personnel	10,866,009	9,101,322
Depreciation and amortization	3,153,262	2,735,164
Communications	879,810	831,152
Equipment support and licenses	571,265	451,348
Operations	4,604,337	4,017,664
Travel	1,261,450	1,091,478
General office	853,651	785,341
Outreach expense	329,307	380,603
Members meeting	482,672	433,380
Legal expense	295,991	758,999
Rent and occupancy	979,324	397,594
Consulting expense	295,856	270,661
General office and administrative	4,498,251	4,118,056
Internet research and support	1,180,692	182,182
ASO support and AC support	288,813	268,597
ICANN support	254,507	223,993
NRO	244,448	128,156
Internet support	1,968,460	802,928
	\$ 21,937,057	\$ 18,039,970