

**ARIN**  
**45**



***VIRTUAL MEETING***

# **Treasurer's Report**

***Nancy Carter***

# Treasurer's Report



- Finance Committee Update
- 2019 Audit and Financial Results
- 2020 Q1 Financial Results
- Investments
- Customer Growth

# Finance Committee Update



- 2020 Budget recommendation
- New scope for the committee in 2020
- 2019 Audit oversight
- Financial Statement review/approval
- Monitoring COVID-19 impacts
- Investment Policy Statement review

# 2019 Audit and Financial Results



- Audit of 2019 financial statement is complete
  - No audit adjustments
  - No auditor comments
  - Included adoption of ASC 606
    - *Revenue from Contracts with Customers*

# 2019 Financial Results



Statement of activities (in USD)	2019 Actual	2018 Actual	% Change	2019 Budget	% Variance
Revenue and support	20,304,032	19,725,613	3%	20,449,450	-1%
Operating expenses	21,473,119	22,165,731	-3%	22,696,811	-5%
<b>Operating loss</b>	<b>(1,169,087)</b>	<b>(2,440,118)</b>	<b>52%</b>	<b>(2,247,361)</b>	<b>48%</b>
Investment income (loss)	4,250,302	(1,426,703)	398%	1,425,100	198%
Accounting adjustment	(1,719,348)				
<b>Change in net assets</b>	<b>1,361,867</b>	<b>(3,866,821)</b>	<b>135%</b>	<b>(822,261)</b>	<b>266%</b>

- 2019 actual operating loss is below 2018 actual and 2019 budgeted loss
- Swing in value of Long Term Reserve Fund is driving year-over-year change in Net Assets

# Revenue and support



Revenue and support (in USD):	2019 Actual	2018 Actual	% Change	2019 Budget	% Variance
Registration maintenance fees	18,294,251	17,736,901	3%	18,558,200	-1%
Registration allocation and assignment fees	1,315,263	1,331,726	-1%	1,253,000	5%
Other revenues	694,518	656,986	6%	638,250	9%
<b>Total revenue and support</b>	<b>20,304,032</b>	<b>19,725,613</b>	<b>3%</b>	<b>20,449,450</b>	<b>-1%</b>

- Registration maintenance fees increased in 2019 due to a price increase in July 2018
- Registration maintenance fees below budget due to adjustment for the adoption of ASC 606

# Operating expenses



Operating expenses (In USD):	2019 Actual	2018 Actual	% Change
Salaries and employee benefits	11,676,434	12,441,550	-6%
Travel and member meetings	1,709,923	1,862,713	-8%
Telecommunications	935,468	902,537	4%
Maintenance and operations	616,662	624,515	-1%
Depreciation and amortization	3,502,069	3,517,550	0%
Facilities and general office	1,222,569	1,119,366	9%
Legal	450,078	544,162	-17%
ICANN and other internet support	524,171	447,419	17%
Consulting and professional service fees	588,452	495,995	19%
Outreach and public relations	247,293	209,924	18%
<b>Total operating expenses</b>	<b>21,473,119</b>	<b>22,165,731</b>	<b>-3%</b>

- 2018 Q4 staff reduction drove a decrease in 2019 salaries and employee benefits
- 2019 travel requests were reviewed and approved in a conservative manner to actively lower costs
- Increase in consulting and professional fees was driven by the bi-annual services audit of RSD and an increase in work in the Caribbean region

# Operating expenses



Operating expenses (In USD):	2019 Actual	2019 Budget	% Variance
Salaries and employee benefits	11,676,434	12,194,097	-4%
Travel and member meetings	1,709,923	1,974,420	-13%
Telecommunications	935,468	914,965	2%
Maintenance and operations	616,662	713,227	-14%
Depreciation and amortization	3,502,069	3,495,190	0%
Facilities and general office	1,222,569	1,296,996	-6%
Legal	450,078	450,000	0%
ICANN and other internet support	524,171	560,907	-7%
Consulting and professional service fees	588,452	760,509	-23%
Outreach and public relations	247,293	336,500	-27%
<b>Total operating expenses</b>	<b>21,473,119</b>	<b>22,696,811</b>	<b>-5%</b>

- While salary expense was on budget, several fringe benefit expenses were below budget in 2019
- 2019 travel requests were reviewed and approved in a conservative manner to actively lower costs
- 2019 consulting and professional fees was below budget due to a decrease in US lobbying activity and a delay in 2019 lobbying in CA



# Net assets



Change in net assets (In USD):	2019 Actual	2018 Actual	2017 Actual
<b>Net assets, January 1</b>	<b>27,416,270</b>	<b>31,283,091</b>	<b>31,277,144</b>
Net change in assets before adjustments	3,081,215	(3,866,821)	5,947
Accounting adjustment	(1,719,348)		
<b>Net assets, December 31</b>	<b>28,778,137</b>	<b>27,416,270</b>	<b>31,283,091</b>

- Adoption of ASC 606 resulted in a \$1.7M adjustment to net assets
- No effect on cash

# Operating expense coverage



Operating expense coverage (In USD)	2019 Actual	2018 Actual	2017 Actual
Operating expenses	21,473,119	22,165,731	21,446,049
Net assets, December 31	28,778,137	27,416,270	31,283,091
<b>Operating expense coverage percentage</b>	<b>134%</b>	<b>124%</b>	<b>146%</b>
<b>Number of Months Covered by net assets</b>	<b>16.1</b>	<b>14.8</b>	<b>17.5</b>

# 2020 Q1 Financial Results



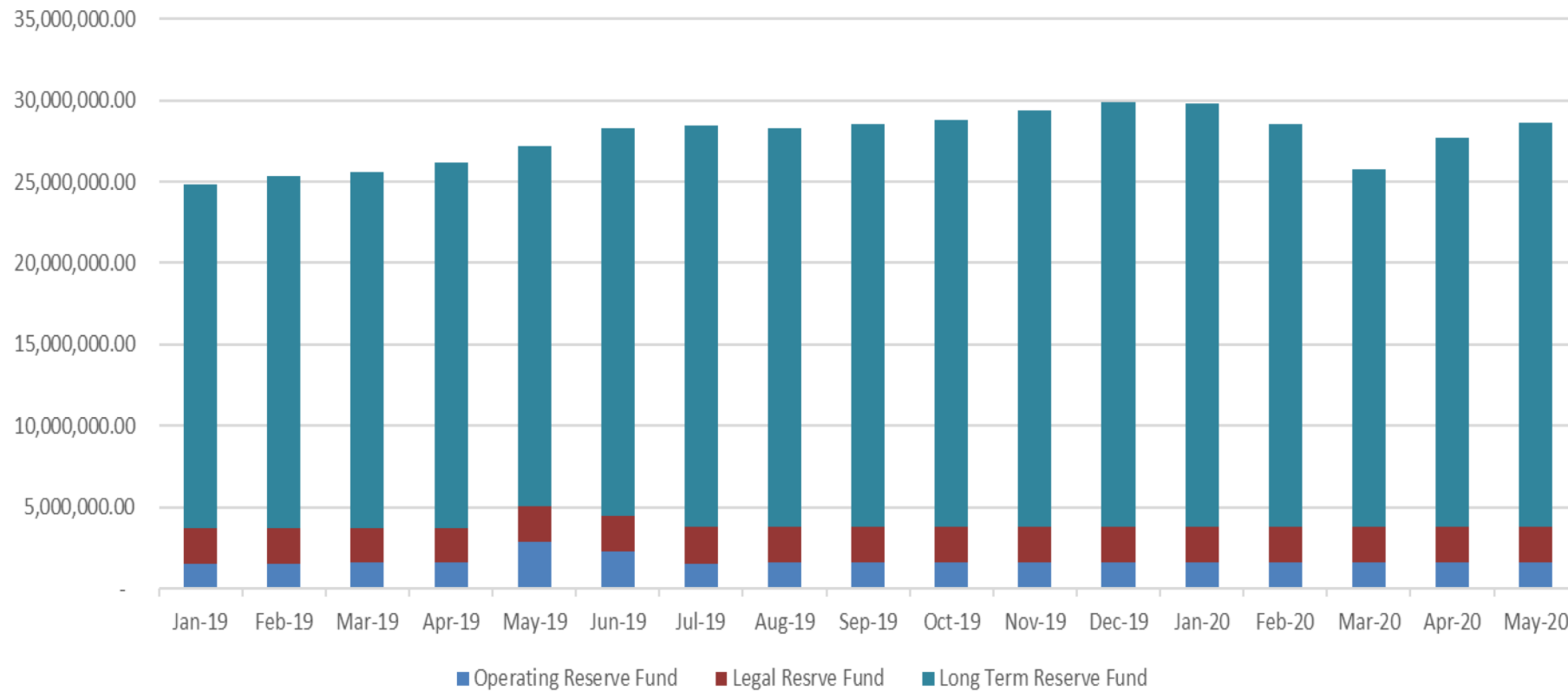
Statement of activities (In USD)	2020 Actual	2020 Budget	% Variance
Revenue and support	5,123,823	5,415,364	-5%
Operating expenses	5,341,978	5,494,004	-3%
<b>Operating loss</b>	<b>(218,155)</b>	<b>(78,640)</b>	<b>-177</b>
Investment income (loss)	(4,133,529)	330,750	-1350%
<b>Change in net assets</b>	<b>(4,351,684)</b>	<b>252,110</b>	<b>-1826%</b>

- Q1 revenues are not achieving budgeted growth
- Q1 operating expense is under budget due to lower travel expenses and no ARIN 45 in-person meeting
- Significant loss on investments in 2020 Q1

# Investment Funds



Total ARIN Investment Funds



- Total investments were \$28.6M at end of May
- Long Term Reserve Fund (LTRF) was \$24.8M at end of May
- LTRF has recovered \$4.7M in losses from a mid-March value of ~\$20.1M

# Total Customers



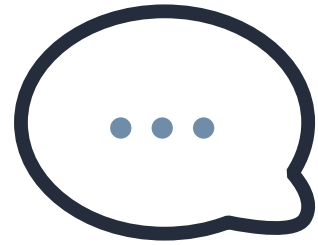
Size Category	2016	2017	2018	Sep-19	May-20	Growth since 2016
5X-Large	1	1	1	1	1	0%
4X-Large	6	6	7	8	7	17%
3X-Large	17	19	18	17	19	12%
2X-Large	26	29	31	31	30	15%
X-Large	85	84	81	81	84	-1%
Large	219	234	236	243	243	11%
Medium	544	545	577	587	572	5%
Small	1,078	1,140	1,235	1,328	1,352	25%
X-Small	1,896	2,117	2,337	2,521	2,603	37%
2X-Small	664	762	859	1,051	1,156	74%
3X-Small	99	149	210	275	361	265%
End Users	15,388	15,893	16,230	16,490	16,613	8%
Total Customers	20,023	20,979	21,822	22,633	23,041	15%

- Total customers: growth of 15% from 2016 to May 2020
- Highest growth categories shown in blue box

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**Thank you.**

Any Questions?



# Discussion

