



American Registry for Internet Numbers, Ltd.

Financial Statements Years Ended December 31, 2021 and 2020

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.



American Registry for Internet Numbers, Ltd.

Financial Statements
Years Ended December 31, 2021 and 2020

American Registry for Internet Numbers, Ltd.

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Independent Auditor's Report

Board of Trustees
American Registry for Internet Numbers, Ltd.
Centreville, Virginia

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of ARIN as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

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 ARIN's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's 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 auditor's 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 GAAS 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 the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 ARIN's 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 ARIN's 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.

BDO USA, LLP

McLean, Virginia
May 13, 2022

Financial Statements

American Registry for Internet Numbers, Ltd.

Statements of Financial Position

December 31,	2021	2020
Assets		
Cash and cash equivalents	\$ 2,356,179	\$ 2,712,844
Investments		
Legal defense reserve fund	-	2,226,447
Operating reserve fund	3,764,471	1,537,215
Long-term reserve fund	31,517,292	28,047,109
Total investments	35,281,763	31,810,771
Accounts receivable, net	907,766	970,306
Prepaid expenses	349,750	505,177
Property and equipment, net	4,414,706	4,543,132
Deposits	288,409	117,166
Total assets	\$ 43,598,573	\$ 40,659,396
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,931,100	\$ 1,586,725
Due to ICANN	105,659	100,392
Due to APNIC	-	72,455
Deferred revenue	10,629,176	9,647,917
Deferred rent	1,509,166	1,748,575
Total liabilities	14,175,101	13,156,064
Commitments and contingencies (Note 8)		
Net assets		
Net assets without donor restrictions	29,423,472	27,503,332
Total net assets	29,423,472	27,503,332
Total liabilities and net assets	\$ 43,598,573	\$ 40,659,396

See accompanying notes to the financial statements.

American Registry for Internet Numbers, Ltd.

Statements of Activities

<i>Years Ended December 31,</i>	2021	2020
Revenue and support		
Registration maintenance fees	\$ 19,243,385	\$ 18,757,637
Registration allocation and assignment fees	1,466,264	1,495,204
Network transfers	318,300	346,200
Contributions	450,500	201,600
Other revenue	54,890	50,762
Total revenue and support	21,533,339	20,851,403
Operating expenses		
Program services:		
Engineering	10,553,714	9,658,875
Member services	1,961,704	2,287,668
Registration and services group	4,727,672	3,809,931
Government Affairs Group	1,021,319	1,338,237
Total program services	18,264,409	17,094,711
Support services		
General and administrative	4,793,082	4,298,123
Total operating expenses	23,057,491	21,392,834
Change in net assets before investment return, net	(1,524,152)	(541,431)
Investment return, net	3,444,292	3,917,994
Change in net assets	1,920,140	3,376,563
Net assets, beginning of the year	27,503,332	24,126,769
Net assets, end of the year	\$ 29,423,472	\$ 27,503,332

See accompanying notes to the financial statements.

American Registry for Internet Numbers, Ltd.

Statement of Functional Expenses

Year Ended December 31, 2021	Program Services					Support Services		Total
	Engineering	Member Services	Registration Services Group	Government Affairs Group	Subtotal Program Services	General and Administrative		
Salaries and employee benefits	\$ 6,483,825	\$ 1,389,192	\$ 3,548,992	\$ 699,933	\$ 12,121,942	\$ 3,924,979	\$ 16,046,921	
Travel	53,887	24,215	34,163	3,263	115,528	-	115,528	
Members meeting	61,626	93,010	-	150	154,786	-	154,786	
Telecommunications	57,739	12,207	26,523	2,051	98,520	19,879	118,399	
Engineering operations	1,719,653	293	837	84	1,720,867	858	1,721,725	
Depreciation and amortization	793,391	142,403	406,867	40,687	1,383,348	325,494	1,708,842	
Rent and occupancy	254,735	45,722	130,633	13,063	444,153	104,507	548,660	
General office	372,011	68,465	234,809	23,203	698,488	151,733	850,221	
Legal	269,384	48,351	138,146	13,815	469,696	110,517	580,213	
ICANN support	115,172	20,672	59,062	5,906	200,812	-	200,812	
Internet support	147,988	76,562	75,891	7,589	308,030	-	308,030	
Professional services	224,303	25,112	71,749	201,575	522,739	155,115	677,854	
Outreach and public relations	-	15,500	-	10,000	25,500	-	25,500	
	\$ 10,553,714	\$ 1,961,704	\$ 4,727,672	\$ 1,021,319	\$ 18,264,409	\$ 4,793,082	\$ 23,057,491	

See accompanying notes to the financial statements.

American Registry for Internet Numbers, Ltd.

Statement of Functional Expenses

Year Ended December 31, 2020	Program Services					Support Services		Total
	Engineering	Member Services	Registration Services Group	Government Affairs Group	Subtotal Program Services	General and Administrative		
Salaries and employee benefits	\$ 5,943,142	\$ 1,520,943	\$ 2,751,798	\$ 879,931	\$ 11,095,814	\$ 3,508,629	\$ 14,604,443	
Travel	107,274	48,306	76,916	59,030	291,526	4,790	296,316	
Members meeting	11,690	9,175	-	-	20,865	-	20,865	
Telecommunications	45,480	11,439	16,881	6,430	80,230	14,147	94,377	
Engineering operations	1,426,460	-	-	-	1,426,460	-	1,426,460	
Depreciation and amortization	798,041	215,687	366,667	64,706	1,445,101	323,529	1,768,630	
Rent and occupancy	249,465	67,423	114,619	20,227	451,734	101,134	552,868	
General office	423,374	107,129	216,350	33,712	780,565	159,221	939,786	
Legal	222,806	60,218	102,370	18,065	403,459	90,328	493,787	
ICANN support	103,283	27,914	47,454	8,376	187,027	-	187,027	
Internet support	98,921	126,734	45,450	8,021	279,126	-	279,126	
Professional services	228,939	63,130	71,406	207,001	570,476	96,345	666,821	
Outreach and public relations	-	29,570	20	32,738	62,328	-	62,328	
	\$ 9,658,875	\$ 2,287,668	\$ 3,809,931	\$ 1,338,237	\$ 17,094,711	\$ 4,298,123	\$ 21,392,834	

See accompanying notes to the financial statements.

American Registry for Internet Numbers, Ltd.

Statements of Cash Flows

Years Ended December 31,	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,920,140	\$ 3,376,563
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,708,842	1,768,630
Realized and unrealized gain on investments	(2,860,108)	(2,928,297)
Loss on disposal of property and equipment	902	470
(Decrease) increase in allowance for doubtful accounts	(20,296)	50
Change in assets and liabilities		
(Increase) decrease in:		
Accounts receivable	82,836	(490,927)
Prepaid expenses	155,427	171,051
Deposits	(171,243)	(236)
Increase (decrease) in:		
Accounts payable and accrued expenses	344,375	(193,307)
Due to ICANN	5,267	(13,758)
Due to APNIC	(72,455)	(37,864)
Deferred revenue	981,259	181,959
Deferred rent	(239,409)	(221,579)
Net cash provided by operating activities	1,835,537	1,612,755
Cash flows from investing activities:		
Property and equipment acquisitions	(1,581,318)	(1,377,036)
Proceeds from the sale of equipment	-	425
Proceeds from the sale of investments	30,083,993	9,443,117
Purchase and reinvestments of investments	(30,694,877)	(8,432,813)
Net cash used in investing activities	(2,192,202)	(366,307)
Net (decrease) increase in cash and cash equivalents	(356,665)	1,246,448
Cash and cash equivalents, beginning of year	2,712,844	1,466,396
Cash and cash equivalents, end of year	\$ 2,356,179	\$ 2,712,844

See accompanying notes to the financial statements.

American Registry for Internet Numbers, Ltd.

Notes to the Financial Statements

1. Organization

American Registry for Internet Numbers, Ltd. (ARIN) was established on August 28, 1997, and began operations on December 22, 1997. ARIN, a not-for-profit 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.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables and other liabilities. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of presentation

ARIN follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) ASC 958-205, *Not-for-Profit Entities*. As required by the Not-for-Profit Entities Topic of the Codification, ARIN is required to report 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.

Cash and cash equivalents

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 reported with investments.

Investments

Investments consist of a hedge fund, mutual funds, equity exchange traded funds, money market funds, and certificates of deposit. 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 values as determined by quoted market prices from established exchanges. Investments in fund-of-funds for which a fair market value may not be readily determinable, are carried at net asset value (NAV) as reported by the fund manager and validated by ARIN. Interest and dividend income are accounted for on the accrual basis. Gains and losses on investments, including changes in market value, are reported in the accompanying statements of activities. Investment return, including interest, dividends, realized and unrealized gains (losses) on investments are presented net of investment expenses in the statements of activities.

American Registry for Internet Numbers, Ltd.

Notes to the Financial Statements

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. As of December 31, 2021 and 2020, management established an allowance in the amount of \$19,754 and \$40,050, respectively.

Property and equipment

ARIN capitalizes all property and equipment purchased with a cost of \$1,000 or more. 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 capitalizes certain costs related to the development of internal-use software. Costs incurred during the application development phase are capitalized only when ARIN believes it is probable the development will result in new or additional functionality. The types of costs capitalized during the application development phase include employee compensation. Costs related to the preliminary project stage and post-implementation activities are expensed as incurred. Internal-use software is amortized over five years using the straight-line method. When internal-use software that was previously capitalized is abandoned, the cost less the accumulated amortization, if any, is recorded as impairment expense. As of December 31, 2021 and 2020, management determined there has been no impairment in the carrying value of capitalized costs related to the development of internal-use software.

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 statements 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 also recognized in deferred rent and 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 performance obligations are satisfied are deferred to subsequent periods. Deferred revenue is comprised principally of registration fees received in advance.

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Net assets

ARIN's resources are classified for accounting and reporting purposes into net asset groups established according to their nature and purpose and based on the existence or absence of donor-imposed restrictions. Accordingly, ARIN classifies net asset groups as follows:

Net assets without donor restrictions

Undesignated net assets represent funds that are available for the support of ARIN's operations and are not subject to donor restrictions. The Board may designate net assets without donor restrictions at its discretion. There were no board-designated net assets as of December 31, 2021 and 2020.

Net assets with donor restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the restriction was restricted has been fulfilled or both. ARIN had no net assets with donor restrictions as of December 31, 2021 and 2020.

Revenue recognition

Registration allocation and assignment fees

Registration allocation and assignment fees are revenues received from Resource Services Plan (RSP) customers and End User customers for use of allocations and assignments of initial internet number resources throughout a 12-month term. In addition to the allocation and assignment of internet number resources, the ARIN systems offer many methods and tools for the customer to manage and secure their resource records. The initial allocation and assignment of internet resources permits the customer to use the resource records, the IP/ASN registry services and the resource management services for a 12-month period. ARIN's performance obligation exists and is determined to be satisfied evenly throughout the term using the output method. Therefore, revenue is deferred when payment is received and is then recognized equally over the 12-month period. Registration fees are collected in advance for a 12-month period. Use of the number resources does not start until payment is received. Payments are not refundable once service is initiated.

Registration maintenance fees

Registration maintenance fees are revenues received from RSP customers and End User customers for internet number resource services to be received subsequent to the initial registration service period. The annual registration maintenance fee allows customers continued use of the internet number resources, the IP/ASN registry services and the resource management services for an additional 12-month period. ARIN's performance obligation exists and is determined to be satisfied evenly throughout the term using the output method and therefore the revenue is recognized over time. Customers are billed annual registration maintenance service fees 60 days prior to their anniversary month. Revenue is deferred upon billing and is later recognized equally over the 12-month period beginning with the anniversary month.

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There are limited economic factors that would affect the nature, amount and timing of cash flows or uncertainty or revenue recognition as IP addresses are limited and in demand. ARIN did not have any impairment or credit losses on any receivables arising from contracts with customers. There are also no incremental costs of obtaining a contract and no significant financing components or variable considerations in pricing. Fixed fees are charged based on service category and IP block size.

Network transfers

Network transfer fees are charged for services performed to evaluate the appropriateness and legality of requested internet number resource transfers between community members. The network transfer evaluation service begins when payment is received and ends when the transaction ticket is closed. Revenue is recognized when the transfer evaluation service is completed at a point in time at which ARIN's performance obligation is completed.

Contributions

Unconditional contributions received are recorded as an increase in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions in the period acknowledged. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with a donor time and/or purpose restriction are reclassified to net assets without donor restriction reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions are reported as net assets without donor restriction when the restrictions are met in the same period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. There were no conditional contributions as of December 31, 2021 and 2020.

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of ARIN are reported as expenses of those functional areas. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of ARIN which are allocated among the program and supporting service categories based on headcount. These costs include, but are not limited to: certain management and staff expenses, general services, rent, as well as depreciation, interest and taxes.

Income taxes

ARIN is a qualifying not-for-profit organization as defined in Section 501(c)(6) of the Internal Revenue Code and is exempt from federal income taxes. 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. ARIN recognizes interest expense and penalties related to income taxes on uncertain tax positions in management and general expenses on the statements of activities and change in net assets and accounts payable and accrued expenses in the statements of financial position. No interest expense and penalties related to income taxes on uncertain tax positions were recognized for the years ended December 31, 2021 and 2020.

ARIN files income tax returns in the U.S federal jurisdiction. In accordance with FASB ASC 740, *Income Taxes*, ARIN recognizes tax liabilities for uncertain tax positions when it is more likely than

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not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. With a few exceptions, ARIN is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before fiscal year 2018. Management has evaluated ARIN's tax positions and has concluded that ARIN has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Financial instruments and credit risk

ARIN's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments, and accounts receivable. Non-interest-bearing bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) with a limit of \$250,000 per depositor as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, ARIN had cash and cash equivalents of approximately \$2.1 million and \$2.4 million, respectively, in excess of FDIC insured limits. ARIN has never experienced any losses related to these balances.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

Historically, ARIN has not experienced significant losses related to accounts receivable balances and, therefore, believes that the credit risk related to them is minimal.

Recent accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally using the straight-line method. The guidance is effective for ARIN for the fiscal year ending December 31, 2022. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use

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Notes to the Financial Statements

hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. Management is evaluating the effect that adoption of this new standard will have on ARIN's financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The ASU improves the transparency of contributed nonfinancial assets through enhancements to presentation and disclosures. The ASU requires that a nonprofit present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets. Information that shows the contributed nonfinancial assets disaggregated by category will be required to be disclosed. In addition, the ASU requires that for each type of contributed financial asset the following will be disclosed: (a) policy (if any) on liquidating rather than using the contributed nonfinancial assets, (b) qualitative considerations on whether the contributed nonfinancial assets were liquidated or used during the reporting period and, if used, a description of how the asset was employed should be included, (c) any donor imposed restrictions related to contributed nonfinancial assets, (d) valuation methods and inputs utilized to determine a fair value measure at initial recognition, and the principal and most advantageous market utilized to calculate fair value if it is a market in which the nonprofit is restricted by the donor from selling or utilizing the contributed nonfinancial assets. This ASU must be applied on a retrospective basis and is effective for the ARIN's fiscal year ending December 31, 2022. Management is evaluating the effect that adoption of this new standard will have on ARIN's financial statements.

Reclassification

Certain items in the 2020 information have been reclassified to conform to the current year presentation. This includes a reclassification of \$250,822 of expenses from general and administrative expenses to programmatic expenses. These reclassifications had no effect on previously reported change in net assets or net assets.

3. Investments and Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and provide highest quality inputs.

Level 2 inputs are based primarily on quoted prices for identical assets in inactive markets or similar assets in active or inactive markets or other significant observable inputs.

Level 3 inputs provide the lowest quality inputs because there are no significant observable inputs.

ARIN uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, ARIN measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Money market funds reported as Level 1 inputs have been valued at the closing price reported by the fund sponsor from an actively traded

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exchange. Exchange-traded funds have been valued at the closing price reported on the active market in which the individual securities are traded. Mutual funds have been valued based on the net asset value of shares held by ARIN as determined by quoted market prices at the end of the year. Certificates of deposit are valued at amortized cost based upon observable inputs, such as interest rates, which approximates fair value and are therefore classified as Level 2 assets. There have been no changes in the valuation methodologies during the current year.

ARIN has holdings within an alternative investment hedge fund which includes investments in both nonmarketable and market-traded securities. Given the absence of market quotations, the alternative investment fund is recorded at NAV which is estimated using information provided to ARIN by the investment manager. The value is based on estimates that require varying degrees of judgment.

The alternative investment may indirectly expose ARIN to the effects of securities lending, short sales of securities, and trading in futures and forward contracts, options, swap contracts, and other derivative products. While these financial instruments contain varying degrees of risk, ARIN's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in the investment. The financial statements of the investee are audited annually by nationally recognized independent auditors. Additionally, ARIN's investment advisor performs on-going due diligence of the fund which includes benchmarking and comparing the results of the fund to certain indexes. The investment advisor also has regular calls with management of the funds and meets periodically with the finance committee to discuss the performance of the funds.

ARIN does not directly invest in the underlying securities of the alternative investment fund and due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ significantly from reported values that are based on current conditions.

The alternative investment fund includes investments in funds of hedge funds which seek attractive risk-adjusted returns with diversification through the use of a multi-strategy philosophy. The fund has a notice period of 90 days, quarterly redemption frequency and no unfunded commitment as of December 31, 2021. There were no alternative investment funds for the year ended December 31, 2020.

ARIN has determined the fair value of certain assets through application of FASB ASC 820. Investments that are measured at fair value using NAV per share practical expedient have not been classified in the fair value hierarchy table below. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy table to the amounts presented in the statements of financial position.

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Notes to the Financial Statements

Fair values of investments measured on a recurring basis as of December 31, 2021 and 2020 are as follows:

	2021 Total	Level 1	Level 2	Level 3	NAV
Money Market funds	\$ 3,523,440	\$ 3,523,440	\$ -	\$ -	-
Exchange trade funds:					
Equities	1,312,586	1,312,586	-	-	-
Mutual Funds:					
Equities	10,117,609	10,117,609	-	-	-
Fixed income	14,054,384	14,054,384	-	-	-
Multi-strategy alternative funds	2,833,760	-	-	-	2,833,760
Total investments, at fair value	\$ 31,841,779	\$ 29,008,019	\$ -	\$ -	\$ 2,833,760

The table below reconciles total investments to the statement of financial position as of December 31, 2021:

Investments held at fair value	\$ 31,841,779
Investments held at cost	3,439,984
	\$ 35,281,763

Cash accounts maintained in brokerage accounts totaling \$3,439,984 are not included in the above table because they are recorded at cost.

	2020 Total	Level 1	Level 2	Level 3	NAV
Money market funds	\$ 1,086,357	\$ 1,086,357	\$ -	\$ -	-
Certificates of deposit	1,443,953	-	1,443,953	-	-
Exchange trade funds:					
Equities	6,665,862	6,665,862	-	-	-
Mutual funds:					
Equities	12,104,929	12,104,929	-	-	-
Fixed income	8,154,613	8,154,613	-	-	-
Alternative	1,121,224	1,121,224	-	-	-
Total investments, at fair value	\$ 30,576,938	\$ 29,132,985	\$ 1,443,953	\$ -	-

American Registry for Internet Numbers, Ltd.

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The table below reconciles total investments to the statement of financial position as of December 31, 2020:

Investments held at fair value	\$	30,576,938
Investments held at cost		1,233,833
	\$	31,810,771

Cash accounts maintained in brokerage accounts totaling \$1,233,833 are not included in the above table because they are recorded at cost.

Realized and unrealized (loss) gain on investments are reported net of related expenses, such as custodial, commission, and investment advisory fees. There were no internal management expenses for the years ended December 31, 2021 and 2020.

4. Accounts Receivable

The amounts due from accounts receivable as of December 31, 2021 and 2020, are as follows:

	2021	2020
Accounts receivable	\$ 927,520	\$ 1,010,356
Less allowance for doubtful accounts	(19,754)	(40,050)
Total accounts receivable, net	\$ 907,766	\$ 970,306

5. Property and Equipment

Property and equipment and accumulated depreciation as of December 31, 2021 and 2020, are as follows:

	2021	2020
ARIN online database	\$ 15,776,856	\$ 14,709,478
Computer equipment	6,181,119	5,819,560
Computer software	1,006,950	1,006,950
Furniture and fixtures	505,097	505,097
Office equipment	38,547	38,547
Leasehold improvements	2,353,189	2,348,632
	25,861,758	24,428,264
Less accumulated depreciation and amortization	(21,447,052)	(19,885,132)
	\$ 4,414,706	\$ 4,543,132

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$1,708,842 and \$1,768,630, respectively.

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6. 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 expense for 2021 and 2020 was \$1,277,586 and \$1,253,234, respectively.

7. Related Party Transactions

On October 24, 2003, the four Regional Internet Registries (RIR) entered into a memorandum of understanding to form the Number Resource Organization (NRO). The NRO memorandum was originally signed by ARIN, the Asia Pacific region registry (APNIC), the Latin American region registry (LACNIC) and the European region registry (RIPE NCC). The fifth RIR for the African region, AFRINIC, joined by signing the NRO memorandum of understanding in 2005.

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 2021 and 2020 were \$136,072 and \$72,455, respectively. These expenses are reflected within internet support expense in the statements of functional expenses.

The five Regional Internet Registries (RIRs) have an agreement with the Internet Corporation for Assigned Names and Numbers (ICANN) for the distribution of Internet numbers. Based on the NRO coordination function described above, the RIRs pay ICANN \$650,000 annually for this IANA registration services and an additional voluntary contribution of \$183,000 for a total of \$823,000 annually. This expense is allocated to each RIR on a pro-rated basis proportional to the RIRs total registration services fees. During 2021 and 2020, ARIN paid ICANN a total of \$200,812 and \$187,026, respectively. These expenses are reflected within ICANN support expense in the statements of functional expenses.

8. Commitments and Contingencies

Lease commitments

ARIN is obligated under various operating leases for office space and office equipment. ARIN entered into a lease agreement in December 2015 for office space in Chantilly, Virginia. The lease commenced in August 2016 and expires in January 2027 with a base monthly rental payment of \$54,579. Rent payments commenced 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. ARIN also utilized \$1,930,153 of the tenant improvement allowances provided by the lease. The leasehold improvements are included with property and equipment, net in the accompanying statements of financial position and is being amortized over

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the life of the lease. A deferred rent liability is recorded on the statements of financial position in relation to the tenant improvement allowance and escalating lease payments.

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

2022	\$	748,689
2023		767,395
2024		786,615
2025		806,349
2026		826,597
Thereafter		69,882
	\$	4,005,527

Rent expense totaled \$490,602 and \$521,759 during 2021 and 2020, respectively.

Future commitments

In 2016, ARIN's Board approved contributing up to \$2,000,000 to the Internet Engineering Task Force (IETF) Endowment, reflecting this strong commitment by the ARIN community to the Internet protocols and related work of the IETF. ARIN paid \$1,000,000 in 2016 and will make the additional \$1,000,000 payment at a future date, once all the Regional Internet Registry (RIRs) and the Internet Society determines such date and certain conditions are satisfied.

In 2015, the NRO Executive Council, which includes ARIN, entered into a formal commitment towards safeguarding the stability of the RIR system by establishing a Joint RIR Stability Fund. The Joint RIR Stability Fund is to guarantee the continued operation of all five RIRs and to ensure ongoing coordination support for the policy development communities of the five RIRs. ARIN's pledge of \$250,000 is only to be paid when certain conditions are satisfied.

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.

Contracts

ARIN has entered into agreements with various properties and service organizations for conference and meeting facilities in 2021 and beyond. Certain agreements contain various clauses whereby ARIN may be liable for damages in the event of cancellation or lower-than-anticipated attendance. Management of ARIN does not believe that any material losses will be incurred under any of these agreements.

Risks and uncertainties

ARIN's financial condition, operations and liquidity have not been significantly impacted by the global pandemic. The global pandemic of COVID-19 continues to rapidly evolve, and ARIN will continue to monitor the COVID-19 situation closely. Although ARIN cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse impact on ARIN's results of future operations, financial position, and liquidity in fiscal

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year 2022. Management continues to monitor the impact the COVID-19 pandemic could potentially have on its operations and financial position.

9. Net Assets Without Donor Restrictions

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available to finance the general operations of ARIN. The only limits on the use of net assets without donor restrictions are the purposes specified in ARIN's articles of incorporation and those limitations resulting from the nature of ARIN and the environment in which it operates.

10. Liquidity and Availability of Financial Assets

ARIN regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of December 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 2,356,179	\$ 2,712,844
Accounts receivable, net	907,766	970,306
Investments	35,281,763	31,810,771
Financial assets available to meet cash needs for general expenditures within one year	\$ 38,545,708	\$ 35,493,921

ARIN has various sources of liquidity at its disposal, including cash and cash equivalents, and long-term equity funds.

As part of liquidity management, ARIN may invest cash in excess of daily requirements in short-term investments. ARIN assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

11. Subsequent Events

ARIN has evaluated its December 31, 2021 financial statements for subsequent events through May 13, 2022, the date the financial statements were available to be issued. ARIN is not aware of any subsequent events which would require recognition or disclosure in the financial statements.