

# **Financial Report**

**Nancy Carter**



# Financial Report

- Finance Committee update
- Statement of Financial Position
- Statement of Activities
- Investments
- Net assets and operating expense coverage



# Financial Committee Update

- Finance committee meetings
  - Six committee meetings held during 2022 (through September)
- Main business items
  - Reviewed quarterly financial statements
  - Reviewed quarterly investment results
  - Met with auditors and reviewed 2021 financial statement audit results
  - Met with tax advisors and reviewed 2021 Form 990
  - Reviewed proposed policy for special projects using investment reserves
  - Discussed potential IETF Endowment Fund contribution
  - Held initial discussions of the 2023 ARIN budget

# Statement of Financial Position



	2022-Aug	2021-Aug	YoY Change \$	YoY Change %
<b>ASSETS</b>				
Cash	\$4,691,588	\$4,380,223	\$311,365	7%
Investments	\$31,783,373	\$35,281,031	-\$3,497,658	-10%
Property and equipment	\$4,560,722	\$4,364,105	\$196,617	5%
Other	\$1,762,057	\$1,278,762	\$483,295	38%
<b>TOTAL ASSETS</b>	<b>\$42,797,740</b>	<b>\$45,304,121</b>	<b>-\$2,506,381</b>	<b>-6%</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$2,297,184	\$1,921,222	\$375,962	20%
Equipment lease liabilities	\$229,207	\$0	\$229,207	100%
Deferred rent	\$1,341,028	\$1,592,464	-\$251,436	-16%
Deferred revenue	\$13,134,548	\$10,526,832	\$2,607,716	25%
<b>TOTAL LIABILITIES</b>	<b>\$17,001,967</b>	<b>\$14,040,518</b>	<b>\$2,961,449</b>	<b>21%</b>
<b>NET ASSETS</b>	<b>\$25,795,773</b>	<b>\$31,263,603</b>	<b>-\$5,467,830</b>	<b>-17%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$42,797,740</b>	<b>\$45,304,121</b>	<b>-\$2,506,381</b>	<b>-6%</b>

- Assets decreased \$2.5M driven by a \$3.5M decrease in investments
- Liabilities increased \$3.0M driven by a \$2.6M increase in deferred revenue
- Net Asset decreased \$5.5M; despite a 6% decrease, ARIN's financial position remains strong with \$25.8M in net assets

# Statement of Activities – YTD August



	2022 YTD	2021 YTD	% Change	2022 Budget	% Variance
<b>Revenue and Expenses</b>					
Total Revenue	\$16,000,411	\$14,261,205	12%	\$16,191,300	-1%
Total Expenses	\$16,129,719	\$13,971,195	15%	\$16,545,490	-3%
<b>Operating Surplus (Deficit)</b>	<b>-\$129,308</b>	<b>\$290,010</b>	<b>-145%</b>	<b>-\$354,190</b>	<b>-63%</b>
Investment Income (Loss)	-\$3,498,390	\$3,470,260	-201%	\$786,667	-545%
<b>Total Surplus (Deficit)</b>	<b>-\$3,627,698</b>	<b>\$3,760,270</b>	<b>-196%</b>	<b>\$432,477</b>	<b>-939%</b>

- Revenue is 12% ahead of prior year and tracking close to 2022 budget
- Expenses are 15% ahead of prior year but 3% below 2022 budget
- Investments losses are \$3.5M through Aug



# Total Revenues

	2022 YTD	2021 YTD	% Change	2022 Budget	% Variance
<b>Revenue</b>					
Registration fees - annual renewal	\$14,289,420	\$12,788,702	12%	\$14,500,000	-1%
Registration fees - initial	\$833,533	\$983,982	-15%	\$840,000	-1%
Network transfers	\$481,700	\$210,600	129%	\$392,000	23%
Org create and recovery	\$92,100	\$0	100%	\$174,700	-47%
Contributions	\$281,667	\$241,100	17%	\$266,667	6%
Other revenue	\$21,991	\$36,820	-40%	\$17,933	23%
<b>Total Revenues</b>	<b>\$16,000,411</b>	<b>\$14,261,205</b>	<b>12%</b>	<b>\$16,191,300</b>	<b>-1%</b>

- Renewal registration fees are 12% ahead of prior year and tracking close to 2022 budget
- Initial registration fees have decreased compared to 2021, but are consistent with budget expectations for 2022
- Transfer fees are ahead of both 2021 actual revenues and 2022 budget
- The new Org Create and Org Recovery revenues are below budget expectations



# Total Operating Expenses

	2022 YTD	2021 YTD	% Change	2022 Budget	% Variance
<b>Operating Expenses</b>					
Salaries and benefits	\$10,467,365	\$9,652,965	8%	\$10,731,592	-2%
Engineering operations	\$1,174,750	\$1,104,999	6%	\$1,175,364	0%
Depreciation and amortization	\$1,143,959	\$1,150,354	-1%	\$1,250,020	-8%
Professional fees	\$835,425	\$594,468	41%	\$811,104	3%
Travel	\$632,610	\$20,914	2925%	\$632,610	0%
Treasury and corporate insurance	\$519,843	\$493,439	5%	\$482,140	8%
Meeting expenses	\$395,296	\$15,530	2445%	\$336,250	18%
Outreach and industry support	\$391,926	\$377,444	4%	\$531,236	-26%
Rent and occupancy	\$387,111	\$394,439	-2%	\$397,182	-3%
General office expense	\$181,433	\$166,644	9%	\$197,993	-8%
<b>Total Operating Expenses</b>	<b>\$16,129,719</b>	<b>\$13,971,195</b>	<b>15%</b>	<b>\$16,545,490</b>	<b>-3%</b>

- Salaries and benefits continue to drive total operating expense
- A return to pre-COVID-19 meeting and travel behavior accounts for \$1.0M of the year-over-year increase in expenses
- Legal fees are driving a year-over-year increase in total professional fees
- Outreach expenses are running below the 2022 budget as we experience challenges returning to pre-COVID-19 schedule



# Investments

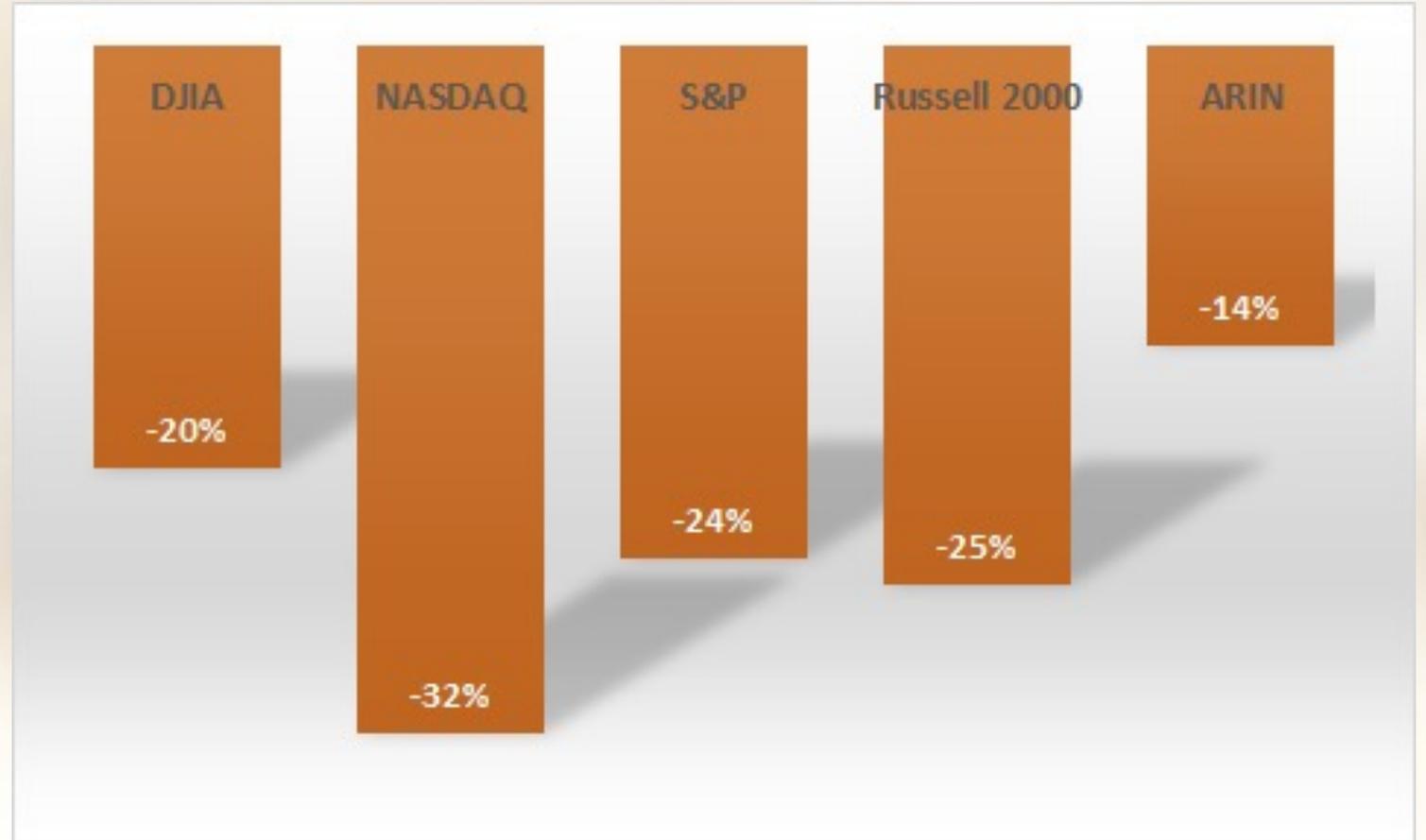
After several years of positive investment results, the ARIN portfolio has experienced a 14% decline in 2022...





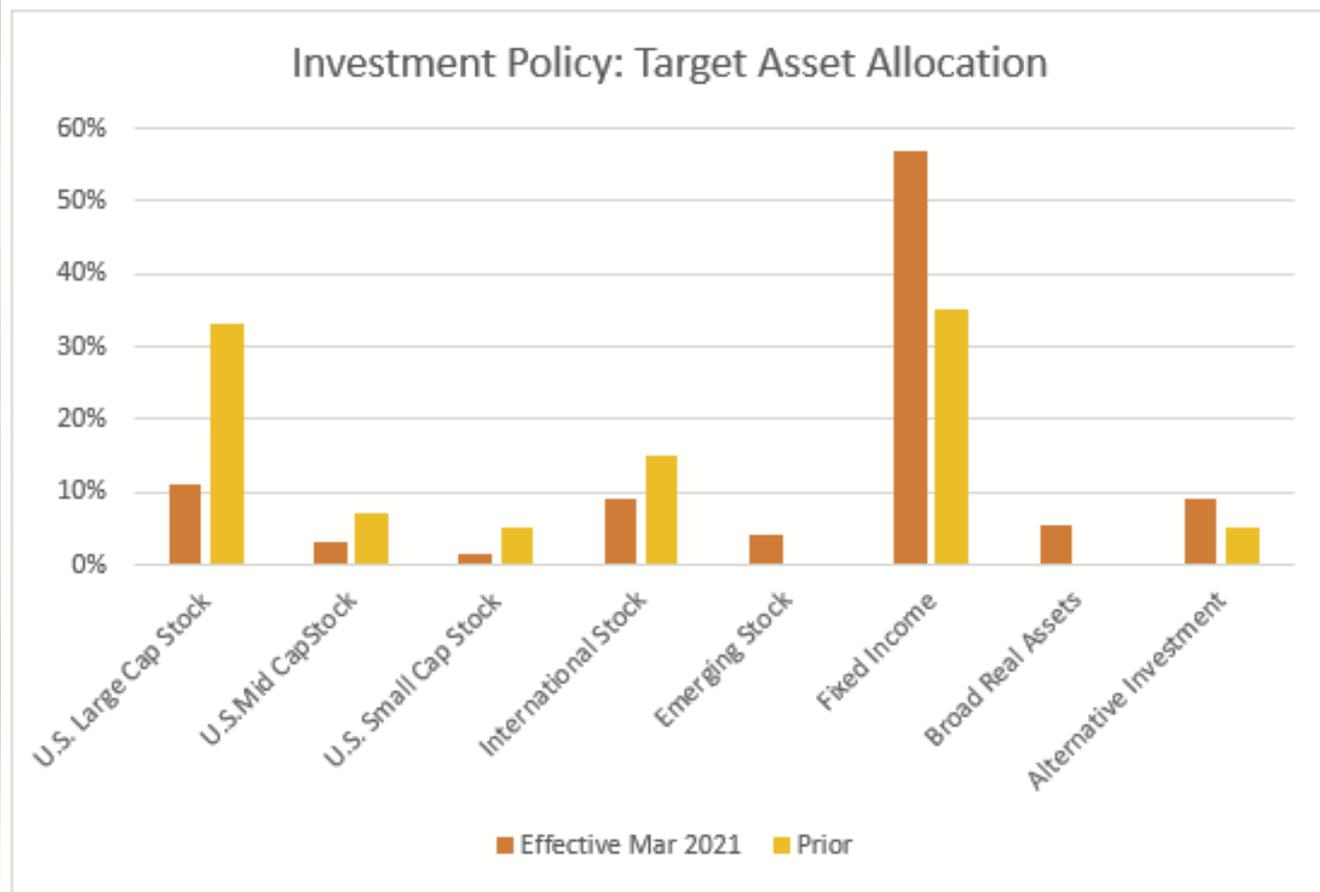
# Investments

...but our performance is better than the overall market





# Investments



## Revised Asset Allocation:

- Stocks 29%
- Fixed Income 57%
- Real Assets 6%
- Alternative 9%

Lower exposure to risk

Lower expected return



# Net Asset Coverage

	2022-Aug	2021-Dec	2020-Dec	2019-Dec
Net Assets	\$25,795,773	\$29,423,472	\$27,503,332	\$24,126,769
% of Net Assets Covered by Cash and Investments	141%	137%	126%	130%
Avg Monthly Operating Expenses	\$2,016,215	\$1,921,458	\$1,782,736	\$1,777,950
<b>Number of Months of Expenses covered by Net Assets</b>	<b>12.79</b>	<b>15.31</b>	<b>15.43</b>	<b>13.57</b>

- Net Assets coverage measure is adversely impacted by 2022 investment losses
- Available cash and investments of \$36.5M (141% of net assets on 31 August) puts ARIN's financial stability in a strong position

**Any Questions**



**Thank You**