



# ARIN Financial Report

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Nancy Carter | *Treasurer, ARIN Board of Trustees*





# Agenda

- Finance Committee update
- Financial Position
- Investments
- Operating Results
- Liquidity and Financial Assets
- Operating Reserves
- Long-term Financial Plan

# Finance Committee Update

- Finance Committee meetings
  - Seven meetings since ARIN 53
- Business items
  - Reviewed quarterly financial statements
  - Reviewed quarterly investment results with investment advisor
  - Reviewed and approved proposed ARIN Operating Reserve Target
  - Reviewed and approved ARIN proposed long-term financial strategy
  - Met with tax advisors and reviewed IRS Form 990, which has been approved by the Board and filed with the IRS
  - Reviewed and approved proposed 2025 operating budget
  - Approved the selection of CLA as new audit and tax service provider

# Financial Position

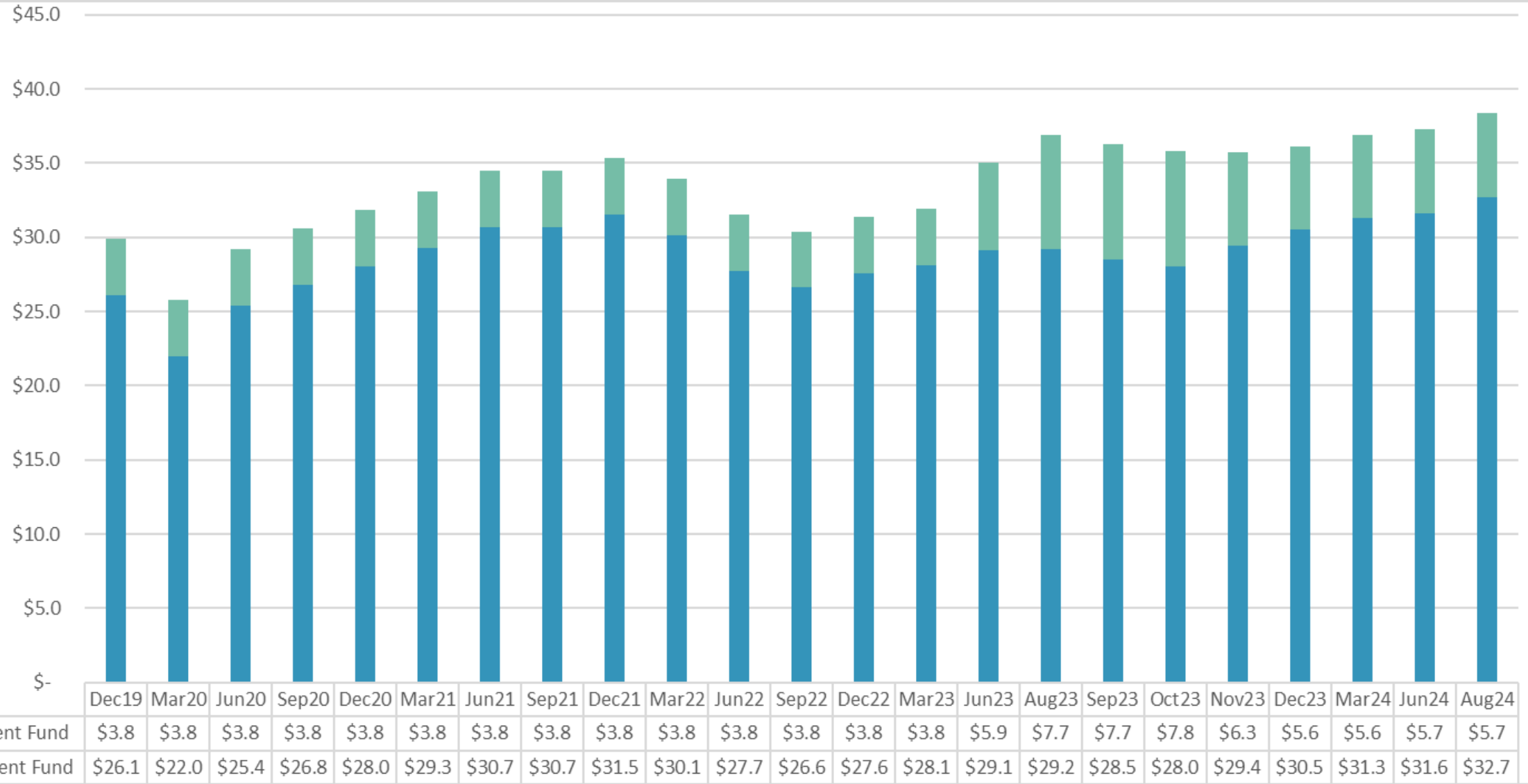


# Financial Position

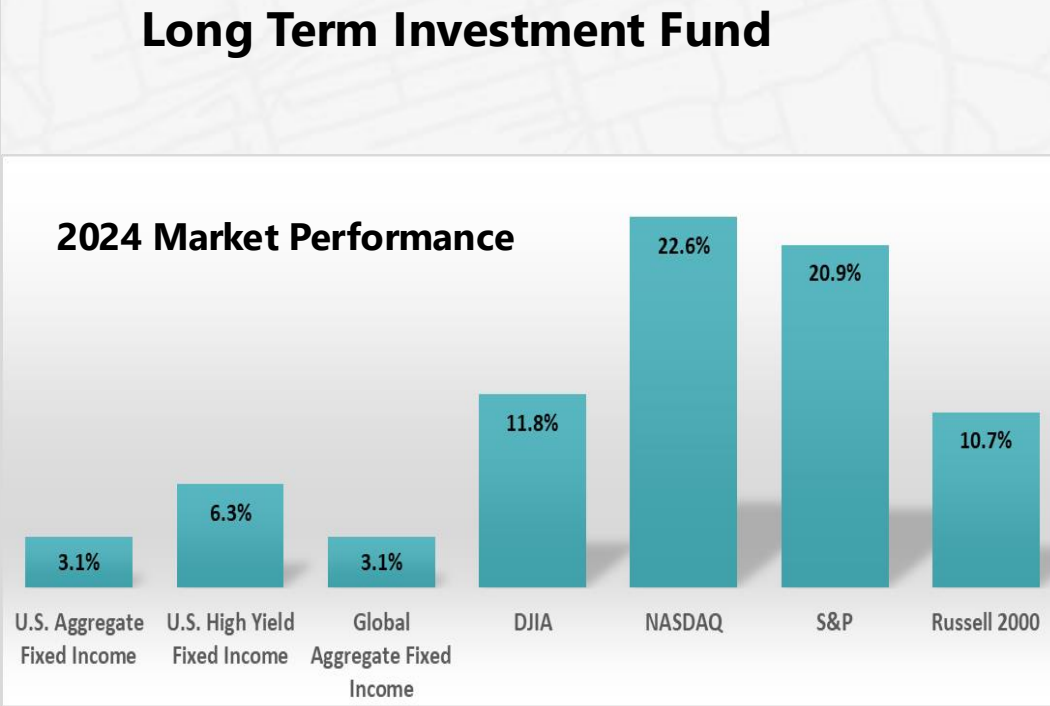
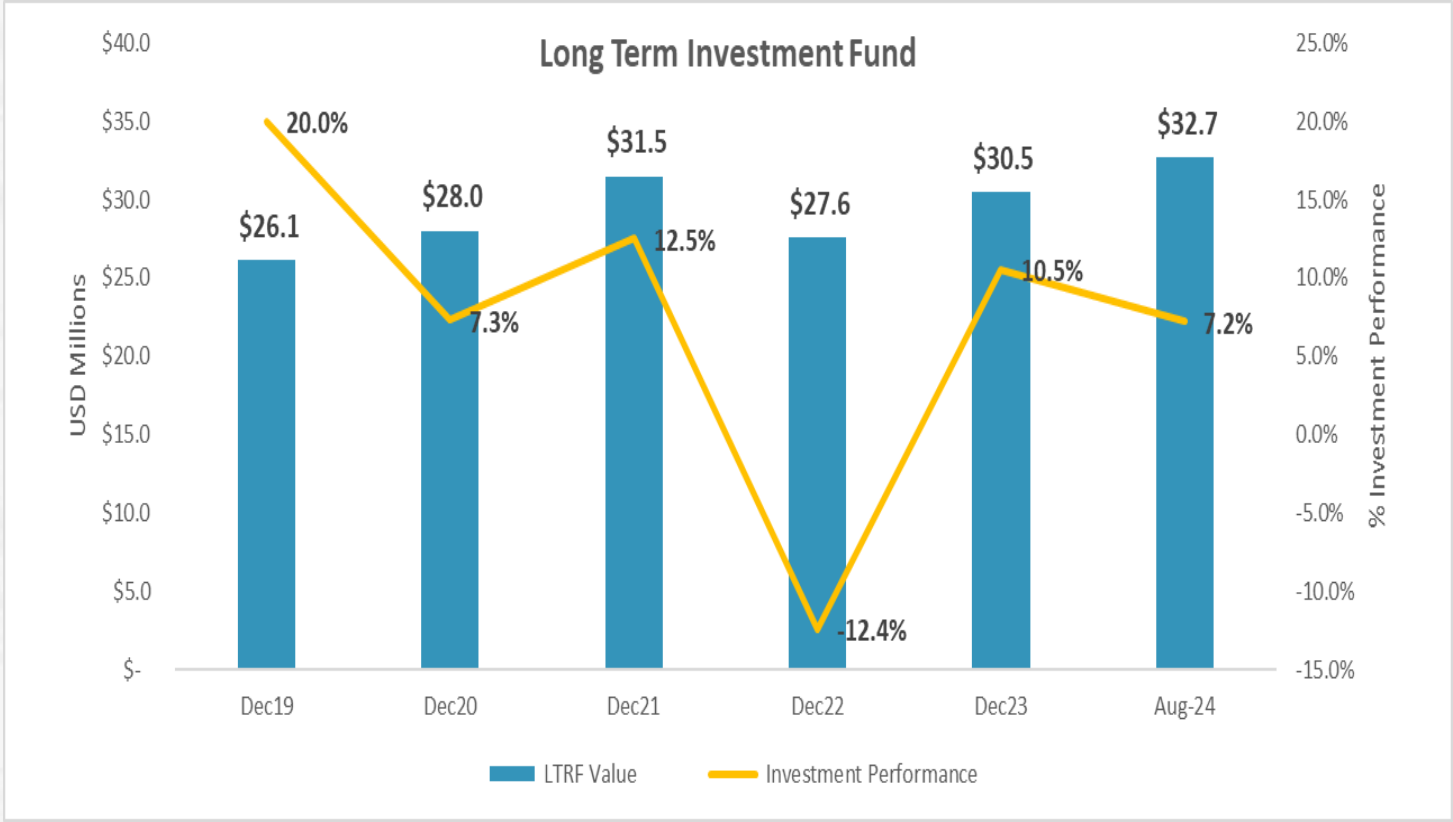
	2024-Aug	2023-Dec	Change \$	YOY Change %
<b>ASSETS</b>				
Cash	1,653,728	\$791,618	\$862,110	109%
Accounts receivable - customers	\$1,003,098	\$906,623	\$96,475	11%
Investments	\$38,431,076	\$36,092,643	\$2,338,433	6%
Property and equipment	\$3,431,037	\$3,582,973	-\$151,936	-4%
Lease right of use assets	\$2,210,621	\$2,650,404	-\$439,783	-17%
Other	\$1,098,379	\$1,060,557	\$37,822	4%
<b>TOTAL ASSETS</b>	<b>\$47,827,939</b>	<b>\$45,084,818</b>	<b>\$2,743,121</b>	<b>6%</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$3,787,204	\$3,804,561	-\$17,357	0%
Lease liabilities	\$2,998,219	\$3,596,789	-\$598,570	-17%
Deferred revenue	\$13,423,609	\$12,368,196	\$1,055,413	9%
<b>TOTAL LIABILITIES</b>	<b>\$20,209,032</b>	<b>\$19,769,546</b>	<b>\$439,486</b>	<b>2%</b>
<b>NET ASSETS</b>	<b>\$27,618,907</b>	<b>\$25,315,272</b>	<b>\$2,303,635</b>	<b>9%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$47,827,939</b>	<b>\$45,084,818</b>	<b>\$2,743,121</b>	<b>6%</b>

## Some changes to ARIN's financial position

- Favorable budget variance driving cash balance increase
- Good market performance so far helping investment balance grow
- Paydown of lease liabilities
- Increase in billings and customer payments driving deferred revenue increase
- Increase in net assets driven by investment gains

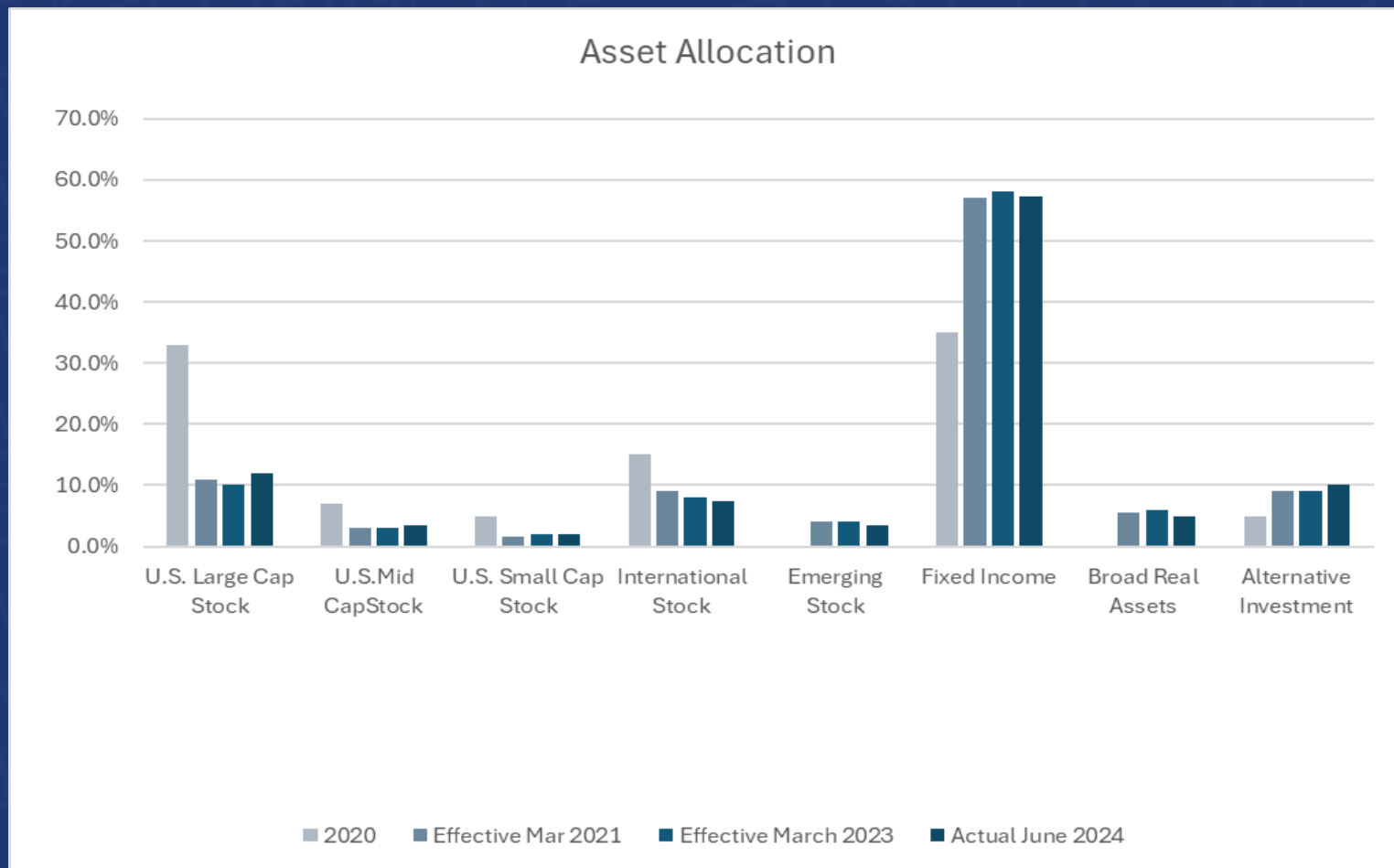


**Investment balances have increased more than \$2.3M during 2024**



2024 earnings of 7.2% on Long Term Investment Fund

# Investment Asset Allocation

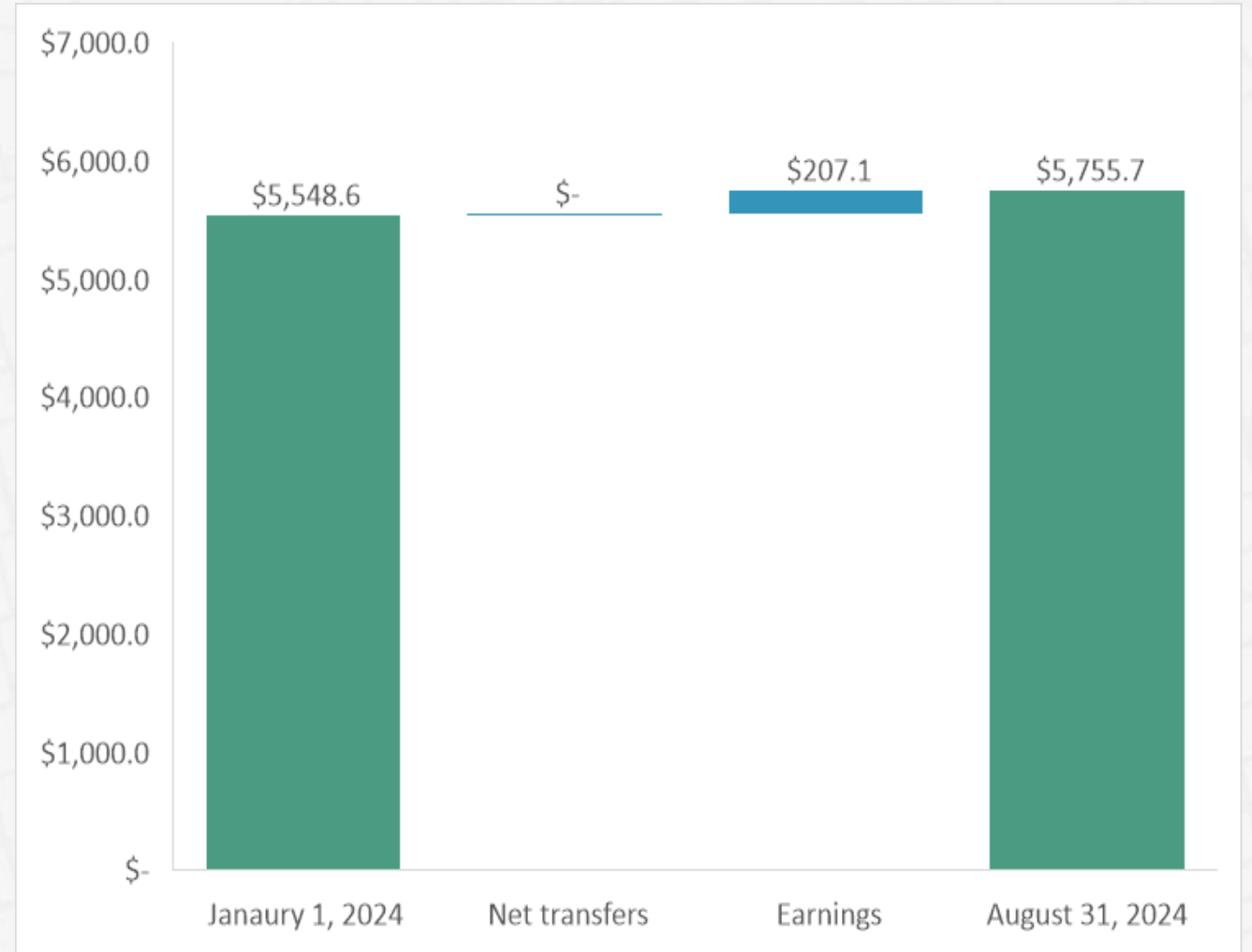


- Asset allocation has been relatively constant since shifting in 2021 to a more conservative investment philosophy
- June 2024 allocation
  - 57.2% fixed income
  - 28.1% equity
  - 4.8% real assets
  - 10.0% alternative investments



# Operating Investment Fund

- After earning close to 5% in 2023, the operating investment fund is earning almost 4% through August of 2024
- YTD interest earned is \$207K



# Operating Results



# Operating Results

	2024 YTD Aug	2023 YTD Aug	% YOY Change	2024 YTD Budget	% Budget Variance
<b>Revenue and Expenses</b>					
Revenue	\$19,116,244	\$18,761,627	2%	\$19,404,183	-1%
Expenses	\$19,151,042	\$18,152,824	5%	\$19,889,250	-4%
<b>Operating Surplus (Deficit)</b>	<b>-\$34,798</b>	<b>\$608,803</b>	<b>-106%</b>	<b>-\$485,067</b>	<b>-93%</b>

- 2024 revenues tracking close to budget
- 2024 vacant positions driving operating expense variance

# Revenues

	2024 YTD Aug	2023 YTD Aug	% YOY Change	2024 YTD Budget	% Budget Variance
<b>Revenue</b>					
Registration fees - annual renewal	\$17,082,568	\$16,569,286	3%	\$17,125,321	0%
Registration fees - initial	\$531,645	\$712,978	-25%	\$668,867	-20%
Network transfers	\$1,055,438	\$1,059,375	0%	\$1,166,664	-10%
Contributions and other revenue	\$446,594	\$419,989	6%	\$443,331	1%
<b>Total Revenues</b>	<b>\$19,116,245</b>	<b>\$18,761,628</b>	<b>2%</b>	<b>\$19,404,183</b>	<b>-1%</b>

- Annual registration fees grew as expected with Autonomous System Number fee harmonization
- Initial registration fees decreased more than expected
- Transfer fees are flat year over year

# IPv4/IPv6 Registration Services Plan

## August 2024

Category	Customers
3X-Small	5,575
2X-Small	3,830
X-Small	4,243
Small	1,870
Medim	949
Large	435
X-Large	124
2X-Large	39
3X-Large	15
4X-Large	6
5X-Large	4
Total Customers	17,090
Total \$	\$24,551,750

## August 2023

Category	Customers
3X-Small	5,034
2X-Small	3,612
X-Small	4,102
Small	1,870
Medim	938
Large	428
X-Large	125
2X-Large	39
3X-Large	15
4X-Large	7
5X-Large	3
Total Customers	16,173
Total \$	\$23,954,500

### Growth in customers

- 917
- 5.7%

### Growth in annual revenue run rate

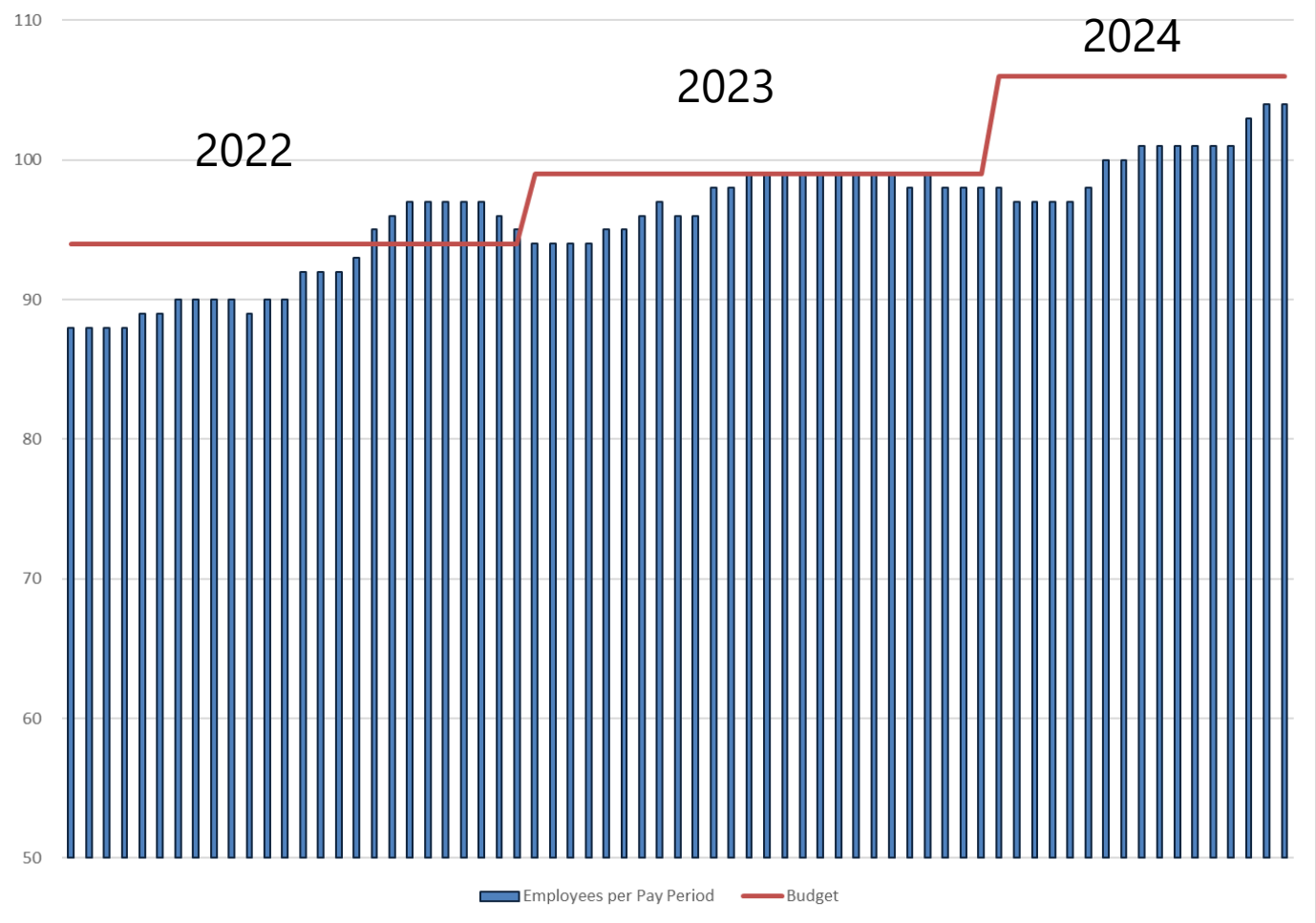
- \$597,250
- 2.5%

# Operating Expenses

	2024 YTD Aug	2023 YTD Aug	% YOY Change	2024 YTD Budget -Aug	% Budget Variance
<b>Operating Expenses</b>					
Salaries and benefits	\$12,806,041	\$12,257,836	4%	\$13,123,336	-2%
Engineering operations	\$2,642,888	\$2,475,681	7%	\$2,872,783	-8%
Outreach and industry support	\$629,334	\$548,048	15%	\$659,684	-5%
Travel and meeting	\$1,317,056	\$1,076,831	22%	\$1,356,104	-3%
Professional fees	\$637,132	\$712,930	-11%	\$731,544	-13%
Occupancy and office expense	\$558,010	\$549,102	2%	\$603,531	-3%
Treasury and corporate insurance	\$560,581	\$532,396	5%	\$542,268	3%
<b>Total Operating Expenses</b>	<b>\$19,151,042</b>	<b>\$18,152,824</b>	<b>5%</b>	<b>\$19,889,250</b>	<b>-4%</b>

- Year-over-year expense growth is driven by an increase in ARIN headcount, but is under budget
- The increase in travel and meeting expenses is driven by an increase in international meetings, including ARIN 53 in the Caribbean
- Outreach and industry support expense has increased due to higher NRO costs

# Employee Growth



Year-over-year changes in recurring operating expenses is driven by the number of ARIN employees

- 2024 number of employees
  - Average: 100
  - Budgeted: 106
- 2023 number of employees
  - Average: 97
  - Budgeted: 99
- 2022 number of employees
  - Average: 92
  - Budgeted: 94

# Liquidity and Financial Assets





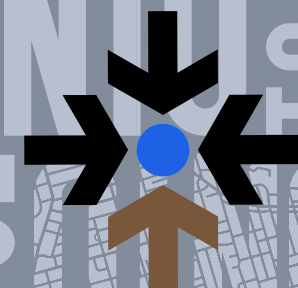
# Liquidity and Available Financial Assets

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	YE 2022	YE 2023	Aug 2024
Cash	\$2.9	\$0.8	\$1.7
Accounts receivable, net	\$0.8	\$0.9	\$1.1
Investments (Long Term and Operating Funds)	\$31.4	\$36.1	\$38.4
<b>Total Available Financial Assets</b>	<b>\$35.1</b>	<b>\$37.8</b>	<b>\$41.2</b>

ARIN remains in a favorable liquidity position.

# Operating Reserve



# How much is enough? It depends!

## How much cash does your nonprofit need in reserve?

“ [E]very nonprofit needs to have adequate cash balances available to support the timing of payroll and other expenses, as well as to pay for unanticipated costs or increases. It’s a myth, however, that a single standard applies for all nonprofits.

– Kate Barr, President & CEO, Propel Nonprofits

Each nonprofit needs to determine the appropriate level of cash reserves for its own operations. No standard policy will be an exact fit for your organization.

# Operating Reserve

- Historical practice
  - No defined target
  - Reported investments in the context of the number of months of operating expenses
- 2024 Operating Reserve project
  - Separate the idea of operating reserve and investment balance
  - Determine the appropriate target for ARIN's operating reserve
    - Evaluate revenue risk factors
    - Evaluate spending risk factors
    - BDO decision matrix
  - Board approved an operating reserve target of nine months of operating expenses (defined as annual budgeted spending)

# Long-term Financial Plan



# Long-term Financial Plan

- ARIN Board of Trustees has reaffirmed its commitment to align operating costs with operating revenues
- The Board has adopted a long-term financial strategy that includes tight operating cost targets for ARIN through 2030
- ARIN will be operating under very tight cost controls
  - No increase in headcount
  - Aggressive vendor management

# Long-term Financial Plan

## Achieve a balanced budget by year 2030

- Financial forecasts indicate ARIN will be in a negative budget position for the next several years
- By exercising annual Registration Services Plan price increases of up to 5%, and managing year-over-year spending, ARIN anticipates achieving a balanced budget in year 2030
- Annual budget deficits will be funded from investments
  - This is a short-term solution to enable the achievement of a balanced budget without a reduction in services to the community
  - Even with a conservative investment strategy, total investment balances are forecasted to be adequate to fund the annual operating reserve

# Thank you

Questions and Comments?

