

TREASURER'S REPORT

Lee Howard,
Treasurer



OVERVIEW

- **Review 2006 Financial Statements**
- **Revenue Recognition Change**
- **PCI Credit Card Audit**
- **Financial Controls Audit**
- **IPv6 Fee Waiver Adapted**
- **Change in Fee Language on ARIN's Website**

STATEMENTS OF FINANCIAL POSITION

December 31,	2006	2005
	Assets	
Current assets		
Cash and cash equivalents	\$ 1,181,488	\$ 606,872
Investments	22,637,241	19,194,476
Nontrade receivables	16,280	17,668
Prepaid expenses	244,532	217,029
Total current assets	24,079,541	20,036,045
Property and equipment – net	749,315	911,626
Escrow – deposit	861,648	571,948
Security deposit	56,826	-
	25,747,330	21,519,619

STATEMENTS OF FINANCIAL POSITION

December 31,	2006	2005
	Liabilities and Net Assets	
Current liabilities		
Accounts payable and accrued expenses	\$ 551,655	\$ 527,409
Due to ICANN	849,095	617,064
Deferred rent	98,463	93,780
Deferred revenue	<u>3,834,794</u>	<u>3,252,995</u>
Total current liabilities	5,334,007	4,491,248
 Unrestricted net assets	 <u>20,413,323</u>	 <u>17,028,371</u>
	 <u>25,747,330</u>	 <u>21,519,619</u>

STATEMENT OF ACTIVITIES

Years Ended December 31, 2006 2005

Revenue and Support

Registrations	\$ 8,944,520	\$8,561,979
IP end-user registrations	481,750	288,500
Maintenance fees	810,092	756,584
Contributions	51,104	7,500
Other revenue	5,576	7,846
Membership dues	50,000	36,542
Total revenue and support	<u>10,343,042</u>	<u>9,658,951</u>

STATEMENT OF ACTIVITIES

Years Ended December 31,	2006	2005
Operating expenses		
Program Services:		
Engineering	\$ 3,268,705	\$ 2,777,298
Registration Services Group	1,785,632	1,707,905
Member Services	<u>1,969,736</u>	<u>1,649,719</u>
Total program services	7,024,073	6,134,922
Support Services:		
General and administrative	<u>1,629,684</u>	<u>1,455,958</u>
Total operating expenses	8,653,757	7,590,880

STATEMENT OF ACTIVITIES

Years Ended December 31,	2006	2005
Change in net assets before investment activities	\$ 1,689,285	\$ 2,068,071
Interest and Dividends	686,207	366,597
Realized and unrealized gains		
On investments	<u>1,009,460</u>	<u>506,133</u>
Change in net assets	3,384,952	2,940,801
Unrestricted net assets – Beginning of year	<u>17,028,371</u>	<u>14,087,570</u>
Unrestricted net assets – End of year	20,413,323	17,028,371

REVENUE RECOGNITION CHANGE

- **Recommended by 2006 Audit Firm**
- **Accepted GAAP Recognition**
 - ⇒ Recognize annual subscription renewal revenue when invoices are sent, not when revenue is received
 - ⇒ ARIN is now in position to implement after having caught up with "overdue" invoices
 - ⇒ ARIN will have a "reserve for bad debt" for those invoices that are uncollectible

PCI CREDIT CARD AUDIT

● Board Mandate

- ➔ Have an accredited PCI vendor come in and audit ARIN's credit card procedures for security
- ➔ Audit ARIN's online credit card process
- ➔ Ensure ARIN's network meets the security recommended by PCI

FINANCIAL CONTROLS AUDIT

- Review of controls on ARIN's financial processes and reporting
- Similar to controls mandated on publicly-traded companies by the Sarbanes-Oxley Act of 2003
- ARIN as a non-profit is not required to undergo this type of audit
- Last Sarbanes audit was 3 years ago
 - ⇒ Weaknesses found have been corrected
- Board wants to ensure full compliance with all controls and "best practices"

IPv6 FEE WAIVER

- Existing waiver expires December 31, 2007
- End Users:
 - ➔ No waiver for IPv6 assignments after December 31, 2007
- If you have both IPv4 and IPv6, continuing waiver:
 - Initial fee waived
 - Pay larger fee of IPv4/IPv6 renewal
 - IF:
 - Held under same Org ID
 - Org is a Member In Good Standing
 - Meet other allocation requirements

FEE LANGUAGE ON THE WEBSITE

- **Any organization that has an IPv4 and IPv6 allocation will only be charged the larger of the two fees**
- **Seeks to encourage the adoption of IPv6 by current IPv4 holders**

NEW WAIVER AS OF JANUARY 1, 2008

For IPv6 allocations not covered on previous slide:

Size	Base Fee	2008 90% waived	2009 75% waived	2010 50% waived	2011 25% waived	2012 0% waived
X-small	1,250/yr	125	312.50	625	937.50	1,250
Small	2,250/yr	225	562.50	1,125	1,687.50	2,250
Medium	4,500/yr	450	1,125	2,250	3,375	4,500
Large	9,000/yr	900	2,250	4,500	6,750	9,000
X-Large	18,000/yr	1,800	4,500	9,000	13,500	18,000
XX-Large	36,000/yr	3,600	9,000	18,000	27,000	36,000

Thank you