

NEWNOG, INC. DBA NANOG

AUDITED FINANCIAL STATEMENTS

For the Year ended December 31, 2016

NEWNOG, INC. DBA NANOG

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
NewNOG, Inc. dba NANOG
Ann Arbor, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of NewNOG, Inc. dba NANOG (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors of
NewNOG, Inc. dba NANOG
Page Two

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NewNOG, Inc. dba NANOG as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The image shows a handwritten signature in black ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Farmington Hills, Michigan
March 15, 2017

NEWNOG, INC. DBA NANO
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS

Cash	\$ 3,114,532
Certificate of deposit	500,000
Accounts receivable, net	322,239
Prepaid expenses	41,073
Website and software, net	<u>35,509</u>
Total assets	<u><u>\$ 4,013,353</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 5,309
Deferred revenue	<u>762,782</u>
Total liabilities	<u>768,091</u>

NET ASSETS

Unrestricted - General	2,538,317
Unrestricted - Designated for future meeting commitments	<u>706,945</u>
Total net assets	<u>3,245,262</u>
Total liabilities and net assets	<u><u>\$ 4,013,353</u></u>

NEWNOG, INC. DBA NANOG
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2016

REVENUES

Membership dues	\$ 59,532
Meeting sponsorship	1,753,355
Meeting fees	1,287,347
Education income	12,000
Other programs income	20,000
Interest income	8,095
In-kind sponsorship	<u>108,500</u>
 Total revenues	 <u>3,248,829</u>

EXPENSES

Meetings	1,654,597
Other programs	207,463
Management fees	86,877
Operations	<u>725,029</u>
 Total expenses	 <u>2,673,966</u>

CHANGE IN NET ASSETS 574,863

NET ASSETS, Beginning 2,670,399

NET ASSETS, Ending \$ 3,245,262

NEWNOG, INC. DBA NANO
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

OPERATING ACTIVITIES

Change in net assets	\$ 574,863
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	18,628
Changes in:	
Accounts receivable	29,000
Prepaid expenses and other assets	(19,427)
Accounts payable	(3,183)
Deferred revenue	66,627
	<hr/>
Net cash provided by operating activities	666,508
	<hr/>
NET CHANGE IN CASH	666,508
CASH, Beginning	2,448,024
	<hr/>
CASH, Ending	\$ 3,114,532
	<hr/> <hr/>

NEWNOG, INC. DBA NANOG
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

NewNOG, Inc. dba NANOG (the Organization) is a Delaware nonprofit corporation formed in 2010 to manage the North American Network Operators' Group (NANOG). NANOG is the professional association for Internet engineering and architecture. NANOG's focus is on the technologies and systems that make the Internet function: core routing and switching; Internet inter-domain routing; the domain name system; peering and interconnection; and Internet core security.

NANOG holds three large meetings a year, as well as various one-day events called NANOG On The Road. NANOG also maintains a website, email list, and meeting archives to distribute information to engineers and operators both national and international, and presents network operational training courses.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification* (ASC).

Financial statement presentation follows the recommendations of the ASC topic - Presentation of Financial Statements for Not-for-Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No temporarily or permanently restricted net assets were held by the Organization and accordingly, these financial statements do not reflect any activities related to this class of net assets.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NEWNOG, INC. DBA NANOG
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

For purposes of the Statement of Cash Flows, cash consists of demand deposits in checking, savings, and brokerage accounts. The Organization maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. Cash in excess of federally insured limits approximated \$2,614,532 at December 31, 2016.

Certificates of Deposit

Certificates of deposit are stated at cost and have maturities dated to October 2017. Any penalties for early withdrawal would not have a material effect on the financial statements. Interest income on the certificates of deposit is recorded as income when earned. Certificate of deposit accounts are fully insured by FDIC.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management believes all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms and are charged off when management determines the receivable will not be collected.

Property and Equipment

Property and equipment in excess of \$5,000 are capitalized at cost if purchased or estimated fair value if donated and depreciated over their estimated useful life, which for the website is five years. Depreciation is calculated using the straight-line method and amounted to \$18,628 for the year ended December 31, 2016.

	<u>December 31, 2016</u>
Website Development	\$ 93,140
Less: Accumulated depreciation	<u>57,631</u>
	<u><u>\$ 35,509</u></u>

NEWNOG, INC. DBA NANOG
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sponsorships

Sponsorships for meetings are recognized when the meeting occurs. Sponsorships that are for meetings in future years are deferred until the meeting being sponsored is held.

Membership Dues

Membership dues are paid annually or for multiple years. Membership dues are recognized as revenue on a monthly basis. Dues collected for future fiscal years are recorded as deferred revenue.

Income Taxes

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code and is classified as a public charity. Accordingly, no provision has been made for income taxes.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was March 15, 2017.

NOTE 2 – MANAGEMENT AND CONSULTING AGREEMENTS

The Organization has consulting and/or management agreements with organizations who serve in operating NANOG.

The Organization is contracted with Andrews Hooper Pavlik PLC for accounting service. The term of the contract is through 2017.

Network Utility Force was contracted to provide information technology staffing support, including oversight of operations and software development. The term of the agreement was through October 24, 2015 and extended to February 24, 2016. It was applicable for the first two months of the year and it was not renewed.

iMiller Public Relations is contracted as Sponsorship Sales Director. The term of the agreement is through February 2017 and includes a performance bonus of 15% of the amount by which total sales for a meeting exceed \$350,000.

Hamilton Group Meeting Planners, Inc. (HGMP) is contracted to provide meeting management and staffing to produce NANOG meetings during the year of 2016. The term of the agreement is through December 2017.

NEWNOG, INC. DBA NANOG
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 – NONMONETARY TRANSACTIONS

The Organization has connectivity sponsors for each of its meetings. The connectivity sponsor provides 500Mbps of bandwidth with a value of \$12,000 to the meeting venue and receives a specified package of sponsorship benefits. Total fair value of \$86,000 for 2016 has been recorded as in-kind sponsorship revenue and meetings expense.

The Organization has an in-kind sponsorship for server rack space with premium bandwidth. The fair value of \$12,000 for 2016 has been recorded as in-kind sponsorship revenue and operating expense.

The Organization has a services agreement for DNS services for \$600 per month. Under the terms of the agreement, the Organization can issue credits rather than paying the fees in cash, and the vendor can use the credits to purchase sponsorships. The fair value of \$7,200 for 2016 has been recorded as sponsorship revenue and operating expense.

The Organization has an in-kind sponsorship agreement for rack service and bandwidth for one back-up server. The fair value of \$3,300 has been recorded as in-kind sponsorship revenue and operating expense.

NOTE 4 – EXPENSES BY FUNCTION

Expenses by function were as follows:

Program services	\$	2,108,039
Management and general		<u>565,927</u>
	\$	<u><u>2,673,966</u></u>

NOTE 5 – DEFINED CONTRIBUTION PLAN

The Organization started a 401 (k) retirement plan (the “Plan”) in the fiscal year ended December 31, 2016. Under the Plan, employees can elect to defer a portion of their compensation. The Organization made employer contributions \$16,229 to the Plan during the year ended December 31, 2016.

NOTE 6 – COMMITMENTS

The Organization has entered into contracts for meetings to be held through 2018. These contracts contain deposits, room and beverage commitments, and cancellation fees. The maximum cancellation fee under the contracts if the contracts were cancelled as of December 31, 2016 would be \$706,945 which was reported as Board designated net assets.