

Audited Financial Statements

NANOG, Inc.

*Years Ended December 31, 2022 and 2021  
with Report of Independent Auditors*

NANOG, Inc.

Audited Financial Statements

Years Ended December 31, 2022 and 2021

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## Report of Independent Auditors

Board of Directors  
NANOG, Inc.  
Ann Arbor, Michigan

### Opinion

We have audited the accompanying financial statements of NANOG, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of NANOG, Inc. as of December 31, 2022 and 2021, 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. 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 NANOG, Inc. 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 these 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 NANOG, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 NANOG, Inc.'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 NANOG, Inc.'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.

*Andrews Hooper Paulik PLC*

Bloomfield Hills, Michigan  
October 30, 2023

NANOG, Inc.

Statements of Financial Position

	<b>December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 557,067	\$ 729,399
Investments	2,916,645	3,562,895
Accounts receivable	168,500	92,000
Prepaid expenses	157,985	172,265
Total current assets	<u>3,800,197</u>	<u>4,556,559</u>
Equipment and technology, net	369,111	355,472
Total assets	<u>\$ 4,169,308</u>	<u>\$ 4,912,031</u>
<b>Liabilities</b>		
Liabilities:		
Accounts payable	\$ -	\$ 61,401
Deferred revenue	978,527	752,633
Total liabilities	<u>978,527</u>	<u>814,034</u>
<b>Net assets</b>		
With donor restrictions	30,000	30,000
Without donor restrictions:		
Undesignated	2,123,778	2,551,799
Designated for future meeting commitments	1,037,003	1,516,198
Total net assets	<u>3,190,781</u>	<u>4,097,997</u>
Total liabilities and net assets	<u>\$ 4,169,308</u>	<u>\$ 4,912,031</u>

NANOG, Inc.

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>			
Membership dues	\$ 59,358	\$ -	\$ 59,358
Meeting sponsorships	1,533,501	-	1,533,501
Meeting fees	1,058,600	-	1,058,600
Other program income	83,287	-	83,287
Interest and dividend income	128,491	-	128,491
Contributed nonfinancial assets and services	38,400	-	38,400
Total operating revenues	<u>2,901,637</u>	\$ -	<u>2,901,637</u>
<b>Operating expenses</b>			
Program services:			
Meetings	2,562,949	-	2,562,949
Other programs	87,321	-	87,321
Total program services	<u>2,650,270</u>	-	<u>2,650,270</u>
Supporting services - management and general	650,511	-	650,511
Total operating expenses	<u>3,300,781</u>	-	<u>3,300,781</u>
Change in net assets from operating activities	(399,144)	-	(399,144)
<b>Nonoperating activities</b>			
Net investment loss	<u>(508,072)</u>	-	<u>(508,072)</u>
<b>Change in net assets</b>	(907,216)	-	(907,216)
Net assets as of beginning of year	4,067,997	30,000	4,097,997
Net assets as of end of year	<u>\$ 3,160,781</u>	<u>\$ 30,000</u>	<u>\$ 3,190,781</u>

See accompanying notes.

NANOG, Inc.

Statement of Activities

For the Year Ended December 31, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating revenues</b>			
Membership dues	\$ 43,224	\$ -	\$ 43,224
Meeting sponsorships	608,332	-	608,332
Meeting fees	172,629	-	172,629
Other program income	27,372	30,000	57,372
Paycheck Protection Program loan forgiveness	256,395	-	256,395
Interest and dividend income	96,749	-	96,749
Contributed nonfinancial assets and services	44,400	-	44,400
Total operating revenues	<u>1,249,101</u>	<u>30,000</u>	<u>1,279,101</u>
<b>Operating expenses</b>			
Program services:			
Meetings	1,113,171	-	1,113,171
Other programs	62,513	-	62,513
Total program services	<u>1,175,684</u>	<u>-</u>	<u>1,175,684</u>
Supporting services - management and general	569,452	-	569,452
Total operating expenses	<u>1,745,136</u>	<u>-</u>	<u>1,745,136</u>
Change in net assets from operating activities	(496,035)	30,000	(466,035)
<b>Nonoperating activities</b>			
Net investment return	189,764	-	189,764
<b>Change in net assets</b>	(306,271)	30,000	(276,271)
Net assets as of beginning of year	4,374,268	-	4,374,268
Net assets as of end of year	<u>\$ 4,067,997</u>	<u>\$ 30,000</u>	<u>\$ 4,097,997</u>

NANOG, Inc.

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (907,216)	\$ (276,271)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	115,836	86,044
Realized (gain)/loss on sale of investments	134,827	(151,460)
Unrealized (gain)/loss on investments	373,245	(38,304)
Change in operating assets and liabilities:		
Accounts receivable	(76,500)	(57,000)
Prepaid expenses	14,280	(54,373)
Accounts payable	(61,401)	41,706
Deferred revenue	225,894	255,313
Paycheck Protection Program loan forgiveness	-	(256,395)
Net cash used by operating activities	<u>(181,035)</u>	<u>(450,740)</u>
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,476,735)	(970,085)
Proceeds from the sale of investments	1,614,913	1,637,200
Purchase of equipment and technology	(129,475)	(213,396)
Net cash from investing activities	<u>8,703</u>	<u>453,719</u>
<b>Cash flows from financing activities</b>		
Proceeds from Paycheck Protection Program loan	-	129,595
Net cash from financing activities	<u>-</u>	<u>129,595</u>
Net change in cash and cash equivalents	<u>(172,332)</u>	<u>132,574</u>
Cash and cash equivalents as of beginning of year	<u>729,399</u>	<u>596,825</u>
Cash and cash equivalents as of end of year	<u>\$ 557,067</u>	<u>\$ 729,399</u>
<b>Supplemental Information</b>		
Noncash financing transaction –		
Paycheck Protection Program loan forgiveness	\$ -	\$ 256,395



NANOG, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services			Supporting Services	
	Meetings	Other Programs	Total	Management and General	Total
Meeting expense	\$ 1,771,206	\$ 50,182	\$ 1,821,388	\$ -	\$ 1,821,388
Salaries and wages	586,765	10,689	597,454	248,644	846,098
Contract services	204,978	-	204,978	775	205,753
Scholarships	-	26,450	26,450	-	26,450
Professional fees	-	-	-	35,445	35,445
Investment broker and credit card fees	-	-	-	56,646	56,646
Website maintenance and licensing	-	-	-	51,224	51,224
Payroll taxes	-	-	-	59,633	59,633
Depreciation and amortization	-	-	-	115,836	115,836
Transportation	-	-	-	11,833	11,833
Equipment	-	-	-	10,821	10,821
Miscellaneous	-	-	-	7,489	7,489
Insurance	-	-	-	4,894	4,894
Retirement benefits	-	-	-	37,244	37,244
Office supplies	-	-	-	1,327	1,327
Education and training	-	-	-	5,072	5,072
Telephone expense	-	-	-	3,628	3,628
<b>Total expenses</b>	<b>\$ 2,562,949</b>	<b>\$ 87,321</b>	<b>\$ 2,650,270</b>	<b>\$ 650,511</b>	<b>\$ 3,300,781</b>

See accompanying notes.

NANOG, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services			Supporting Services	
	Meetings	Other Programs	Total	Management and General	Total
Meeting expense	\$ 487,997	\$ 313	\$ 488,310	\$ -	\$ 488,310
Salaries and wages	550,183	14,550	564,733	174,016	738,749
Contract services	74,991	-	74,991	5,105	80,096
Scholarships	-	47,650	47,650	-	47,650
Professional fees	-	-	-	41,196	41,196
Investment broker and credit card fees	-	-	-	28,503	28,503
Website maintenance and licensing	-	-	-	97,293	97,293
Payroll taxes	-	-	-	51,639	51,639
Depreciation and amortization	-	-	-	86,044	86,044
Transportation	-	-	-	3,760	3,760
Equipment	-	-	-	12,218	12,218
Miscellaneous	-	-	-	24,599	24,599
Insurance	-	-	-	4,290	4,290
Retirement benefits	-	-	-	33,481	33,481
Office supplies	-	-	-	1,603	1,603
Education and training	-	-	-	2,142	2,142
Telephone expense	-	-	-	3,563	3,563
Total expenses	\$ 1,113,171	\$ 62,513	\$ 1,175,684	\$ 569,452	\$ 1,745,136

See accompanying notes.

# NANOG, Inc.

## Notes to Financial Statements

December 31, 2022

### 1. Nature of Organization

NANOG, Inc. (Organization) is a Delaware not-for-profit corporation formed in 2010 to manage the North American Network Operators' Group (NANOG). The Organization is dedicated to the ongoing advancement of an open, secure, and robust internet by providing a platform that inspires, educates, and empowers those in the industry to meet the ever-changing demands of a global network, in service of building the internet of tomorrow.

The Organization offers multiple ways to meet and learn from others by hosting events and providing education opportunities, scholarships, fellowships, digital spaces, and social networks.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting and Financial Statement Preparation

The Organization presents its financial statements in accordance with the accounting principles generally accepted in the United States of America for financial statements of not-for-profit organizations.

#### Classification of Net Assets

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following mutually exclusive net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds to be maintained in perpetuity.

#### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing activities and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

# NANOG, Inc.

## Notes to Financial Statements

December 31, 2022

### **2. Summary of Significant Accounting Policies (continued)**

#### **Use of 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.

#### **Cash and Cash Equivalents**

For purposes of the statements 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) up to \$250,000. Cash in excess of federal insured limits was approximately \$307,000 as of December 31, 2022 and approximately \$472,000 as of December 31, 2021.

#### **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statements of financial position. Any related gains or losses are included in the change in net assets as they occur. Investment return is presented net of investment fees.

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 change could materially affect the amounts reported in the statements of financial position.

#### **Subsequent Events**

The Organization has performed a review of events subsequent from December 31, 2022 through October 30, 2023, the date of the financial statements were available to be issued.

#### **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.

# NANOG, Inc.

## Notes to Financial Statements

December 31, 2022

### **2. Summary of Significant Accounting Policies (continued)**

#### **Equipment and Technology**

Equipment and technology in excess of \$5,000 are capitalized at cost if purchased, or estimated fair value if donated, and depreciated or amortized over their estimated useful life. Assets which are retired or otherwise disposed of are eliminated from the accounts, and the resulting gains or losses are reflected in operations concurrently. Depreciation and amortization are calculated using the straight-line method.

All costs incurred in the planning stage of developing software are expensed as incurred, as are internal and external training and maintenance costs. Fees incurred to internet service providers in return for hosting a website on their servers are expensed over the period of benefit. Fees paid to consulting firms that develop computer systems and software are deferred and amortized on the straight-line method, which begins when the system becomes operational.

#### **Revenue Recognition for Contracts with Customers**

The Organization's revenue streams under contracts with customers are comprised of meeting sponsorships, membership dues, meeting fees, and in-kind sponsorship. For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. The Organization performs an analysis to determine if membership dues, sponsorship agreements, or meeting fees constitute separate performance obligations. The Organization's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Organization recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Organization provides as the Organization provides goods or services. For revenue recognized at a point in time, the revenue is recognized when the control of the goods or services is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods or services. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled, such as event agreements, price of membership, and meeting fees set in advance. In some situations, such as meeting fees and meeting sponsorships, the Organization bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Organization recognizing contract liabilities upon receipt of payment. The following explains the performance obligations related to each revenue stream and how they are recognized.

*Membership Dues* – The Organization earns dues from its members for memberships. Membership dues are earned over the course of one or multiple years, representing the period over which the Organization satisfies the performance obligation.

*Meeting Sponsorships* – The Organization earns meeting sponsorships from various sponsors that attend the events. There is a sponsorship agreement that is processed for each sponsor and it is signed by the sponsor and executive director of the Organization. Sponsorship revenue is recognized after the event when the Organization has satisfied its performance obligation.

# NANOG, Inc.

## Notes to Financial Statements

December 31, 2022

### **2. Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition for Contracts with Customers (continued)**

*Meeting Fees* – The Organization earns meeting fees from individuals attending the events. The individuals register and pay electronically either prior to or at the event. The revenue is recognized after the event when the Organization has satisfied its performance obligation.

*Contributed Nonfinancial Assets and Services* – The Organization earns in-kind revenue from various sponsors. There is a contractual agreement as to the value of sponsorship that is signed by sponsor and the executive director of the Organization. The revenue and related expense are recognized after the event when both parties have satisfied their performance obligations.

#### Revenue Disaggregation

NANOG, Inc. disaggregates revenue from contracts with customers into major revenue streams and based on the timing of recognizing revenue. Revenue generated from membership dues is primarily recognized over the performance obligation period, while revenue generated from meeting sponsorships, meeting fees, and in-kind sponsorships is recognized at a point in time. Of the Organization's \$2,689,859 of revenue recognized from contracts with customers during the year ended December 31, 2022, revenue recognized over time amounted to \$59,358, while the remainder was recognized at a point in time. Of the Organization's \$868,585 of revenue recognized from contracts with customers during the year ended December 31, 2021, revenue recognized over time amounted to \$43,224, while the remainder was recognized at a point in time.

#### Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract assets, receivables, and contract liabilities. Contract assets would exist when the entity has a contract with a customer for which revenue has been recognized but customer payment is contingent on a future event. Organization revenue is based on delivered goods and services and is generally limited to amounts that are not contingent on future events, therefore, not resulting in a contract asset being recorded. The Organization records receivables when the right to consideration becomes unconditional. Receivables related to contracts with customers amounted to \$168,500 as of December 31, 2022, \$92,000 as of December 31, 2021, and \$35,000 as of December 31, 2020. Contract liabilities include unearned revenue when the Organization receives payment from customers before revenue is recognized.

NANOG, Inc.

Notes to Financial Statements

December 31, 2022

**2. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition for Contracts with Customers (continued)**

Unearned revenue was comprised of the following:

	<b>December 31</b>		<b>January 1</b>
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Membership dues	\$ 65,648	\$ 53,557	\$ 52,571
Sponsorship revenue	801,084	632,751	444,749
Meeting fees and other programs	111,795	66,325	-
Total	<u>\$ 978,527</u>	<u>\$ 752,633</u>	<u>\$ 497,320</u>

Payment Terms

The majority of the Organization's revenue streams are billed in advance of the performance obligation including membership dues, meeting sponsorships, and meeting fees. All other revenue streams are collected in arrears with terms generally net thirty days.

Nature of Promises to Transfer

In most cases, services that the Organization contracts to transfer to customers are performed by the Organization. In no case does the Organization act as an agent, i.e. the Organization does not provide a service of arranging for another party to transfer goods or services to the customer.

Determination of Transaction Price

The transaction price of a contract is the amount of consideration to which the Organization expects to be entitled in exchange for transferring promised goods or services to a customer. Transaction prices do not include amounts collected on behalf of third parties (e.g., sales taxes). To determine the transaction price of a contract, the Organization considers its customary business practices as well as the terms of the contract. For the purpose of determining transaction prices, the Organization assumes that the services will be transferred to the customer as promised in accordance with existing contracts and that the contracts will not be cancelled, renewed, or modified. Most of the Organization's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash.

# NANOG, Inc.

## Notes to Financial Statements

December 31, 2022

### **2. Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition for Contracts with Customers (continued)**

In most cases, consideration paid for membership dues and meeting sponsorships is nonrefundable. For meeting fees, consideration paid for the services provided is refundable up to the event, reduced by a cancellation fee. Therefore, at the time revenue is recognized, the Organization does not estimate expected refunds for services nor does the Organization exclude any such amounts from revenue.

#### **Income Taxes**

The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax exempt purpose may be subject to taxation as unrelated business income (UBI). Since the Organization is exempt from federal income taxes and UBI is not significant, no provision for income taxes is included in the accompanying financial statements. Interest or penalties related to tax positions, if any, would be recorded as a component of management and general expenses in the statements of activities. No interest or penalties related to tax positions have been recorded in the statements of activities.

Generally, tax years from 2019 through the current year remain open to examination. NANOG, Inc. does not believe that the results from the examination of any open years would have a material adverse effect on the Organization.

#### **Functional Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include contract services and salaries and wages on the basis of estimates of time and effort. All other expenses are allocated based on direct identification and utilization. Other recognized program expenses consist of expenses related to the following programs: College Immersion, Scholarships, and Outreach.



NANOG, Inc.

Notes to Financial Statements

December 31, 2022

**3. Contributed Nonfinancial Assets and Services**

To the extent that contributions of materials and services are objectively measurable and represent program or support expenditures that would otherwise be incurred by the Organization, they are reflected in both support service and program service expenses in the accompanying financial statements. Contributed nonfinancial assets and services are recorded at the fair market value upon receipt.

	<b>2022</b>	<b>2021</b>
Contributed nonfinancial assets and services:		
Connectivity sponsorship	\$ 12,000	\$ 12,000
Enterprise cloud and system service	24,000	24,000
DNS hosting	-	6,000
DDoS mitigation	2,400	2,400
	<b>\$ 38,400</b>	<b>\$ 44,400</b>

The Organization has connectivity sponsors for each of its meetings. The connectivity sponsor provides 500 Mbps of bandwidth with a value of \$12,000 to the meeting venue and receives a specified package of sponsorship benefits. Contributed nonfinancial sponsorship revenue and operating expense has been recorded with a total fair value of \$12,000 for the year ended December 31, 2022 and 2021. These services were valued and were reported at the estimated fair market value in the financial statements based on quoted prices from vendors.

The Organization has a contributed nonfinancial sponsorship for enterprise cloud and associated system service. Contributed nonfinancial sponsorship revenue and operating expense has been recorded with a total fair value of \$24,000 for the years ended December 31, 2022 and 2021. These services were valued and were reported at the estimated fair market value in the financial statements based on quoted prices from vendors.

The Organization had a contributed nonfinancial annual sponsorship in exchange for DNS hosting for \$500 per month. However, in 2022 the Organization arranged a no-fee agreement for this service going forward. Therefore, there was no contributed nonfinancial sponsorship revenue or operating expense recorded in 2022. Contributed nonfinancial sponsorship revenue and operating expense had been recorded with a total fair value of \$6,000 for the year ended December 31, 2021. These services were valued and were reported at the estimated fair market value in the financial statements based on quoted prices from vendors.

The Organization has a contributed nonfinancial sponsorship in exchange for DDOS mitigation and DNS services. Contributed nonfinancial sponsorship revenue and operating expense has been recorded with a total fair value of \$2,400 for the years ended December 31, 2022 and 2021. These services were valued and were reported at the estimated fair market value in the financial statements based on quoted prices from vendors.

NANOG, Inc.

Notes to Financial Statements

December 31, 2022

**4. Liquidity and Availability**

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 557,067	\$ 729,399
Investments	2,916,645	3,562,895
Accounts receivable	168,500	92,000
Total financial assets	<u>3,642,212</u>	<u>4,384,294</u>
Amounts not available for general use:		
Designated for future meeting commitments	(1,037,003)	(1,516,198)
Restricted for course development	(30,000)	(30,000)
	<u>(1,067,003)</u>	<u>(1,546,198)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,575,209</u>	<u>\$ 2,838,096</u>

The Organization's financial assets have been reduced by amounts not available for general use because of board designations for future meeting commitments and grant funds that have been restricted for the development of various training courses. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

**5. Investments**

Investments were comprised of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 1,709,249	\$ 3,349,647
Exchange traded funds	142,726	213,248
Real estate investment trusts	710,429	-
Private credit funds	354,241	-
Total	<u>\$ 2,916,645</u>	<u>\$ 3,562,895</u>

NANOG, Inc.

Notes to Financial Statements

December 31, 2022

**6. Fair Value Measurements**

U.S. GAAP, establishes a framework for measuring fair value. That framework provides 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 unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in active markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

*Mutual funds and exchange traded funds* – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

NANOG, Inc.

Notes to Financial Statements

December 31, 2022

**6. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	<b>December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investments by fair value level</b>				
Mutual funds	\$ 1,709,249	\$ -	\$ -	\$ 1,709,249
Exchange traded funds	142,726	-	-	142,726
Total investment by fair value	<u>\$ 1,851,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,851,975</u>
<b>Investments measured at net asset value (NAV)</b>				
Real estate investment trusts	\$ 710,429			
Private credit funds	<u>354,241</u>			
Total investments measured at fair value	<u><u>\$ 2,916,645</u></u>			
	<b>December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds	\$ 3,349,647	\$ -	\$ -	\$ 3,349,647
Exchange traded funds	213,248	-	-	213,248
Total	<u>\$ 3,562,895</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,562,895</u>

**Investments in Entities that Calculate Net Asset Value per Share**

The organization holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value (NAV) per share (or its equivalent) of the investment companies as a practical expedient.

At year end, the fair value, unfunded commitments, and redemption rules of these investments is as follows:

	<b>December 31, 2022</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency, if Eligible</b>	<b>Redemption Notice Period</b>
Real estate investment trusts	\$ 710,429	\$ -	<b>Monthly</b>	<b>7 days</b>
Private credit funds	<u>354,241</u>	<u>-</u>	<b>Quarterly</b>	<b>7 days</b>
Total	<u><u>\$ 1,064,670</u></u>	<u><u>\$ -</u></u>		

# NANOG, Inc.

## Notes to Financial Statements

December 31, 2022

### 6. Fair Value Measurements (continued)

The private credit funds target current income and capital appreciation by primarily investing in privately originated and privately negotiated senior secured loans to U.S. companies, including those in the middle market. Shares held less than one year can be redeemed at 98% of NAV. After one year, shares can be redeemed at 100% of NAV. Aggregate fund redemptions are limited to 2% of NAV per month and 5% of NAV per quarter.

The real estate investment trusts focus on generating income and long-term capital appreciation by creating a diversified portfolio of real estate holdings. Shares held less than one year can be redeemed at 95-98% of NAV. After one year, shares can be redeemed at 100% of NAV. Aggregate fund redemptions are limited to 2% of NAV per month and 5% of NAV per quarter.

As part of the investment rebalancing process, the organization may add to or initiate withdrawals from these holdings as they deem appropriate.

### 7. Equipment and Technology

Equipment and technology consisted of the following as of December 31:

	<b>2022</b>	<b>2021</b>
Website development	\$ 557,993	\$ 540,158
Computers and electronics	108,400	89,900
Total cost	<b>666,393</b>	630,058
Less: accumulated depreciation	<b>(297,282)</b>	(274,586)
Net carrying amount	<b>\$ 369,111</b>	\$ 355,472

Depreciation expense amounted to \$115,836 for the year ended December 31, 2022 and \$86,044 for the year ended December 31, 2021.

### 8. Net Assets

Net assets without donor restrictions included \$1,037,003 of board designated restrictions as of December 31, 2022 and \$1,516,198 board designated restrictions as of December 31, 2021. These board designations relate to future meeting and event commitments.

Net assets with donor restrictions as of December 31, 2022 and December 31, 2021 consisted of \$30,000 of temporary restrictions related to developing specific educational courses.

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Notes to Financial Statements

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**9. Defined Contribution Plan**

The Organization maintains a 401(k) retirement plan (Plan). Under the Plan, employees can elect to defer a portion of their compensation. The Organization made employer contributions of \$37,244 to the Plan during the year ended December 31, 2022 and \$33,481 during the year ended December 31, 2021.

**10. Commitments**

The Organization has entered into contracts for meetings to be held through 2025. 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, 2022 would be \$1,037,003 and \$1,516,198 as of December 31, 2021. These amounts are recorded as Board designated net assets in the financial statements.

**11. Paycheck Protection Program**

The Company received Paycheck Protection Program (PPP) loan proceeds in the amount of \$126,800 in August of 2020 and \$129,595 in February of 2021. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for an amount up to 2.5 times of their average monthly payroll expenses. The loans and accrued interest are forgivable by the Small Business Administration (SBA) after either an eight or twenty-four week covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels.

The unforgiven portion, if any, of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments until either the date the SBA remits the borrower's loan forgiveness amount to the lender or, if the Organization does not apply for loan forgiveness, ten months after the end of the borrower's loan forgiveness covered period.

During 2021, the Organization was notified by the SBA that both PPP loans had been forgiven. Upon notification from the lender, the Organization removed the associated liability and recorded the debt forgiveness as other income.