

IETF Administration, LLC

Financial Report
December 31, 2020

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RSM US LLP

Independent Auditor's Report

Audit Committee
IETF Administration, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of IETF Administration, LLC (IETF), which comprise the balance sheets as of December 31, 2020 and 2019, the related statements of activities and cash flows for the years 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.

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 IETF Administration, LLC as of December 31, 2020 and 2019, 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.

RSM US LLP

McLean, Virginia
June 10, 2021

IETF Administration, LLC

Balance Sheets
December 31, 2020 and 2019

| | 2020 | 2019 |
|---|-------------------------|-------------------------|
| Assets | | |
| Cash | \$ 3,415,332 | \$ 8,040,028 |
| Investments | 19,301,645 | 17,139,666 |
| Accounts receivable | 356,408 | 397,371 |
| Promises to give, net | 13,400,670 | 659,412 |
| Prepaid expenses | 1,032,438 | 420,587 |
| Due from related party | - | 37,196 |
| Property and equipment, net | 316,006 | 445,540 |
| | <hr/> | <hr/> |
| Total assets | \$ 37,822,499 | \$ 27,139,800 |
| | <hr/> | <hr/> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 741,876 | \$ 133,384 |
| Due to related party | 22,978 | - |
| Deferred revenue | 849,399 | 741,724 |
| Total liabilities | <hr/> 1,614,253 | <hr/> 875,108 |
| Net assets: | | |
| Without donor restrictions | 20,935,528 | 18,663,962 |
| With donor restrictions | 15,272,718 | 7,600,730 |
| Total net assets | <hr/> 36,208,246 | <hr/> 26,264,692 |
| | <hr/> | <hr/> |
| Total liabilities and net assets | \$ 37,822,499 | \$ 27,139,800 |
| | <hr/> | <hr/> |

See notes to financial statements.

IETF Administration, LLC

Statement of Activities
Year Ended December 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|-------------------|
| Revenue and support: | | | |
| Contributions | \$ 1,176,464 | \$ 12,742,209 | \$ 13,918,673 |
| Registrations and meetings | 431,276 | - | 431,276 |
| Investment income, net | 2,107,938 | 54,912 | 2,162,850 |
| Other | 50 | - | 50 |
| Net assets released from restrictions | 5,125,133 | (5,125,133) | - |
| Total revenue and support | 8,840,861 | 7,671,988 | 16,512,849 |
| Expenses: | | | |
| Program services: | | | |
| Technology and standards development | 2,084,416 | - | 2,084,416 |
| Education and outreach | 1,565,136 | - | 1,565,136 |
| Supporting services: | | | |
| General and administrative | 2,919,743 | - | 2,919,743 |
| Total expenses | 6,569,295 | - | 6,569,295 |
| Change in net assets | 2,271,566 | 7,671,988 | 9,943,554 |
| Net assets: | | | |
| Beginning | 18,663,962 | 7,600,730 | 26,264,692 |
| Ending | \$ 20,935,528 | \$ 15,272,718 | \$ 36,208,246 |

See notes to financial statements.

IETF Administration, LLC

Statement of Activities
Year Ended December 31, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|-------------------------------|----------------------------|----------------------|
| Revenue and support: | | | |
| Contributions | \$ 18,411,368 | \$ 2,586,935 | \$ 20,998,303 |
| Registrations and meetings | 2,724,898 | - | 2,724,898 |
| Investment income, net | 431,149 | 16,291 | 447,440 |
| Other | 17,688 | - | 17,688 |
| Net assets released from restrictions | 5,002,496 | (5,002,496) | - |
| Total revenue and support | 26,587,599 | (2,399,270) | 24,188,329 |
| Expenses: | | | |
| Program services: | | | |
| Technology and standards development | 3,878,839 | - | 3,878,839 |
| Education and outreach | 1,398,347 | - | 1,398,347 |
| Supporting services: | | | - |
| General and administrative | 2,721,451 | - | 2,721,451 |
| Total expenses | 7,998,637 | - | 7,998,637 |
| Change in net assets | 18,588,962 | (2,399,270) | 16,189,692 |
| Net assets: | | | |
| Beginning | 75,000 | 10,000,000 | 10,075,000 |
| Ending | <u>\$ 18,663,962</u> | <u>\$ 7,600,730</u> | <u>\$ 26,264,692</u> |

See notes to financial statements.

IETF Administration, LLC

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|--------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 9,943,554 | \$ 16,189,692 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 359,687 | 349,739 |
| Net realized and unrealized gain on investments | (1,673,981) | (137,250) |
| Contributions restricted for investment in perpetuity | - | (2,461,935) |
| Loss from disposal of property and equipment | 2,500 | - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Accounts receivable | 40,963 | (397,371) |
| Promises to give, net | (12,741,258) | 4,340,588 |
| Prepaid expenses | (611,851) | (420,587) |
| Due from related party | 37,196 | (113,703) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 608,492 | 133,384 |
| Due to related party | 22,978 | - |
| Deferred revenue | 107,675 | 741,724 |
| Net cash (used in) provided by operating activities | (3,904,045) | 18,224,281 |
| Cash flows from investing activities: | | |
| Proceeds from sales of investments | 19,573 | 6,078,790 |
| Purchase of investments | (507,571) | (23,081,206) |
| Purchase of property and equipment | (232,653) | (795,279) |
| Net cash used in investing activities | (720,651) | (17,797,695) |
| Cash flows from financing activities: | | |
| Contributions restricted for investment in perpetuity | - | 2,461,935 |
| Net cash provided by financing activities | - | 2,461,935 |
| Net (decrease) increase in cash | (4,624,696) | 2,888,521 |
| Cash: | | |
| Beginning | 8,040,028 | 5,151,507 |
| Ending | \$ 3,415,332 | \$ 8,040,028 |
| Supplemental disclosure of noncash operating activities: | | |
| Accounts receivables, prepaid expenses, accrued expenses, accounts payable and deferred revenue transferred from Internet Society | \$ - | \$ 623,671 |
| Supplemental disclosure of noncash investing activities: | | |
| Property and equipment transferred from Internet Society | \$ - | \$ 537,330 |

See notes to financial statements.

IETF Administration, LLC

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: IETF Administration, LLC (IETF) was formed under the laws of the Limited Liability Company act of the State of Delaware as a single-member limited liability company of the Internet Society (ISOC), a Washington, D.C. nonprofit corporation that has been recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986, as amended and is classified as a public charity. IETF's purpose under its organizing documents are limited to activities consistent with a 501(c)(3) organization. IETF's mission is to make the Internet work better by producing high quality, relevant technical documents that influence the way people design, use and manage the Internet.

A summary of significant accounting policies follows:

Basis of presentation: Due to IETF's limited purpose consistent with an organization organized as a nonprofit entity, IETF's financial statement presentation follows the recommendations under the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under the ASC, IETF is required to report information regarding its balance sheet and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net assets without donor restrictions: represent the portion of expendable funds that are available for support of IETF's operations.

Net assets with donor restrictions: represent the portion of net assets that are subject to donor-imposed restrictions that will be met by the passage of time or other events specified by the donor, or those that require resources to be maintained in perpetuity and that only the earnings on such amounts be used in the manner specified by the donor, which includes endowment funds. Donor-imposed restrictions are released when a restrictions expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial risk: IETF maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. IETF has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

IETF invests in professionally managed portfolios that contain various securities. Such investments are exposed to various risks, such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Investments: Investments are reported at their fair values in the balance sheet. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses. Cash held in money market funds within investment portfolio are held at cost and classified as investments.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Accounts receivable: Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Based on management's evaluation of the collectability of accounts receivable, IETF considered accounts receivable to be fully collectible. There was no allowance for doubtful accounts recorded for the years ended December 31, 2020 and 2019.

Promises to give: Unconditional promises to give are recognized as support in the period that IETF is notified of the contribution by the donor and acknowledged and identified by the donor. Unconditional promises to give are initially recorded at fair value less an estimate made for doubtful promises based on a review of all outstanding promises on a monthly basis. Promises to give to be collected after one year are discounted at an appropriate discount rate commensurate with the risks involved. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. Based on management's evaluation of the collection of the promise to give, there was no provision for doubtful accounts at December 31, 2020 and 2019.

Property and equipment: Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, generally three years. The cost of maintenance and repairs is recorded as expenses are incurred. IETF's policy is to capitalize all property and equipment over \$10,000.

Revenue recognition: IETF's revenue streams under contracts with customers are comprised of registrations and meetings fees for conference event services. Fees for registrations and meetings are recognized when a given performance obligation is satisfied when conference event takes place. All of IETF's revenue under contracts with customers is earned in the United States. Deferred revenue represents the unearned portion of revenue related to the future conference registrations and meetings.

Contributions: Unconditional contributions are recognized as support when the promise is received. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. Restrictions that are met by IETF in the year in which they were received are recognized as unrestricted support.

Income taxes: IETF is a single member LLC, a nonprofit organization exempt under the provision of Section 501(c)(3) of the Internal Revenue Code. It is a disregarded entity for tax reporting purposes.

Reclassifications: Certain reclassifications were made to the 2019 financial statements to conform to the 2020 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

Subsequent events: IETF has evaluated subsequent events through June 10, 2021, which is the date the financial statements were available to be issued.

IETF Administration, LLC

Notes to Financial Statements

Note 2. Investments

Investments at December 31, 2020 and 2019, consist of the following:

| | 2020 | 2019 |
|----------------------------------|----------------------|----------------------|
| Common stocks | \$ 4,750,707 | \$ - |
| Mutual funds | 5,566,245 | 5,999,945 |
| Corporate bonds | 5,156,604 | - |
| U.S. government and agency bonds | 3,351,064 | - |
| Cash deposits held at cost | 477,025 | 11,139,721 |
| | <u>\$ 19,301,645</u> | <u>\$ 17,139,666</u> |

Investment income, net, for the years ended December 31, 2020 and 2019, consists of the following:

| | 2020 | 2019 |
|------------------------------|---------------------|-------------------|
| Interest and dividends | \$ 508,442 | \$ 310,190 |
| Realized and unrealized gain | 1,673,981 | 137,250 |
| Investment fees | (19,573) | - |
| | <u>\$ 2,162,850</u> | <u>\$ 447,440</u> |

Note 3. Promises to Give

Promises to give to be collected in more than one year from the date of the donor's commitment are measured using the present value of future cash flows based on a discount rates between 0.12% to 3%. Promises to give at December 31, 2020 and 2019, consist of the following:

| | 2020 | 2019 |
|------------------------------------|----------------------|-------------------|
| Less than one year | \$ 6,372,100 | \$ 112,360 |
| One to five years | 7,110,500 | 673,722 |
| | 13,482,600 | 786,082 |
| Less discount to net present value | 81,930 | 126,670 |
| | <u>\$ 13,400,670</u> | <u>\$ 659,412</u> |

IETF has a conditional promise to give from ISOC, whereby ISOC will contribute cash for periods 2023 through 2026. ISOC will also contribute in a matching program, whereby IETF raises funds from third parties. As of December 31, 2020, the amount of the conditional promise to give that has not yet met conditions amounted to \$50,528,318, net of discount, and no revenue has been recorded.

Note 4. Fair Value Measurements

The Fair Value Measurement Topic of the FASB ASC establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires disclosure that establishes a framework for measuring fair value in generally accepted accounting principles in the United States of America and expands disclosure used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

This topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3: Unobservable inputs not corroborated by market data.

In determining the appropriate levels, IETF performs a detailed analysis of the assets and liabilities that are subject to the accounting standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by IETF at December 31, 2020 and 2019.

IETF Administration, LLC

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The tables below present the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2020 and 2019:

| | 2020 | | |
|----------------------------------|----------------------|----------------------|---------------------|
| | Total | Level 1 | Level 2 |
| Common stocks: | | | |
| Technology | \$ 1,347,904 | \$ 1,347,904 | \$ - |
| Consumer cyclical | 1,209,956 | 1,209,956 | - |
| Financial | 658,058 | 658,058 | - |
| Healthcare | 644,630 | 644,630 | - |
| Industrials | 251,174 | 251,174 | - |
| Communication services | 230,513 | 230,513 | - |
| Energy | 148,769 | 148,769 | - |
| Basic materials | 110,781 | 110,781 | - |
| Real estate | 80,004 | 80,004 | - |
| Utilities | 68,918 | 68,918 | - |
| Total common stocks | <u>4,750,707</u> | <u>4,750,707</u> | <u>-</u> |
| Mutual funds: | | | |
| Foreign large blend | 2,599,215 | 2,599,215 | - |
| High yield bond | 1,500,635 | 1,500,635 | - |
| Small blend | 917,511 | 917,511 | - |
| Diversified emerging markets | 452,634 | 452,634 | - |
| Large blend | 96,250 | 96,250 | - |
| Total mutual funds | <u>5,566,245</u> | <u>5,566,245</u> | <u>-</u> |
| Bonds: | | | |
| Corporate bonds | 5,156,604 | - | 5,156,604 |
| U.S. government and agency bonds | 3,351,064 | - | 3,351,064 |
| Total bonds | <u>8,507,668</u> | <u>-</u> | <u>8,507,668</u> |
| Total assets held at fair value | 18,824,620 | 10,316,952 | 8,507,668 |
| Total cash equivalents | 477,025 | - | - |
| Total investments | <u>\$ 19,301,645</u> | <u>\$ 10,316,952</u> | <u>\$ 8,507,668</u> |

IETF Administration, LLC

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

| | 2019 | | |
|---------------------------------|---------------|--------------|---------|
| | Total | Level 1 | Level 2 |
| Mutual funds: | | | |
| Large blend | \$ 1,646,889 | \$ 1,646,889 | \$ - |
| Intermediate bond | 1,601,755 | 1,601,755 | - |
| Short-term bond | 923,975 | 923,975 | - |
| Foreign large blend | 871,813 | 871,813 | - |
| High yield bond | 508,169 | 508,169 | - |
| Small blend | 291,598 | 291,598 | - |
| Diversified emerging markets | 155,746 | 155,746 | - |
| Total mutual funds | 5,999,945 | 5,999,945 | - |
| Total assets held at fair value | 5,999,945 | 5,999,945 | - |
| Total cash equivalents | 11,139,721 | - | - |
| Total investments | \$ 17,139,666 | \$ 5,999,945 | \$ - |

Common stocks and mutual funds are classified as Level 1 instruments, as they are actively traded on public exchanges and valued based on quoted market prices.

U.S. government agency and corporate bonds are included in Level 2 instruments, as identical assets are not actively traded. The fair values are based on quoted prices for similar assets in active markets or quoted prices for identical assets in markets that are not active.

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2020 and 2019, consist of the following:

| | 2020 | 2019 |
|-------------------------------|------------|------------|
| Software | \$ 448,972 | \$ 218,818 |
| Computer equipment | 576,461 | 576,461 |
| | 1,025,433 | 795,279 |
| Less accumulated depreciation | 709,427 | 349,739 |
| | \$ 316,006 | \$ 445,540 |

Depreciation and amortization expense for the years ended December 31, 2020 and 2019, was \$359,687 and \$349,739, respectively.

IETF Administration, LLC

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions

IETF follows the Codification subtopic, Reporting Endowment Funds. The Codification addresses accounting issues related to guidelines in the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the National Conferences of Commissioners on Uniform State Laws in July 2006. Management has interpreted UPMIFA as requiring the preservation of the fair value of original donor-restricted contributions as of the date of the gift, absent explicit donor stipulations to the contrary. As a result of this interpretation, IETF classified as net assets with donor restrictions that are permanent in nature: (a) the original value of permanently restricted cash contribution; and (b) the discounted value of future permanently restricted cash contributions, net of allowance for uncollectible promises. The remaining portion of donor-restricted cash contributions remain in the restricted endowment until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IETF considers the following factors in making a determination to appropriate or accumulate donor-restricted cash contributions:

- General economic conditions
- Possible effect of inflation or deflation
- Expected tax consequences, if any, of investment decisions or strategies
- Role that each investment or course of action plays within the overall investment portfolio of the fund
- The expected total return from income and the appreciation of investments
- Needs of the Endowment to make distributions and preserve capital
- An asset's special relationship, if any, to the charitable purposes of the Endowment

Investment policy: IETF invests all endowment funds, as well as other invested funds, in a fund managed by an investment manager according to the objectives and guidelines of IETF's investment policy. IETF's overall objective is to outperform inflation while minimizing potential losses. At least annually, IETF's Board of Trustees will review investment objectives to determine their continued applicability. Ultimate authority and responsibility for the financial policies rests with the Board.

Spending policy: IETF may appropriate for expenditure in its annual budget a percentage of the earnings. There may be times when IETF may opt not to take the spending rate but rather to reinvest some or all of the annual income.

Changes in net assets with donor restrictions during the years ended December 31, 2020 and 2019, are as follows:

| | December 31, 2019 | Additions and Endowment Earnings | Released | December 31, 2020 |
|----------------------------|----------------------|-------------------------------------|---------------------|----------------------|
| Time restricted: | | | | |
| ISOC – Annual Funds | \$ 5,000,000 | \$ 12,742,209 | \$ 5,000,000 | \$ 12,742,209 |
| Nokia sponsorship | 125,000 | - | 125,000 | - |
| Total time restricted | 5,125,000 | 12,742,209 | 5,125,000 | 12,742,209 |
| Purpose restricted: | | | | |
| Endowment earnings | 13,795 | 54,912 | 133 | 68,574 |
| Restricted for perpetuity: | | | | |
| IETF Endowment | 2,461,935 | - | - | 2,461,935 |
| | <u>\$ 7,600,730</u> | <u>\$ 12,797,121</u> | <u>\$ 5,125,133</u> | <u>\$ 15,272,718</u> |

IETF Administration, LLC

Notes to Financial Statements

Note 6. Net Assets With Donor Restrictions (Continued)

| | December 31, 2018 | Additions and Endowment Earnings | Released | December 31, 2019 |
|----------------------------|----------------------|-------------------------------------|---------------------|----------------------|
| Time restricted: | | | | |
| ISOC – Annual Funds | \$ 10,000,000 | \$ - | \$ 5,000,000 | \$ 5,000,000 |
| Nokia sponsorship | - | 125,000 | - | 125,000 |
| Total time restricted | 10,000,000 | 125,000 | 5,000,000 | 5,125,000 |
| Purpose restricted: | | | | |
| Endowment earnings | - | 16,291 | 2,496 | 13,795 |
| Restricted for perpetuity: | | | | |
| IETF Endowment | - | 2,461,935 | - | 2,461,935 |
| | <u>\$ 10,000,000</u> | <u>\$ 2,603,226</u> | <u>\$ 5,002,496</u> | <u>\$ 7,600,730</u> |

IETF's endowment funds and fund activity for the years ended December 31, 2020 and 2019, consist of the following:

| | 2020 | 2019 |
|---|----------------------------|----------------------------|
| | With Donor Restrictions | With Donor Restrictions |
| Endowment net assets, beginning of year | \$ 2,475,730 | \$ - |
| Contributions | - | 2,461,935 |
| Investment income | 54,912 | 16,291 |
| Appropriations | (133) | (2,496) |
| Endowment net assets, end of year | <u>\$ 2,530,509</u> | <u>\$ 2,475,730</u> |

Note 7. Related Party Transactions

ISOC is the sole member of IETF. IETF entered into an agreement with ISOC when IETF formed separate legal entity during 2018. Under the agreement, ISOC transferred all of the assets attributable to IETF, including IETF endowment of \$2,602,092, and will fund two cash installments of \$5,000,000 for IETF's fiscal years ending December 31, 2019 and 2020, which are to be used as a general operating fund for IETF.

During the year ended December 31, 2019, IETF recognized contribution revenue of \$19,459,529, for the transfer of accounts receivables, prepaid expenses, investments, property and equipment, accounts payable, deferred revenue and cash, received from ISOC which is presented on the statement of activities.

During the year ended December 31, 2020, IETF recognized contribution revenue of \$12,742,209 and recorded as accounts receivable in the accompanying balance sheets at December 30, 2020. IETF also received conditional contribution during the year ended December 31, 2020, which are further described on Footnote 3.

IETF Administration, LLC

Notes to Financial Statements

Note 8. Liquidity

IETF regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of December 31, 2020 and 2019, the following financial assets are available to meet annual operating needs of the next fiscal year:

| | 2020 | 2019 |
|---|-----------------------------|-----------------------------|
| Financial assets at year end: | | |
| Cash | \$ 3,415,332 | \$ 8,040,028 |
| Investments | 19,301,645 | 17,139,666 |
| Accounts receivable | 356,408 | 397,371 |
| Promises to give, net | 13,400,670 | 659,412 |
| Total financial assets | <u>36,474,055</u> | <u>26,236,477</u> |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | <u>15,272,718</u> | <u>7,600,730</u> |
| Financial assets available to meet general expenditures over next 12 months | <u><u>\$ 21,201,337</u></u> | <u><u>\$ 18,635,747</u></u> |

Note 9. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis. Expenses that can be identified with a specific program or support service are charged directly, according to their natural expenditure classification. IETF charges all expenses directly to functional classifications where it is benefited and there were no expense allocations during the years ended December 31, 2020 and 2019.

IETF's analysis of expenses by function and nature for the years ended December 31, 2020 and 2019, is as follows:

| | 2020 | | | Total |
|-------------------------------|--|----------------------------|-------------------------------|----------------------------|
| | Program Services | | Supporting Services | |
| | Technology and Standards Development | Education and Outreach | General and Administrative | |
| Conference and meetings | \$ 1,418,166 | \$ - | \$ - | \$ 1,418,166 |
| Professional services | 298,325 | 1,413,392 | 2,470,915 | 4,182,632 |
| Depreciation and amortization | 276,959 | 64,744 | 17,984 | 359,687 |
| Salaries and benefits | - | - | 251,225 | 251,225 |
| Contributions to affiliate | - | 87,000 | - | 87,000 |
| Banking and insurance | - | - | 78,364 | 78,364 |
| Travel and entertainment | 40,544 | - | 18,936 | 59,480 |
| Software and storage | - | - | 45,895 | 45,895 |
| Bad Debt Expense | 41,329 | - | - | 41,329 |
| Office and other expenses | 9,093 | - | 28,651 | 37,744 |
| Marketing and sponsorship | - | - | 4,775 | 4,775 |
| Occupancy | - | - | 2,998 | 2,998 |
| Total expenses | <u><u>\$ 2,084,416</u></u> | <u><u>\$ 1,565,136</u></u> | <u><u>\$ 2,919,743</u></u> | <u><u>\$ 6,569,295</u></u> |

IETF Administration, LLC

Notes to Financial Statements

Note 9. Functional Expenses (Continued)

| | 2019 | | | |
|--------------------------------------|--|---------------------------|-------------------------------|---------------------|
| | Program Services | | Supporting Services | |
| | Technology and Standards Development | Education and Outreach | General and Administrative | Total |
| Conference and meetings | \$ 3,107,301 | \$ 8,000 | \$ - | \$ 3,115,301 |
| Professional services | 143,281 | 1,261,756 | 2,515,231 | 3,920,268 |
| Travel and entertainment | 357,094 | - | 42,591 | 399,685 |
| Depreciation and amortization | 268,724 | 63,333 | 17,683 | 349,740 |
| Contributions to affiliate | - | 65,258 | - | 65,258 |
| Banking and insurance | - | - | 54,537 | 54,537 |
| Marketing and sponsorship | - | - | 41,980 | 41,980 |
| Software and storage | 2,140 | - | 39,717 | 41,857 |
| Office and other expenses | 299 | - | 5,095 | 5,394 |
| Occupancy | - | - | 2,417 | 2,417 |
| Professional development and related | - | - | 2,200 | 2,200 |
| Total expenses | <u>\$ 3,878,839</u> | <u>\$ 1,398,347</u> | <u>\$ 2,721,451</u> | <u>\$ 7,998,637</u> |

Note 10. Contingency

Subsequent to the coronavirus outbreak in 2020 in the United States, there has been substantial volatility in financial markets and the economy. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets. Management is continually monitoring the potential impact of the pandemic on IETF.