NEWNOG, INC. DBA NANOG

AUDITED FINANCIAL STATEMENTS

For the Year ended December 31, 2018

NEWNOG, INC. DBA NANOG

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UHY LLP
Certified Public Accountants

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, 2018, and the related statements of activities, cash flows, and functional expenses 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.

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, 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Farmington Hills, Michigan
April 14, 2019

NEWNOG, INC. DBA NANOG
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS	
Cash	$ 1,619,183
Investments	3,469,430
Accounts receivable, net	419,516
Prepaid expenses	60,625
Property and equipment, net	109,404
Total assets	$ 5,678,158
LIABILITIES AND NET ASSETS	
Accounts payable	$ 121,809
Accrued expenses	12,944
Deferred revenue	1,146,350
Total liabilities	1,281,103
NET ASSETS	
Without donor restrictions	
Undesignated	3,157,223
Designated for future meeting commitments	1,239,832
Total net assets	4,397,055
Total liabilities and net assets	$ 5,678,158

NEWNOG, INC. DBA NANOG
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

OPERATING ACTIVITIES:	
REVENUES	
Membership dues	**$ 61,883**
Meeting sponsorship	**1,861,865**
Meeting fees	**1,497,845**
Other programs income	**1,350**
Interest and dividend income	**97,003**
In-kind sponsorship	**75,300**
Total revenues	**3,595,246**
EXPENSES	
Program services expense	
Meetings	**2,445,880**
Other programs	**448,577**
Total program expense	**2,894,457**
Supporting services expense	
Management and general	**453,029**
Total supporting services expense	**453,029**
Total expenses	**3,347,486**
Change in net assets from operating activities	**247,760**
NONOPERATING ACTIVITIES:	
Net investment return	**(129,548)**
CHANGE IN NET ASSETS	**118,212**
NET ASSETS, Beginning	**4,278,843**
NET ASSETS, Ending	**$ 4,397,055**

NEWNOG, INC. DBA NANOG
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

OPERATING ACTIVITIES	
Change in net assets	$ 118,212
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	32,700
Gain on sale of investments	(11,616)
Unrealized loss on investments	120,375
Changes in assets and liabilities:	
Accounts receivable	(161,044)
Prepaid expenses and other assets	11,439
Accounts payable	101,152
Accounts expenses	12,944
Deferred revenue	415,305
Net cash provided by operating activities	639,467
INVESTMENT ACTIVITIES	
Purchases of investments	(1,501,540)
Proceeds from sale of investments	454,189
Purchase of plant, property, and equipment	(39,818)
Net cash used in investment activities	(1,087,169)
NET CHANGE IN CASH	(447,702)
CASH, Beginning	2,066,885
CASH, Ending	$ 1,619,183

See notes to financial statements.

NEWNOG, INC. DBA NANOG
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services			Supporting Services	
	Meetings	Other Programs	Total	Management and General	Total
Meeting expenses	$ 1,907,272	$ -	$ 1,907,272	$ -	$ 1,907,272
Salaries & wages	268,057	162,018	430,075	46,445	476,520
Contract services	251,259	81,563	332,822	44,928	377,750
Other recognized program expenses	-	204,996	204,996	-	204,996
Professional fees	-	-	-	73,329	73,329
Bank fees	-	-	-	66,895	66,895
Website maintenance	-	-	-	48,106	48,106
Payroll taxes	-	-	-	37,235	37,235
Depreciation and amortization	-	-	-	32,700	32,700
Transportation	-	-	-	25,494	25,494
Equipment	19,292	-	19,292	4,823	24,115
Miscellaneous	-	-	-	17,334	17,334
Insurance	-	-	-	16,976	16,976
Retirement benefits	-	-	-	16,110	16,110
Office supplies	-	-	-	15,137	15,137
Education and training	-	-	-	5,133	5,133
Recruiting	-	-	-	1,196	1,196
Printing	-	-	-	1,188	1,188
Total Expenses	$ 2,445,880	$ 448,577	$ 2,894,457	$ 453,029	$ 3,347,486

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).

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following 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 the 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 by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of operations

The statement of activities reports 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.

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

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 $1,360,962 at December 31, 2018.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement 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 statement of financial position.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 or amortized over their estimated useful life, which for the website is five years. Depreciation and amortization are calculated using the straight-line method and amounted to $32,700 for the year ended December 31, 2018.

	December 31, 2018	
Website Development	$	132,958
Computers and Electronics		89,900
Total cost		222,858
Less: Accumulated depreciation and amortization		(113,454)
Net carrying amount	$	109,404

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.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2018, there were no uncertain tax positions that required accrual.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, salaries and wages, and equipment 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: Hackathon, College Immersion, Scholarships and NANOG on the Road.

New Accounting Pronouncement - On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was April 14, 2019.

Effective March 25, 2019, the name of the Organization was changed to NANGO, Inc.

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 2019.

iMiller Public Relations was contracted as Sponsorship Sales Director. This agreement was terminated in November 2018. The term of the agreement was originally through February 2019 and included a bonus amount based on total of sales per meeting where the individual Meeting sponsorship revenue exceeds $350,000.

Hamilton Group Meeting Planners, Inc. (HGMP) is contracted to provide meeting management and staffing to produce NANOG meetings. The term of the agreement is through December 2022.

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 $36,000 for 2018 has been recorded as in-kind sponsorship revenue and meetings expense.

The Organization has an in-kind sponsorship for enterprise cloud and associated system service. The fair value of $24,000 for 2018 has been recorded as in-kind sponsorship revenue and operating expense.

The Organization has an in-kind annual sponsorship with in exchange for the renewal of NANOG domains for $500 per month. The fair value of $6,000 for 2018 has been recorded as in-kind sponsorship revenue and operating expense.

The Organization has an in-kind sponsorship agreement for twenty-four month service maintenance. The fair value of $3,600 has been recorded as in-kind sponsorship revenue and operating expense.

The Organization has an in-kind sponsorship for hosting services. The fair value of $3,300 has been recorded as in-kind sponsorship revenue and operating expense.

The Organization has an in-kind sponsorship with NANOG in exchange for DDOS mitigation and DNS services. The fair value of $2,400 for 2018 has been recorded as in-kind sponsorship revenue and operating expense.

NOTE 4 – LIQUIDITY and AVAILABILITY

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

Cash	$ 379,351
Investments	3,469,430
Accounts receivable, net	419,516
Total	$ 4,268,297

The Organization has $4,268,297 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting substantially of cash of $379,351, accounts receivable of $419,516, and short-investments of $3,469,430. The Organization's financial assets have been reduced by amounts not available for general use because of board designations for future meeting commitments. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments.

NOTE 5 – INVESTMENTS

Investments were comprised of the following:

	December 31, 2018
Common stocks	$ 593,119
Corporate bonds	2,843,876
Equity securities	32,435
Total	$ 3,469,430

NOTE 6– FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, 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 ASC topic *Fair Value Measurements* 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 abilities 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 inactive 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 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.

NOTE 6 – FAIR VALUE MEASUREMENTS (Continued)

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

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Corporate bonds: Valued at the net asset value of shares held by the Organization at year end.

Equity securities: Valued at the closing price reported in the active market in 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.

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

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Commom stocks	$ 593,119	$ -		$ 593,119
Corporate bonds	-	2,843,876	-	2,843,876
Equity securities	32,435	-	-	32,435
Total	$ 625,554	$ 2,843,876	$ -	$ 3,469,430

NOTE 7 – DEFINED CONTRIBUTION PLAN

The Organization maintains a 401(k) retirement plan (the "Plan"). Under the Plan, employees can elect to defer a portion of their compensation. The Organization made employer contributions of $16,110 to the Plan during the year ended December 31, 2018.

NOTE 8 – COMMITMENTS

The Organization has entered into contracts for meetings to be held through 2020. 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, 2018 would be $1,239,832 which was reported as Board designated net assets.