KPMG

Latin America and Caribbean Network Information Centre (LACNIC)

Report to the Board of Directors regarding to the audit of financial statements in US Dollars as of December 31, 2021.

(This is a free translation into English of the independent auditors' report issued in Spanish, which is the official document and it is provided solely for the convenience of English speaking users)

KPMG
March 29, 2022

This report contains 25 pages

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Independent Auditors' Report

To the Board of Directors of
Latin America and Caribbean Network Information Centre (LACNIC)

Opinion

We have audited the financial statements of Latin America and Caribbean Network Information Centre (LACNIC) ("the Organisation"), which comprise the statement of financial position as at December 31, 2021, the statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organisation as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting principles in Uruguay.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organisation in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - comparative information

We draw attention to Note 2.2 to the financial statements which indicates that the comparative information presented as at and for the year ended December 31, 2020 has been restated. Our opinion is not modified in respect for this matter.

Other Matter relating to comparative information

The financial statements of LACNIC as at and for the year ended December 31, 2020, excluding the adjustments described in Note 2.2 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on March 24, 2021.

As part of our audit of the financial statements as at and for the year ended December 31, 2021, we audited the adjustments described in Note 2.2 that were applied to restate the financial statements as at and for the year ended December 31, 2020. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended December 21, 2020. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2.2 are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles in Uruguay, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organisation's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a

going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including, in case of existence, any significant deficiencies in internal control that we identify during our audit.

Montevideo, March 29, 2022

By KPMG

Cra. Alejandra Marmolejo
Assoociate Director
C.J. y P.P.U. 80.425

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Statement of financial position as of December 31, 2021

(in US dollars)

		US$	
	Note	**12.31.2021**	**12.31.2020 Restated**
Assets			
Current assets			
Cash and cash equivalents	6	1.697.275	814.520
Investments	7	3.607.233	3.823.578
Membership receivables	8	1.169.902	1.304.935
Other receivables	9	501.231	466.685
Total current assets		**6.975.641**	**6.409.718**
Non-current assets			
Investments	7	7.115.805	5.408.355
Properties, plant and equipments	10	4.914.560	5.118.776
Intangible assets	10	56.705	38.480
Total non-current assets		**12.087.070**	**10.565.611**
Total assets		**19.062.711**	**16.975.329**
Off balance accounts	17	**80.568**	**72.456**
Liabilities and equity			
Current liabilities			
Trade payables	11	289.743	341.271
Other payables	12	1.417.259	1.202.581
Total current liabilities		**1.707.002**	**1.543.852**
Total liabilities		**1.707.002**	**1.543.852**
Equity			
Prior years' results		15.431.477	12.870.910
Profit or loss for the year		1.924.232	2.560.567
Total equity		**17.355.709**	**15.431.477**
Total liabilities and equity		**19.062.711**	**16.975.329**
Off balance accounts	17	**80.568**	**72.456**

The notes 1 to 18 are an integral part of these financial statements.

Statement of profit or loss for the year ended December, 31 2021

(in US dollars)

	Note	US$ 12.31.2021	US$ 12.31.2020 Restated
Net operating revenues	13	9.549.343	9.516.573
Operating expenses			
Salaries and Personnel Expenses		(3.729.878)	(3.366.129)
Professional Fees and Hired Services		(1.156.567)	(1.160.895)
Cooperation, Contribution and Memberships		(796.569)	(782.399)
Depreciations and Amortizations	10	(498.112)	(463.002)
Building Maintenance and Utilities		(243.106)	(253.983)
IT Maintenance Services		(244.327)	(222.667)
Communication Expenses		(215.780)	(205.372)
Travel Expenses (Staff, Board and Commissions)		(124.083)	(151.730)
Training Expenses		(109.119)	(117.728)
Outreach Costs		(337.670)	(95.727)
Travel Expenses (Fellows and Exhibitors)		-	(400)
Other Operating Expenses		(145.329)	(170.444)
		(7.600.540)	**(6.990.476)**
Other profit or loss			
Other Income		-	24.372
Other Expenses		(272)	(6.630)
		(272)	**17.742**
Financial results			
Bank Expenses		(49.597)	(43.557)
Collecting Fees		(116.743)	(109.640)
Result of Investments		130.812	141.649
Other Financial Results		6.220	6.500
Foreign Currency		5.009	21.776
		(24.299)	**16.728**
Profit or loss for the year		**1.924.232**	**2.560.567**

The notes 1 to 18 are an integral part of these financial statements.

Statement of comprehensive income for the year ended December 31, 2021

(in US dollars)

	US$	
	12.31.2021	**12.31.2020 Restated**
Profit or loss for the year	**1.924.232**	**2.560.567**
Other comprehensive income	-	-
Comprehensive income for the year	**1.924.232**	**2.560.567**

The notes 1 to 18 are an integral part of these financial statements.

Statement of cash flows for the year ended December 31, 2021

(in US dollars)

	Note	US$ 12.31.2021	US$ 12.31.2020 Restated
Cash flows from operating activities			
Profit or loss for the year		1.924.232	2.560.567
Adjustments:			
Depreciation of properties, plant and equipments	10	482.124	453.178
Amortization of intangible assets	10	15.988	9.824
Result from sale of properties, plant and equipments		272	(6.703)
Result of investments		(130.812)	(141.649)
Operating result before changes in operating activities		**2.291.804**	**2.875.217**
Changes in:			
Membership receivables		135.033	54.995
Other receivables		(34.546)	86.913
Trade payables		(51.528)	113.646
Other payables		214.678	367.707
Net cash flow provided by operating activities		**2.555.441**	**3.498.478**
Cash flows from investment activities			
Purchase of bonds		(7.659.265)	(6.594.496)
Amortizations / sales of bonds		5.967.850	2.941.248
Collection of coupons		331.122	210.692
Purchase of properties, plant and equipments	10	(278.932)	(393.902)
Proceeds from sales of properties, plant and equipments		752	27.116
Acquisition of intangible assets	10	(34.213)	(21.761)
Net cash flow used in investing activities		**(1.672.686)**	**(3.831.103)**
Variation in net cash flow		**882.755**	**(332.625)**
Cash and banks at the beginning of the year		**814.520**	**1.147.145**
Cash and banks as of year-end	6	**1.697.275**	**814.520**

The notes 1 to 18 are an integral part of these financial statements.

Statement of changes in equity for the year ended December 31,

(in US dollars)

	Prior years' results	Total equity
Balances as of December 31, 2019	**12.900.896**	**12.900.896**
Changes to the beginning balances (Note 2.2)	(29.986)	(29.986)
Balances as of January 1, 2020 restated	12.870.910	12.870.910
Movements during the year		
Profit or loss for the year	2.560.567	2.560.567
Balances as of December 31, 2020	**15.431.477**	**15.431.477**
Movements during the year		
Profit or loss for the year	1.924.232	1.924.232
Balances as of December 31, 2020	**17.355.709**	**17.355.709**

The notes 1 to 18 are an integral part of these financial statements.

Notes to the Financial Statements as of December 31, 2021

Nota 1 - Basic information about the Organisation

1.1 Legal nature and main activity

LACNIC contributes to the development of the Internet in the region through an active cooperation policy. It promotes and defends the interests of the regional community and collaborates in generating the conditions for the Internet to be an effective instrument for social inclusion and economic development in Latin America and the Caribbean.

Its activity or purpose includes:

- Manage Internet number resources in Latin America and the Caribbean, maintaining standards of excellence and transparency and promoting the participatory policy development model.
- Lead the permanent construction of the regional community, strengthening technological capabilities and applied research for the development of a stable and open Internet.

LACNIC has the benefits established by Decree 334/970 dated July 14, 1970, which exempts this kind of Institutions from employer's contributions to social security. Besides, Law No. 13.179 gives all employees of international non-profit organisations the option of choosing the Uruguayan social security system.

1.2 Financial statements approval date

LACNIC's financial statements for the year ended December 31, 2021 were approved by the Board of Directors and authorized for publication on March 22, 2022.

As a consequence of the situation generated by COVID-19, the financial statements corresponding to the fiscal years ended December 31, 2019 and 2020 remain pending submission to approval by the Ordinary Members Assembly.

On May 4, 2022, the financial statements corresponding to the years 2019, 2020 and 2021 will be submitted for approval by the Ordinary Members Assembly.

Nota 2 - Basis of preparation and main accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards for SMEs (hereinafter "IFRS for SMEs"), following the provisions and exceptions set forth in Decrees 37/10, 291/014, 372/015 and 408/016, which together constitute the appropriate accounting standards in Uruguay.

Decree 37/010 states that the Organisation must apply the classification and disclosure criteria of current/non-current assets and liabilities in the statement of financial position, and the classification and disclosure criteria of expenses by function in the statement of comprehensive income.

Decrees 291/14 and 372/15 establish that financial statements for periods beginning on or after January 1, 2015 must be prepared according to the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) issued by IASB – the International Accounting Standards Board, to the date of issuance of the decree and published on the website of *Auditoría Interna de la Nación*. However, these decrees state the following exceptions to the application of IFRS for SMEs:

- the revaluation method provided for in International Accounting Standard 16, Property, Plant and Equipment and International Accounting Standard 38, Intangible Assets, may be used as an alternative;

- the presentation of the statement of changes in net equity will be mandatory.
- the capitalization of borrowings as provided for in International Accounting Standard 23, Borrowing Costs, could be adopted;
- IAS 12 must be applied on income tax instead of Section 29 of IFRS for SMEs.
- Investments in subsidiaries in the separate financial statements must be valued at the equity method.
- Investments in joint ventures and associates can be valued as detailed in section 9 of IFRS for SMEs or at the equity method.

Also, Decree 291/14 grants the option to submit the financial statements under International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The entity has adopted IFRS for SMEs with the exceptions mentioned above.

On December 26, 2016 the Executive Power introduced Decree 408/016 which requires changes in the presentation of financial statements.

The main dispositions included in the decree can be summarised in the following points:

a) Current assets must be presented in decreasing order regarding liquidity

b) The presentation of the comprehensive income must be realised in two statements, the statement of profit or loss and the statement of comprehensive income.

c) In the statement of profit or loss, expenses must be presented using a classification based on their function.

d) Figures in other comprehensive income must be presented in the statement of comprehensive income, net of income tax.

e) Cash flows from operating activities must be presented in the statement of cash flows using the indirect method.

2.2 Corresponding figures – Modification to beginning balances as of December 31, 2020

As of December 31, 2020, the financial statements of LACNIC presented investments in government and corporate bonds valued at fair value with changes in the statement of profit or loss. On January 1, 2021, the Organisation began to evaluate its investments at amortized cost using the effective interest method according to Section 11 of the IFRS for SMEs, the Organisation's applicable accounting framework. This change reflects the Organisation's investment policy which pursues a purpose of preserving the invested capital. Therefore, according to Section 10 paragraph 12 of the IFRS for SMEs, accounting is done retrospectively.

The effect of the accounting implied in the year ended December 31, 2020 a decrease in investments of US$ 103,629, a decrease in the profit or loss for the year of US$ 73,643 and a decrease in prior years´results of US$ 29,986. Additionally, the Organisation reclassified Discounts granted held as of December 31, 2020 within financial results to Net operating income.

The following is the reconciliation for each year:

Statement of financial position	January 1, 2021 US dollars 1/1/2020 before adjustments	Adjustment	Corrected balance	Statement of financial position	December 31, 2020 US dollars 12/31/2020 before adjustments	Adjustment	Corrected balance
Total current assets	8.738.387	(12.220)	8.726.167	Total current assets	11.921.702	(5.511.984)	6.409.718
Total non-current assets	5.225.008	(17.766)	5.207.242	Total non-current assets	5.157.256	5.408.355	10.565.611
Total assets	13.963.395	(29.986)	13.933.409	**Total assets**	17.078.958	(103.629)	16.975.329
Total current liabilities	1.062.499	-	1.062.499	Total current liabilities	1.543.852	-	1.543.852
Total liabilities	1.062.499	-	1.062.499	**Total liabilities**	1.543.852	-	1.543.852
Prior years' results	12.900.896	(29.986)	12.870.910	Prior years' results	15.535.106	(103.629)	15.431.477
Total equity	12.900.896	(29.986)	12.870.910	**Total equity**	15.535.106	(103.629)	15.431.477
Total liabilities and equity	13.963.395	(29.986)	13.933.409	**Total liabilities and equity**	17.078.958	(103.629)	16.975.329

Statement of profit or loss	December 31, 2020 US dollars 12/31/2020 before adjustments	Adjustment	Corrected balance
Net operating revenues	9.718.992	(202.419)	9.516.573
Operating expenses	(6.990.476)	-	(6.990.476)
Other profit or loss	26.182	(8.440)	17.742
Financial results	(120.488)	137.216	16.728
Profit or loss for the year	2.634.210	(73.643)	2.560.567

Statement of cash flows	December 31, 2020 US dollars 12/31/2020 before adjustments	Adjustment	Corrected balance
Net cash flow provided by operating activities	3.713.770	(215.292)	3.498.478
Net cash flow used in investing activities	(4.046.395)	215.292	(3.831.103)
Net cash flow provided by financing activities	-	-	-
Cash and banks at the beginning of the year	1.147.145	-	1.147.145
Cash and banks as of year-end	814.520	-	814.520

2.3 Functional currency

The financial statements have been prepared on the basis of the concept of functional currency defined in Section 30 "Translation of foreign currencies" of the IFRS for SMEs. The Management of the Organisation has decided to adopt the US dollar as the functional currency of the Financial Statements and not the local currency of Uruguay, considering that the first reflects the economic substance of the events and circumstances relevant to it, taking as reference the items listed in Section 30 of the IFRS for SMEs which are the following:

- The income stream is denominated in US dollars, given that, substantially, the prices are fixed in that currency irrespective of the exchange rate of the local economy.
- The collection of accounts receivable is substantially made in US dollars.
- Financing is substantially denominated in US dollars.
- Most operation expenses are made in US dollars.

2.4 Basis of measurement

The financial statements have been prepared following, in general, the accounting principle of historical cost. Consequently, assets, liabilities, income and expenses are valued at the amounts in money actually agreed in the transactions that have given them origin.

2.5 Foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rate on the date of the transaction.

Monetary assets and liabilities denominated in a currency other than the functional currency are translated into United States dollars at the rate in force at the end of the fiscal year (1 US$ = $ 44,695 on December 31, 2021 and 1 US$ = $ 42,34 on December 31, 2020).

Exchange rate differences that may arise are submitted in the statement of profit or loss for the year. Transactions in currencies other than the functional currency are recorded at the exchange rate or arbitration corresponding to the day of the transaction.

2.6 Concept of capital

For the determination of the fiscal year's results, the concept of financial capital was adopted. It has been considered a result of the fiscal year, the difference that arises from comparing the net equity at the end of the fiscal year and at the beginning of it, after excluding the decreases and increases corresponding to capital contributions and withdrawal of profit. For the purposes of the determination of the fiscal year's result, all the amounts involved in the variation of the net equity are expressed in the functional currency of the Organisation.

There was no special provision to consider the likely coverage that could have been considered necessary for the purpose of maintaining the operational capacity of the assets.

2.7 Use of accounting estimates

The preparation of the financial statements to a certain date requires Management to make estimates and assessments that affect the amount of assets and liabilities and contingent assets and liabilities disclosed to the date of issuance of these financial statements, as well as the income and expenditure registered in the year.

The relevant estimates and assumptions are regularly revised. The revisions of accounting estimates are recognised prospectively.

The Management of the Organisation makes estimates to be able to calculate at a given time, for example, those estimates related to the forecast of bad debts, depreciation of properties, plant and equipments and amortization of intangible assets.

By their nature, these estimates are subject to a measurement uncertainty, therefore, future actual results may differ from those determined at the date of preparation of these financial statements.

2.8 Permanence of accounting criteria

The criteria applied in the valuation of assets and liabilities, as well as in the determination of the result for the year ended December 31, 2021, are similar to those applied in the last year, except as mentioned in note 2.2.

Nota 3 - Main accounting policies and practices applicable

The valuation criteria applied to the main items of the financial statements are detailed below:

3.1 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments include cash and cash equivalents, investments, membership receivables, other receivables, trade payables and other payables.

Membership receivables, other receivables, cash and cash equivalents and investments

These financial assets are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, costs directly attributable to the transaction. Subsequent to initial recognition, non derivative financial instruments are measured at amortized cost using the effective interest method.

At the end of each reporting date, the balance of membership receivables and other receivables are assessed to determine if there exist any objective evidence that they will not be recoverable. If so, an impairment loss is immediately recognised in profit or loss.

Cash and cash equivalents, include the balances of cash, banks and temporary investments with maturity date less than three months. Bank overdrafts that are repayable on demand and that are an integral part of the Organization's cash management, are included as a component of cash and cash equivalents for purposes of the statement of cash flows.

Trade and other payables

Financial liabilities are recognised initially at fair value plus, in the case of instruments not at fair value through profit or loss, costs directly attributable to the transaction. Subsequent to initial recognition, non derivative financial instruments are measured at amortized cost using the effective interest method.

Trade and other payables are obligations based on normal credit conditions and have no interests.

3.2 Cash and cash equivalents

Cash and cash equivalents are presented at their nominal value. The nominal value it is not different from its fair value.

3.3 Investments

According to LACNIC's current investment policy, the use of derivatives or hedging instruments is not allowed.

Non derivatives financial instruments are valued at amortized cost using the effective interest method.

3.4 Membership's receivables and other receivables

Membership's receivables and other receivables are valued at amortised cost using the actual interest method less any forecast by uncollectability.

3.5 Properties, plant and equipments

Properties, plant and equipments are presented at their historical cost of acquisition in US dollars less any accumulated depreciation and any accumulated impairment loss. Depreciations are calculated using the straight-line method from the time of incorporation of the goods, applying annual percentages determined based on the goods' estimated useful lives.

Properties, plant and equipments are depreciated according to the following estimated useful lives for each category:

- Properties – Improvements 50 years
- Furniture 10 years
- Vehicles 10 years
- Computer devices 3 years
- Communication devices 5 years
- Other equipment 3 years

Expenditure incurred subsequent to the acquisition of an item of properties, plant and equipment is included in the carrying amount of the asset when it is probable that they will result in future economic benefits, additional to the originally assessed. The cost of repairs and maintenance are charged to profit or loss.

The properties, plant and equipment are removed at the time of their disposal (sale or removal) or when no future economic benefits are expected as a result of their use or disposition; any utility or loss arising will be recognised in the statement of profit or loss.

The accumulated depreciation is calculated using the straight-line method based on the estimated useful life of the respective assets. The depreciation of the fiscal year is imputed to "Operating expenses" of the statement of profit or loss for the year, depending on the use that is given to the asset.

3.6 Intangible assets

Intangible assets (software) are valued at their historic cost of acquisition minus the corresponding accumulated amortization.

Amortization is calculated by the straight-line method using fixed percentages on the original values, estimated according to the useful life of each category, starting from the month following their incorporation. The estimated useful life for intangible assets is 3 years.

3.7 Impairment loss of properties, plant and equipments and intangible assets

At each balance sheet date, the Organisation reviews the carrying amount of its assets to determine if there is any indication that those assets have suffered impairment loss. If any such indication exists, the recoverable amount of these assets is estimated to determine the amount of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Organisation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the highest of its fair value, costs deducted as intended to sale and the value in use. To calculate the value in use, estimated future cash flows are discounted to their present value using a discount rate before tax that reflects the market value of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as a result, unless the asset in question has been revalued, in which case the impairment loss is treated as a reduction of the revaluation.

3.8 Income tax

The Organisation is exempt from all national taxes owing to its nature as non-governmental and non-profit organisation, recognised by the Ministry of Foreign Affairs, according to the provisions of Decree 334/970, thus being entitled to tax exemptions provided in article 69 of the Oriental Republic of Uruguay's Constitution.

3.9 Provisions

Provisions are recognised when the Organisation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Organisation will be required to settle that obligation and a reliable estimate can be made of the amount.

The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When an obligation is expected to be settled in the long term, the amount is determined by a cash flow discounted by a rate that reflects the current value of the obligation.

3.10 Classification as liabilities or net equity

Instruments of liabilities or net equity are classified as financial liabilities or net equity according to the substance of the contractual agreement.

3.11 Determination of profit or loss

The Organisation applied the principle of the accrued for the recognition of income and the allocation of costs and expenses.

3.12 Revenue recognition

Revenues comprise the fair value of the consideration received or to be received for the sale of goods in the ordinary course of the Organization's activities. Fair value considers the amount of prompt payment discount in the memberships granted by the Organisation.

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

3.13 Statement of cash flows

For the preparation of the statement of cash flows, funds were defined as cash and cash equivalents.

Cash and cash equivalents comprise cash and demand deposits, and other highly liquid short-term investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Note 4 - Risk management policy

The Organisation has a Risk Management Methodology. It includes the identification, assessment, treatment and monitoring of the risks that affect the Organisation, as well as the potential impact on the financial statements.

The financial statements do not include adjustments derived from the financial and economic situations of the country and of those places where the investments are located. Consequently, they do not include any contingencies thereof, nor the eventual volatility of investments.

No provisions have been made for eventual restrictions to Cash and Cash Equivalents availability that could be issued.

The main risks affecting the Organisation's activities are:

4.1 Market Risk

LACNIC is exposed to the following market risk factors:

a. Exchange Rate

The Organisation is exposed to the variation in the exchange rate of the Uruguayan Peso (other than the functional currency). The foreign currency risk arises from commercial transactions and from assets and liabilities kept in foreign currencies. As mentioned in Note 3.3, LACNIC does not use any coverage instruments to neutralise said risk.

In order to minimise this risk, the Organisation aims to neutralise the asset and liability positions maintained in currencies other than the functional currency. In Note 14 there is a summary of assets and liabilities balances in foreign currencies.

For the year ended December 31, 2021, if the US dollar had strengthened 10% against the Uruguayan peso (main foreign currency), holding other variables constant, it would have had a non-material effect on the financial statements of the Organisation.

b. Interest Rate

LACNIC does not have assets or liabilities exposed to variations in interest rates.

4.2 Credit Risk

The main financial assets are made up of Membership's receivables. Membership's receivables are separated into several debtors.

The Organisation has established control processes and mechanisms that ensure a proper risk management.

4.3 Liquidity Risk

The Liquidity Risk implies not being able to cover short-term liabilities with the liquid assets.

The Organisation has enough liquid assets in first-rate banks, in liquid temporary investments, and in accounts receivable to face all committed current liabilities. As of December 31, 2021, LACNIC has balances in liquid assets amounting to US$ 1.697.275.

LACNIC permanently monitors this risk through its Cash Management policy.

Nota 5 - Financial instruments

Financial assets and liabilities and its measurement method in the financial statements are the following:

December 31, 2021	**Amortized cost**	**Amortized cost less impairment**	**Fair value**	**Total**
Financial Assets				
Cash and cash equivalents	1.697.275	-	-	1.697.275
Investments	-	10.723.038	-	10.723.038
Membership receivables	-	1.169.902	-	1.169.902
Other receivables	-	141.673	-	141.673
	1.697.275	12.034.613	-	13.731.888

	Amortized cost	**Fair value**	**Total**
Financial Liabilities			
Trade payables	289.743	-	289.743
Other payables	305.742	-	305.742
	595.485	-	595.485

December 31, 2020 Restated	**Amortized cost**	**Amortized cost less impairment**	**Fair value**	**Total**
Financial Assets				
Cash and cash equivalents	814.520	-	-	814.520
Investments	-	9.231.933	-	9.231.933
Membership receivables	-	1.304.935	-	1.304.935
Other receivables	-	108.788	-	108.788
	814.520	10.645.656	-	11.460.176

	Amortized cost	**Fair value**	**Total**
Financial Liabilities			
Trade payables	341.271	-	341.271
Other payables	249.502	-	249.502
	590.773	-	590.773

Nota 6 - Cash and cash equivalent

The following is the detail of cash and cash equivalents:

	US$	
	12.31.2021	**12.31.2020**
Cash	731	718
Banks	1.696.544	813.802
	1.697.275	814.520

Nota 7 - Investments

The following is the detail of investments as of December 31, 2021 and December 31, 2020:

	US$	
	12.31.2021	**12.31.2020 Restated**
Current		
Governmental bonds	1.550.810	1.594.760
Corporate bonds	2.056.423	2.228.818
	3.607.233	3.823.578
Non-current		
Governmental bonds	3.048.395	1.354.075
Corporate bonds	4.067.410	4.054.280
	7.115.805	5.408.355

The Board of LACNIC has adopted a conservative investment philosophy prioritising the preservation of capital and liquidity.

As of December 31, 2021, all securities have an investment grade credit rating.

Detail of LACNIC's portfolio:

Securities	Currency	Nominal Value	Amortized cost
US TREASURY	US$	770.000	769.591
URUGUAY	US$	555.000	620.377
SAUDI ARABIA	US$	350.000	385.373
ABU DHABI	US$	300.000	306.899
INDONESIA	US$	278.000	288.317
SOUTH KOREA	US$	270.000	289.416
EURASIAN DEVELOPMENT BANK	US$	262.000	271.197
CHILE	US$	260.000	278.876
QATAR	US$	250.000	268.377
BLACK SEA	US$	233.000	247.115
BC LATINAMER	US$	230.000	237.865
AFRIXM BANK	US$	200.000	215.630
CORPORACION ANDINA DE FOMENTO	US$	200.000	203.123
RUSSIAN	US$	200.000	217.049
Governmental Bonds			**4.599.205**
SANTANDER MEXICO	US$	650.000	671.015
STANCHART	US$	470.000	492.439
GOLDMAN SACHS	US$	350.000	365.784
BNP	US$	300.000	323.944
ALIBABA	US$	290.000	297.613
DEUTSCHE BANK	US$	270.000	271.283
TENCENT	US$	260.000	270.103
BAYER US	US$	250.000	265.362
RABOBANK NEDERLAND	US$	250.000	254.512
WELLS FARGO	US$	223.000	235.251
ING	US$	220.000	222.667
GAZPROM	US$	210.000	216.649
NISSAN	US$	200.000	207.843
UBS AG	US$	200.000	206.485
UNICREDIT	US$	200.000	203.506
BANK OF AMERICA	US$	200.000	206.416
APPLE	US$	180.000	185.086
MORGAN STANLEY	US$	160.000	169.600
CITIGROUP	US$	150.000	153.002
MITSUBISHI	US$	140.000	149.293
CANADIAN IMPERIAL BK	US$	130.000	136.974
JPMORGAN CHASE	US$	120.000	121.539
DELL INTERNATIONAL	US$	110.000	120.888
SANTANDER CHILE	US$	90.000	91.299
BBVA CONTINENTAL	US$	80.000	83.395
KRED WIEDERAUF	US$	62.000	62.190
MICROSOFT	US$	61.000	61.522
KIMBERLY CLARK CORP	US$	39.000	39.921
VISA INC	US$	38.000	38.252
Corporate Bonds			**6.123.833**
Total Bonds			**10.723.038**

Nota 8 - Membership's receivables

The following is the detail of membership´s receivables:

	US$	
	12.31.2021	**12.31.2020**
Renewal of membership's receivables	1.748.005	1.757.843
Credit cards	122.294	118.488
Initial membership's receivables	91.434	71.130
Invoiced revenues not accrued (*)	(791.831)	(642.526)
	1.169.902	1.304.935

(*) The amount is due to invoices issued by the Organisation to its members, for which annual memberships have not yet been accrued. This balance regularises the balance of renewal of membership´s receivables.

Nota 9 - Other receivables

The following is the detail of other receivables:

	US$	
	12.31.2021	**12.31.2020**
Advances to suppliers	359.558	357.897
Other receivables	141.673	108.788
	501.231	466.685

Nota 10 - Properties, plant and equipment and intangible assets

The evolution is as follows:

	Original values				Depreciation and amortization				Net value	
Items	Balance as of December 31, 2020	Additions	Dispositions	Balance as of December 31, 2021	Balance as of December 31, 2020	Annual depreciation and amortization	Accumulated depreciation and amortization of dispositions	Balance as of December 31, 2021	Carrying amount as of December 31, 2021	Carrying amount as of December 31, 2020
Properties – improvements	3.642.870	-	-	3.642.870	469.702	72.858	-	542.560	3.100.310	3.173.168
Furniture	431.112	-	-	431.112	130.647	37.320	-	167.967	263.145	300.465
Vehicles	34.866	-	-	34.866	860	3.487	-	4.347	30.519	34.006
Computing devices	1.125.222	188.540	4.530	1.309.232	768.329	205.694	3.506	970.517	338.715	356.893
Communication devices	767.223	44.078	-	811.301	485.119	108.365	-	593.484	217.817	282.104
Other equipment	366.747	46.314	-	413.061	267.060	54.400	-	321.460	91.601	99.687
Property - Land	872.453	-	-	872.453	-	-	-	-	872.453	872.453
Total properties, plant and equipments	**7.240.493**	**278.932**	**4.530**	**7.514.895**	**2.121.717**	**482.124**	**3.506**	**2.600.335**	**4.914.560**	**5.118.776**
Software	376.767	34.213	-	410.980	338.287	15.988	-	354.275	56.705	38.480
Total intangible assets	**376.767**	**34.213**	-	**410.980**	**338.287**	**15.988**	-	**354.275**	**56.705**	**38.480**
Total properties, plant and equipments and intangible assets	**7.617.260**	**313.145**	**4.530**	**7.925.875**	**2.460.004**	**498.112**	**3.506**	**2.954.610**	**4.971.265**	**5.157.256**

The depreciation of property, plant and equipment and the amortization of intangible assets for the year ended December 31, 2021 are US$ 498.112 (US$ 463.002 as of December 31, 2020) were considered as operating expenses.

Nota 11 - Trade payables

The following is a detail of trade payables:

	US$	
	12.31.2021	**12.31.2020**
Trade payables	281.556	329.268
Credit cards payables	8.187	12.003
	289.743	341.271

Nota 12 - Other payable

The following is a detail of other payables:

	US$	
	12.31.2021	**12.31.2020**
Memberships' advances	563.907	466.648
Provisions for employee benefits	547.610	486.431
Other payables	272.586	217.996
Retirement insurance payable	33.156	31.506
	1.417.259	1.202.581

Nota 13 - Net operating revenues

Revenue by type of customer is as follows:

	US$	
	12.31.2021	**12.31.2020 Restated**
ISPs (Internet Services Providers)	5.547.934	5.365.930
End User	489.535	481.415
ASN (Autonomous System Number)	212.050	181.002
Memberships of Internet National Registries	3.501.890	3.564.621
Other Incomes	172.889	134.464
Discounts Granted in Memberships	(374.955)	(210.859)
	9.549.343	9.516.573

Nota 14 - Position in foreign currencies

Balances denominated in foreign currencies (currencies other than the Entity's functional currency), are as follows:

	December 31, 2021	
	Uruguayan pesos	**Equivalent in US$**
Cash and cash equivalents	3.249.383	72.701
Other receivables	3.078.411	68.876
Total assets	6.327.794	141.577
Trade Payables	1.950.792	43.647
Other payables	13.990.026	313.011
Total liabilities	15.940.818	356.658
Net position	(9.613.024)	(215.081)

	December 31, 2020	
	Uruguayan pesos	Equivalent in US$
Cash and cash equivalents	1.519.267	35.883
Other receivables	1.807.105	42.681
Total assets	3.326.372	78.564
Trade Payables	2.377.614	56.155
Other payables	12.093.868	285.637
Total liabilities	14.471.482	341.792
Net position	(11.145.110)	(263.228)

Nota 15 - Joint fund for the stability of Regional Internet Registries (RIRs)

In 2015, LACNIC's Board of Directors agreed to participate with US$ 100.000 in a Joint Fund of the Regional Internet Registries (RIRs) to guarantee the continuity of its registry operations and related support activities, in the face of potential contingent situations. This reserve fund is composed of voluntary commitments of funds from each of the parties.

Nota 16 - Key management personnel

Key personnel comprise those people with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly.

Based on this definition, it is understood that LACNIC's key personnel is made up of Board members, the Deputy/Chief Executive Officer and Managers of the Institution.

LACNIC's Board of Directors do not receive remuneration.

The total fixed compensation expense of key personnel as of December 31, 2021 amounts to US$ 886.479, and it is included under section "Salaries and Personnel Expenses" in the statement of profit or loss for the year (US$ 765.656 as of December 31, 2020).

Nota 17 - Off balance accounts

LACNIC participates in collaborative projects with other organisations of the internet ecosystem, with the aim of promoting the development of internet in the region, managing funds for and on behalf of third parties linked to such projects.

Additionally, until the year 2020 inclusive, LACNIC served as secretary for the Latin American and Caribbean Internet Governance Forum (LACIGF), managing funds on behalf of and by order of its Program Committee (made up of 12 representatives from four sectors: governments , civil society, private sector and technical community). As long as the Committee does not appoint a new secretary, LACNIC will maintain custody of the funds, making movements only under the express authorization of the Committee until they are transferred to the new secretary, once the Committee stipulates it.

	US$	
	12.31.2021	12.31.2020
LACIGF	75.034	65.851
LACNOG	5.534	6.605
	80.568	72.456

Nota 18 - Subsequent events

As of the date of issuance of the present financial statements, there have been no subsequent events which may significantly affect the Organisation.

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