

IP Address Regional Registry for Latin America and the Caribbean (LACNIC)

NOTES FOR THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2002

1. ACTIVITY AND LEGAL NATURE OF THE ORGANIZATION

The IP Address Regional Registry for Latin America and the Caribbean (LACNIC) (hereforth known as LACNIC) is a non-government non-profit organization created in Montevideo on July 27, 2001. It begun operating on April 1, 2002. Its Founding Members are: AHCNET (Hispanoamerican Association of Research Centers and Telecommunications Companies), CABASE (Argentine Chamber of Databases and Online Services), CG-Br (Brazilian Internet Management Committee), ECOMLAC (Latin American and Caribbean Internet and e-Commerce Federation), ENRED (Network Forum for Latin America and the Caribbean) and NIC-Mx (NIC Mexico).

The basic activities of the Institution are:

- to administer IP address space and other related resources in the interest of the Internet community of Latin America and the Caribbean;
- to provide registration services for IP addresses, ASN, inverse resolution and related resources, with the aim of allowing and simplifying communications through computer networks;
- to represent and promote the points of view and interests of its members before international organizations, within its area of competence;
- to aide Internet growth within the region;
- to aide the Latin American and Caribbean community in the development of procedures, mechanisms and standards for the efficient allocation of Internet resources;
- to promote educational opportunities for its member;
- to propose and develop public policies within its area of competence.

As it is an international, non-profit, non-government organization, the Institution is tax exempt. In addition, decree 334/970 exonerates these institutions from the employer's part of the social premiums payable. Act No. 13 179 grants the employees of non-profit non-government organizations the option of joining the Uruguayan social security system.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Accounting standards

The financial statements have been prepared in accordance with accounting standards generally accepted in Uruguay.

The amounts indicated in the financial statements represent historical accounting values in Uruguayan pesos, which is the legal currency in Uruguay, without any adjustments to reflect the distortions caused by the local currency's loss of purchasing power.

2.2 Conversion to American dollars

The methodology adopted for converting the financial statements from Uruguayan pesos (currency in which the Institution's operations are accounted for) to American dollars consisted in converting:

- a. Monetary assets and liabilities to the exchange rates at the closing of the period.
- b. Non-monetary assets and net patrimony accounts are presented converted to the exchange rates at the moment of the transactions.
- c. Items included in the statement are converted to American dollars using the average exchange rate for the month the operations were carried out. The result by conversion is included in the Financial Results account and in the Income Statement.

2.3 State of origin and use of funds

For the preparation of the State of origin and use of funds for the period ending on December 31, 2002, all availabilities were defined as funds.

2.4 Concept of Capital

The concept of capital used by the Institution in order to determine results is financial capital. Consequently, the result has been determined based on the variation that the capital considered exclusively as a monetary investment has had during the period.

2.5 Use of estimates

Preparing financial statements as of a certain date requires that the Directors and Management of the Institution make estimates and evaluations that affect the amounts reported under assets and liabilities, the revelation of contingent assets and liabilities, as well as earnings and losses during the period. The actual results that will occur in the future may be different from the estimates and evaluations made by the Directors and Management.

2.6 Foreign currency assets and liabilities

In order to present figures in Uruguayan pesos, assets and liabilities in foreign currency existing at the closing of the period were expressed in local currency at the exchange rate of said date, including the exchange rate differences in the income for the period.

Likewise, in order to present the financial statements in American dollars, all assets and liabilities in different currencies, including monetary assets and liabilities in Uruguayan pesos, were converted to American dollars on the basis of the arbitrations in force at the closing of the period.

2.7 Bad debt provision

The Institution's policy is to analyze each debtor's situation individually and make provision for those considered doubtful. As of December 31, 2002, no bad debt provision has been accounted for as it is believed all debts are collectible.

2.8 Usable goods

Usable goods are valued at their historical acquisition value in American dollars and Uruguayan pesos.

Depreciation of usable goods is recognized as of the fiscal year following the year the goods were purchased, calculated on gross values on a straight line basis.

2.9 Intangibles

Intangible assets are expenditures the Institution has incurred for software license and implementation.

Amortization of intangibles is recognized as of the fiscal year following the year the intangibles were acquired, calculated on gross values on a straight line basis.

2.10 Income and expenditure recognition

The Institution applied the accrual principle for the recognition of income or incurred costs.

3 Service Creditors

In November 2002, ARIN – American Registry for Internet Numbers – awarded LACNIC free of charge the right to collect pending debts from the organizations to which ARIN had assigned resources in Latin America and the Caribbean prior to the creation of LACNIC. Although LACNIC has reviewed the customer database, only debts related to customers that were contacted by the Institution and have acknowledged their debts have been recognized as income.

The Institution has recognized in its financial statements as of December 31 2002 "operating income" totaling \$ 3,130,918 – equivalent to US\$ 146,985,

related to the abovementioned cession. Likewise, \$ 2,232,287 – equivalent to US\$ 82,160 – which originated from the creditors awarded by ARIN are also included under the heading Service Creditors

4. Cost of Services Provided

The operating costs related to the registration service activity of the Institution basically consist of infrastructure costs (equipment, facilities, communications and human resources) and the costs of coordinating training, education and maintenance programs related to the Institution's objectives. According to the memorandum of understanding dated September 30, 2002, these tasks and resources are to be incurred free of charge, for a three-year period, by NIC-BR – National IP Address Registry for Brazil and NIC Mexico – National IP Address Registry for Mexico.

Note: The original document is in Spanish
