

LACNIC

Statement of financial position as at December 31, 2018

(in United States dollars)

		US\$	
	Note	12.31.2018	12.31.2017
Assets			
Current assets			
Cash and banks	5	718,550	884,962
Investments	6	4,919,860	5,039,026
Membership's receivables	7	811,881	414,751
Other receivables	8	505,021	519,231
Total current assets		6,955,312	6,857,970
Non-current assets			
Fixed assets	9	4,981,753	3,564,310
Intangible assets	9	17,222	29,928
Total non-current assets		4,998,975	3,594,238
Total assets		11,954,287	10,452,208
Off balance accounts	17	176,336	272,166
Liabilities and equity			
Current liabilities			
Trade payables	10	377,215	209,161
Other payables	11	845,492	883,567
Total current liabilities		1,222,707	1,092,728
Total liabilities		1,222,707	1,092,728
Equity			
Prior year's results		9,518,810	8,752,762
Comprehensive result of the year		1,212,770	606,718
Total equity		10,731,580	9,359,480
Total liabilities and equity		11,954,287	10,452,208
Off balance accounts	17	176,336	272,166

The notes are an integral part of these financial statements.

The report dated March 27, 2019
is submitted in document attached
Deloitte S.C.

LACNIC

Statement of income
for the year ended December, 31 2018
(in United States dollars)

	Note	US\$	
		12.31.2018	12.31.2017
Net operating revenues	12	8,205,547	7,400,892
Operating expenses			
Salaries and Personnel Expenses		(3,097,807)	(2,944,337)
Travel Expenses (Staff, Board and Commissions)		(840,095)	(820,400)
Cooperation, Contribution and Memberships		(287,340)	(309,680)
Professional Fees and Hired Services		(542,725)	(568,214)
Outreach Costs		(589,875)	(474,299)
Travel Expenses (Fellows and Exhibitors)		(263,215)	(266,681)
Fixed Assets and Intangible Assets Depreciation		(297,724)	(234,548)
Building Maintenance and Utilities		(285,402)	(222,479)
Communication Expenses		(179,971)	(173,292)
IT Maintenance Services		(143,209)	(154,660)
Training Expenses		(103,382)	(88,927)
Other Operating Expenses		(128,591)	(125,464)
		(6,759,336)	(6,382,981)
Other results			
Other Incomes		8,304	24,313
Other expenses		(4,543)	(4,692)
		3,761	19,621
Financial results			
Interest and Bank Expenses		(39,228)	(31,351)
Collecting Fees		(82,893)	(83,542)
Result of Investments		70,459	71,763
Discounts Granted in Memberships		(200,147)	(371,540)
Foreign Currency Translation		14,607	(16,144)
		(237,202)	(430,814)
Result of the year		1,212,770	606,718
Other comprehensive results		-	-
Comprehensive result of the year		1,212,770	606,718

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LACNIC

Statement of cash flows for the year ended December 31, 2018

(in United States dollars)

		US\$	
	Note	12.31.2018	12.31.2017
Cash flows from operating activities			
Comprehensive result of the year		1,212,770	606,718
Adjustments:			
Equity adjustment	16	159,330	
Depreciation of fixed assets	9	273,123	182,774
Depreciation of intangible assets	9	24,601	35,182
Operating result before changes in operating activities		1,669,824	824,674
Membership receivables		(397,130)	998,536
Other receivables		14,210	(379,623)
Trade payables		168,054	(23,831)
Other payables		(38,075)	120,526
Net cash flow provided by operating activities		1,416,883	1,540,282
Cash flows from investment activities			
Investments		119,166	(935,208)
Purchase of fixed assets	9	(1,696,686)	(539,759)
Sales of fixed assets		6,120	-
Purchase of intangible assets	9	(11,895)	-
Net cash flow used in investing activities		(1,583,295)	(1,474,967)
Variation in net cash flow		(166,412)	65,315
Cash and banks at the beginning of the year	5	884,962	819,647
Cash and banks as of year end	5	718,550	884,962

The notes are an integral part of these financial statements.

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LACNIC

Statement of changes in equity for the year ended December 31, 2018

(in United States dollars)

	<u>Note</u>	<u>Prior's years results</u>	<u>Total equity</u>
Balances at December 31, 2016		8,752,762	8,752,762
Movements during the year			
Result of the year		606,718	606,718
Balances at December 31, 2017		9,359,480	9,359,480
Movements during the year			
Adjustments in prior's years results	16	159,330	159,330
Result of the year		1,212,770	1,212,770
Balances at December 31, 2018		10,731,580	10,731,580

The notes are an integral part of these financial statements.

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LATIN AMERICA AND CARIBBEAN NETWORK INFORMATION CENTRE (LACNIC)

Notes to the financial statement for the year ended December 31, 2018

Note 1 - Basic information of the Organization

1.1 Legal nature and main activity

Latin America and Caribbean Network Information Centre (LACNIC), with registered office in Rambla Republica de Mexico 6125, Montevideo - Uruguay, is a nongovernmental non-profit-making organization, incorporated on July 27, 2001 in the city of Montevideo, Uruguay.

It started operations on 1st April 2002. Its founding members are: Asociación Hispanoamericana de Centros de Investigación y Empresas de Telecomunicaciones (ASIET), Cámara Argentina de Bases de Datos y Servicios en Línea (CABASE), Comité Gestor Internet Brazil (CG-Br), Federación Latinoamericana y Caribeña para Internet y el Comercio Electrónico (ECOMLAC), Foro de Redes de América Latina y el Caribe (ENRED) y NIC México (NIC-Mx).

The object of the Institution includes the following activities:

1. To manage the space of IP addresses and other related resources to the benefit of the Internet community for the region of Latin America and the Caribbean (LAC).
2. To provide services of registration of IP addresses, ASN, inverse resolution and related resources, with the purpose of enabling and facilitating communications through computer networks.
3. To represent and to promote all viewpoints and interests of the region before those international organizations, within the area of its jurisdiction.
4. To cooperate in the growth of the Internet in the region.
5. To give assistance to the Latin American and Caribbean community in the development of procedures, mechanisms and standards for the efficient allocation of Internet resources.
6. To promote educational opportunities to its members in technical and political areas of its jurisdiction.
7. To propose and to develop public policies in the area of its jurisdiction.

LACNIC has the benefits established by Decree 334/970 dated 14th July 1970, which exempts this kind of Institutions from employer's contributions to the social security. Besides, Law N° 13.179 gives all employees of international non-profit organizations the option of choosing the Uruguayan social security system. The Organization is also exempted of the income tax.

1.2 Financial statements' approval

The financial statements have been prepared for the year ended December 31, 2018 and have been approved for its issuance by the Management of LACNIC on March 27, 2019.

Note 2 - Main accounting policies and practices applicable

2.1 Basis of preparation

To the date of issuance of these financial statements, the appropriate accounting standards in Uruguay applicable to the Organization are established Decrees 37/10, 291/14, 372/15 and 408/16.

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

Decree 291/014 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:

- They may be used as an alternative to the revaluation method laid down in the International Accounting Standards 16 and 38 for fixed assets and intangible assets respectively.
- The statement of changes in net equity will be of obligatory presentation.
- In the application of section 25, it would be possible to opt for the capitalization of loans provided by the International Accounting Standard 23 - Costs for loans.
- IAS 12 must be applied on income tax instead of Section 29 of IFRS for SMEs.
- The valuation of investments in other companies is allowed according to what is established in Decree 538/09, applied as follows:
 - Investments in subsidiaries in the separate balance sheets must be valued to the value of proportional participation.
 - Investments in joint ventures and associated can be valued as detailed in section 9 of IFRS for SMEs or to the value of proportional participation.

Also, Decree 291/14 gives 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 principals dispositions included in the decree can be summarized in the following points:

- a) Current assets must be order in decreasing order regarding liquidity
- b) The presentation of the comprehensive income must be realized in two states, the state of income and the state of comprehensive income.
- c) In the income statement, 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 Functional and presentation currency

The Financial Statements have been prepared on the basis of the concept of functional currency defined in Section 30 "Conversion of the foreign currency" of the IFRS for SMEs. The management of the Organization has decided to adopt as the functional currency of the Financial Statements the US dollar 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 a point of 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 made substantially in US dollars.
- The financing is substantially denominated in US dollars.
- Most of operation expenses are made in US dollars.

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2.3 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.

2.4 Foreign currency

Transactions in foreign currency are translated to 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\$ = \$ 32,406 on December 31, 2018 and 1 US\$ = \$ 28,807 on December 31, 2017).

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

2.5 Concept of capital

For the determination of the results of the fiscal year, 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 result of the fiscal year, all the amounts involved in the variation of the net equity are expressed in the functional currency of the Organization.

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.

2.6 Use of accounting estimates

The preparation of the Financial Statements to a certain date requires that the management of the Organization performs 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 fiscal year.

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

The management of the Organization makes estimates to be able to calculate at a given time, for example, those estimates related with the forecast of bad debts, depreciation of fixed assets and intangible assets, the recoverable value of the non-current assets, provisions for expenditure among others.

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

2.7 Accounting criteria permanence

The criteria applied in the valuation of assets and liabilities, as well as in the determination of the result for the year, are similar to those applied in the last year.

Note 3 - Specific valuation criteria

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

3.1 Cash and banks

Cash and banks are presented by their nominal value. The nominal value is no different from its fair value.

3.2 Investments

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

The investments are valued at their fair value, the results are exposed in the Statement of income, chapter Financial results, Result of investments.

3.3 Membership's receivables and other receivables

Membership's receivables and other receivables are initially recognized by the value of the transaction. Subsequently, they are valued at amortized cost using the actual interest method less any forecast by uncollectability.

3.4 Fixed assests

Fixed assests is presented to its historical cost of acquisition in US dollars less any accumulated depreciation and any accumulated impairment loss. Depreciations are calculated by the straight-line method from the time of incorporation of the goods, applying annual percentages determined based on goods' estimated useful lives.

Fixed assets are depreciated according to the following estimated useful lives for each category:

- Offices 50 years
- Furniture and fittings 10 years
- Communication devices 5 years
- Computer devices 3 years
- Other equipment 3 years
- Vehicles 10 years

Expenditure incurred subsequent to the acquisition of an item of fixed assets 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 results.

The fixed assets are removed at the time of its disposal (sales 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 recognized in the income statement.

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 expenditures" of the state of comprehensive income, depending on the type of use that is given to the asset.

3.5 Intangible assets

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

Depreciation is calculated by the straight line method using fixed percentages on the original values, estimated useful life of each category, starting from the month following their incorporation. The estimated useful life for them is 3 years.

3.6 Impairment loss of tangible and intangible assets

At each balance sheet date, the Organization reviews the carrying amount of its assets to determine if there is any indication that those assets have suffered impairment loss. If there were such indication, 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 Organization estimates the recoverable amount of the fund-generating unit to which the asset belongs to.

The recoverable amount is the highest of its fair value, costs deducted as intended to sale and the value of use. To calculate the value of 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 from an asset (or fund-generating unit) is estimated to be less than its carrying amount, the amount in books of the active (fund-generating unit) is reduced to its recoverable amount. An impairment loss is recognized 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.

3.7 Trade payables and other payables

Trade payables and other payables are submitted to its nominal value.

3.8 Income Tax

The Institution is exempted from all national taxes owing to its nature as nongovernmental non-profit-making organization, recognized 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 Republic Constitution.

3.9 Provisions

The forecasts are recognized when the Organization has an obligation (legal or constructive) as a result of a past event, for which it is likely to require its compliance and a reliable estimate can be made of the amount.

The amount recognized as a provision is the best estimate of the amount required to meet the obligation for the entity to balance sheet date, considering the risks and uncertainties that the obligation entails. When an obligation is expected to be met in the long term, the amount is determined by a flow of funds 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 result

The Organization applied the principle of what is accrued for the recognition of income and the allocation of costs and expenses.

Income is recognized when it is probable that future economic benefits enter the net equity of the Organization as a result of its transactions. The income from services rendered is recorded once they have been accrued and the amount can be measured reliably

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3.12 Statement of cash flows

For the purpose of the presentation of the statement of cash flows, the concept of funds is defined as cash and its equivalent.

The cash and cash equivalents include the cash balance and the sight deposits and other highly liquid investments in the short term 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 Institution has a Risk Management Methodology. It includes the identification, assessment, treatment and monitoring of the risk that affect the organization, as well as the potential impact on the Financial Statements.

The Financial Statements do not include adjustments derived from the financial and economical situations of the country and of those places where the investments are located. Consequently, they do not include any contingency about it neither the eventual volatility of those investments.

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

The main risks affecting the Institution's activities are:

4.1 Market Risk

LACNIC is theoretically exposed to the following market risk factors:

a. Exchange Rate

The Institution 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 currency. As mentioned in Note 3.2, LACNIC does not make any coverage of such risk through derivate instruments.

To manage their risks of currency other than the functional currency, usually the institution aims to neutralize the asset and liability positions maintained. In Note 14 there is a summary of debit and credit balances in foreign currencies.

For the year ended December 31, 2018, if US Dollar had strengthened 10% against Uruguayan Peso (main foreign currency), holding other variables constant, the profit for the year would have been higher by approximately US\$ 15,500.

b. Interest Rate

LACNIC does not have assets and liabilities that are 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 fragmented in several debtors.

The Institution has established control processes and mechanisms which 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 Institution has enough liquid assets in first-rate banks, in liquid temporary investments, and in accounts receivables so as to face all committed current liabilities. As of December 31, 2018, LACNIC has balances in liquid assets amounting to US\$ 718,550.

Note 5 - Cash and banks

	US\$	
	12.31.2018	12.31.2017
Cash	826	783
Banks	717,724	884,179
	718,550	884,962

Note 6 - Investments

	US\$	
	12.31.2018	12.31.2017
Governmental bonds	2,128,565	2,385,984
Corporate bonds	2,757,603	2,623,990
Subtotal	4,886,168	5,009,974
Interest receivables	33,692	29,052
Total	4,919,860	5,039,026

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

As of December 31, 2018, all securities have an investment grade credit rating.

The investments are valued at market value.

Detail of LACNIC's portfolio:

Securities	Currency	Nominal Value	Market Value
US TREASURY	US\$	1,109,000	1,098,003
PROVINCE OF ONTARIO	US\$	265,000	265,593
REPUBLIC OF CHILE	US\$	260,000	261,915
NTS State of Qatar	US\$	200,000	202,144
GLN Development Bank Of Japan	US\$	200,000	198,472
BANK OF CHINA	US\$	100,000	102,438
Governmental Bonds			2,128,565

Securities	Currency	Nominal Value	Market Value
BAYER	US\$	200,000	198,728
BANK OF NEW YORK	US\$	190,000	187,790
Bank of Montreal	US\$	185,000	183,685
TOYOTA MTR	US\$	167,000	168,626
Morgan Stanley	US\$	150,000	152,433
MTN Macquire Bk	US\$	150,000	149,970
BANK OF AMERICA	US\$	150,000	148,184
APPLE INC	US\$	140,000	139,868
ROYAL BANK OF CANADA	US\$	140,000	139,681
WELLS FARGO	US\$	143,000	138,501
JPMORGAN CHAS	US\$	120,000	116,791
AMERICAN EXPRESSS CORP	US\$	105,000	103,910
TORONTO DOMINION BANK	US\$	100,000	100,533
HOME DEPOT INC	US\$	100,000	99,715
PFIZER INC	US\$	100,000	99,415
MICROSOFT	US\$	91,000	90,134
3 7/8 BC SANTANDER 12	US\$	90,000	89,658
ALIBABA GRP 14	US\$	90,000	88,372
KRED WIEDERAUF	US\$	62,000	59,294
NOVARTIS CAP CORP	US\$	50,000	51,084
GOLDMAN SACHS GROUP	US\$	40,000	39,975
CISCO SYS INC	US\$	38,000	38,081
KIMBERLY CLARK CORP	US\$	39,000	38,048
PROCTER AND GAMBLE	US\$	39,000	38,001
VISA INC	US\$	38,000	37,523
Medco Health Solutions I	US\$	30,000	30,323
COCA COLA CO	US\$	30,000	29,280
Corporate Bonds			2,757,603
Total Bonds			4,886,168

Note 7 - Membership's receivables

	US\$	
	12.31.2018	12.31.2017
Initial membership's receivables	81,226	76,711
Renewal of membership's receivables	1,230,383	717,348
Credit cards	85,044	33,372
Revenue invoiced not accrued (*)	(584,772)	(412,680)
	811,881	414,751

(*) The amount is due to invoices issued by the entity to their members, for which annual memberships have not yet been accrued. This balance regularizes the balance of membership's receivable.

Note 8 - Other receivables

	US\$	
	12.31.2018	12.31.2017
Advances to suppliers	327,189	343,106
Other receivables	187,832	261,125
Invoiced revenue from sponsors not accrued	(10,000)	(85,000)
	505,021	519,231

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Note 9 - Fixed assets and intangible assets

The evolution of fixed assets is as follows:

Rubrics	Original values			Depreciation			Net value		
	Balance at December 31, 2017	Additions and reclassifications	Dispositions and reclassifications	Balance at December 31, 2018	Balance at December 31, 2017	Annual depreciation	Accumulated depreciation of dispositions	Balance at December 31, 2018	Carrying amount at December 31, 2018
Office	2,317,832	-	-	2,317,832	282,064	46,357	-	328,421	1,989,411
Land	872,453	-	-	872,453	-	-	-	-	872,453
Work in progress	224,763	995,772	-	1,220,535	-	-	-	-	1,220,535
Furniture and fittings	87,312	198,315	-	285,627	62,086	9,062	-	71,148	214,479
Communication devices	373,682	271,551	-	645,233	150,896	88,556	-	239,452	405,781
Computing devices	673,423	158,776	(52,939)	779,260	535,641	92,390	(48,112)	579,919	199,341
Other equipment	166,341	72,272	(6,737)	231,876	147,721	33,951	(5,444)	176,228	55,648
Vehicles	28,072	-	-	28,072	1,160	2,807	-	3,967	24,105
Total fixed assets	4,743,878	1,696,686	(59,676)	6,380,888	1,179,568	273,123	(53,556)	1,399,135	4,981,753
Software	322,140	11,895	-	334,035	292,212	24,601	-	316,813	17,222
Total intangible assets	322,140	11,895	-	334,035	292,212	24,601	-	316,813	17,222
Total fixed and intangible assets	5,066,018	1,708,581	(59,676)	6,714,923	1,471,780	297,724	(53,556)	1,715,948	4,998,975

Note 10 - Trade payables

	US\$	
	12.31.2018	12.31.2017
Trade payables	370,977	201,006
Credit cards payables	6,238	8,155
	377,215	209,161

Note 11 - Other payables

	US\$	
	12.31.2018	12.31.2017
Provisions for employee benefits	384,447	397,419
Benefits for staff retirement	29,362	56,817
Advanced collections	411,312	383,083
Other payables	20,371	46,248
	845,492	883,567

Note 12 - Net operating revenues

	US\$	
	12.31.2018	12.31.2017
ISPs (Internet Services Providers)	4,767,386	4,535,019
Memberships of Internet National Registries	2,488,157	1,904,640
ASN (Autonomous System Number)	165,850	271,467
End User	349,036	316,028
Other Incomes	435,118	373,738
	8,205,547	7,400,892

Note 13 - Position in foreign currency

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

	December 31, 2018		
	Uruguayan pesos	€	Equivalent in US\$
Cash and banks	1,164,931	-	35,948
Other receivables	912,196	201	28,379
Total assets	2,077,127	201	64,327
Trade Payables	2,090,868	-	64,521
Other payables	5,177,993	-	159,785
Total liabilities	7,268,861	-	224,306
Net position	(5,191,734)	201	(159,979)

	December 31, 2017	
	Uruguayan pesos	Equivalent in US\$
Cash and banks	2,639,415	91,624
Other receivables	324,801	11,275
Total assets	2,964,216	102,899
Trade Payables	1,634,000	56,722
Other payables	7,106,052	246,678
Total liabilities	8,740,052	303,400
Net position	(5,775,836)	(200,501)

Note 14 - Joint fund for the stability of Regional Internet Registries (RIRs)

In 2015, the LACNIC 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.

Note 15 - 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 the LACNIC key personnel are made up of Board members, the Deputy/Chief Executive Officer and Managers of the Institution.

LACNIC Board of Directors do not receive remuneration.

Total fixed compensation expense of key personnel as of December 31, 2018 amounts to US\$ 802,394 and it is included under section "Salaries and Personnel Expenses" in the Statement of the Comprehensive Income. (US\$ 760,923 as of December 31, 2017).

Note 16 - Equity

During this year it was identified and adjusted in the balance a difference in the amount of Nic.br financial contribution of 2017 (established in the contract). The amount was allocated in the equity account "Prior's years results".

Note 17 - Off balance accounts

LACNIC participates in collaborative projects with other organizations 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, it officiates as secretary of the Regional Preparatory Meeting for the Internet Governance Forum (LACIGF), administrating funds of third parties.

	US\$	
	<u>12.31.2018</u>	<u>12.31.2017</u>
AYITIC	82,962	136,929
FRIDA	39,076	93,086
Subtotal	122,038	230,015
LACIGF	54,298	42,151
Total	<u>176,336</u>	<u>272,166</u>

Note 18 - Subsequent events

At the date of issuance of the present financial statements, there were no subsequent events at the end of the fiscal year which may affect the Organization in a meaningful way.

