RIPE NCC
RIPE NETWORK COORDINATION CENTRE

Financial Report 2020

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EXECUTIVE BOARD REPORT

Introduction to the RIPE NCC Financial Report

ONDŘEJ FILIP,
RIPE NCC EXECUTIVE BOARD TREASURER

The COVID-19 pandemic has highlighted the key role of the Internet in the continuation of daily life. As our countries have moved into various stages of lockdown, it is the Internet that allowed us to access information, work from home at mass-scale, kept us in contact with others and supported vital coordination efforts. For many of us, the Internet has made all the difference over this period.

This was made possible through the hard work of people in communities like RIPE. The RIPE NCC's staff were similarly busy in 2020, as they worked to support their members and maintain consistent service levels while making the adjustment to working from home themselves. Recognising the potential for related financial impacts on its membership, in April, the RIPE NCC also extended its payment period by three months. The number of LIRs that received a payment reminder before final closure went down from 33% to 17%.

In 2020, we also welcomed Hans Petter Holen as the RIPE NCC's new Managing Director. He brings to his new role a focus on improving processes and due diligence and ensuring the organisation's long-term sustainability.

In financial terms, 2020 was a sound year for the RIPE NCC. A financial surplus of 11.1M EUR was redistributed to members, and its capital expense ratio increased from 101% to 112%. The organisation's capital and liquidity positions are in good shape, at 32.5M EUR, which is consistent with its risk appetite. The RIPE NCC's investment portfolio showed a market value of 12.4M EUR.

As a result of IPv4 run-out and LIR consolidation, income was 40.2M EUR in 2020 (down from 48.4M EUR in 2019). This was expected and the income was actually 7% above projections – equivalent to 2018 levels (38.9M EUR). Related to this, income from sign-up fees fell from 12.1M to 2.5M EUR. Consolidation of LIRs was 2% higher than forecast and resulted in 23,569 LIRs at year's end (down from 25,125 at the start of the year). We expect this trend to continue and we are prepared for it.

Due to the pandemic, the RIPE NCC's costs were significantly lower in 2020. In total, 29M of the 34.4M EUR budgeted was spent. The biggest reductions were in travel (1M EUR), Outreach and PR (2.2M EUR) and office and personnel costs (1.4M EUR). The RIPE NCC was not able to hold any in-person RIPE, ENOG, MENOG or SEE meetings or face-to-face training courses. Our average FTE count grew from 155.7 to 159.2.

To reduce risk and increase compliance, the RIPE NCC implemented an enhanced sanctions process that checks against the relevant sanctions lists as part of the continuous member monitoring process. As part of this, an updated process was implemented for monitoring natural persons and Ultimate Beneficiary Owners (UBOs). This was later improved through automation via a third party. At the time of writing, the RIPE NCC is in discussions with its banks, to ensure its continued access to financial services, as their compliance obligations are more stringent than RIPE NCC's legal obligations.

Finally, the RIPE NCC was also obliged to make arrangements, in order to comply with new regulations, a result of Brexit, which came into force on 1 January 2021. Brexit is expected to have only a marginal impact on the RIPE NCC's operations.

Despite a challenging year for the global economy, I am pleased to report that the RIPE NCC's financial situation remains solid and future-proof.

The RIPE NCC anticipated recent changes in membership and remains in a stable financial position for 2021:

- **Sufficient and sustainable income**
  Our membership decreased from 25,125 LIRs to 23,569 LIRs due to consolidation. The total income was 40.2M EUR which is 7% higher than budgeted.

- **Costs under budget**
  The total expenditure for 2020 was 16% under budget at 29M EUR, mostly due to the impact of the COVID-19 pandemic. The cost per LIR decreased to 1,232 EUR.

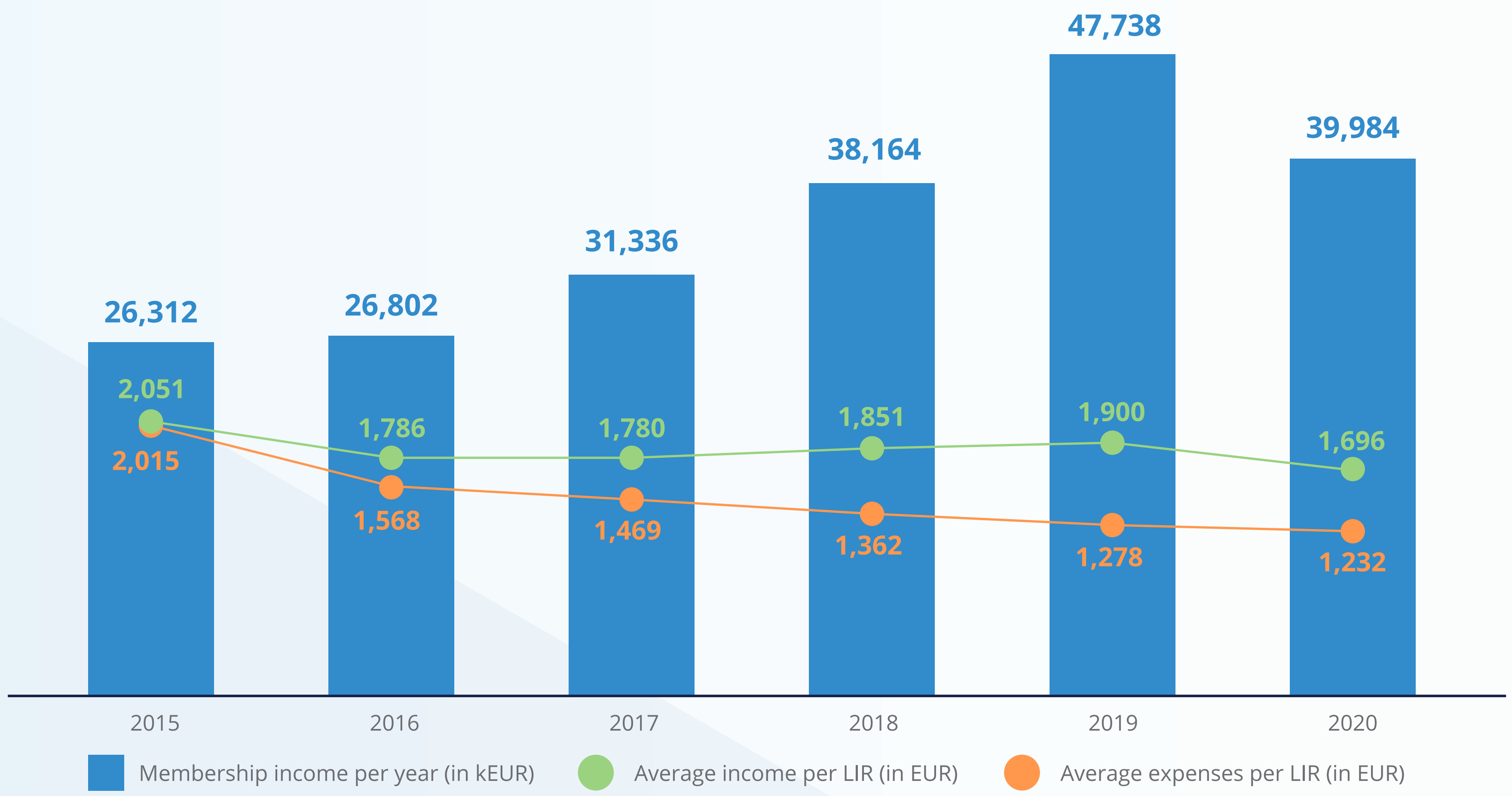
- **Sound capital and liquidity management**
  In 2020, the RIPE NCC's Capital Expense increased from 101% to 112%. This is sufficient to cover our operational costs for one year. The Capital Expense ratio is a key indicator used by the RIPE NCC to weigh the extent of capital in relation to expenses.

- **Transparency in financial operations**
  In December 2020, we published our new Billing Procedure and every year the RIPE NCC produces a detailed Financial Report and Activity Plan and Budget. We also follow the principles as described in our Tax Governance Paper and Treasury Statute.

Membership trends and financial sustainability

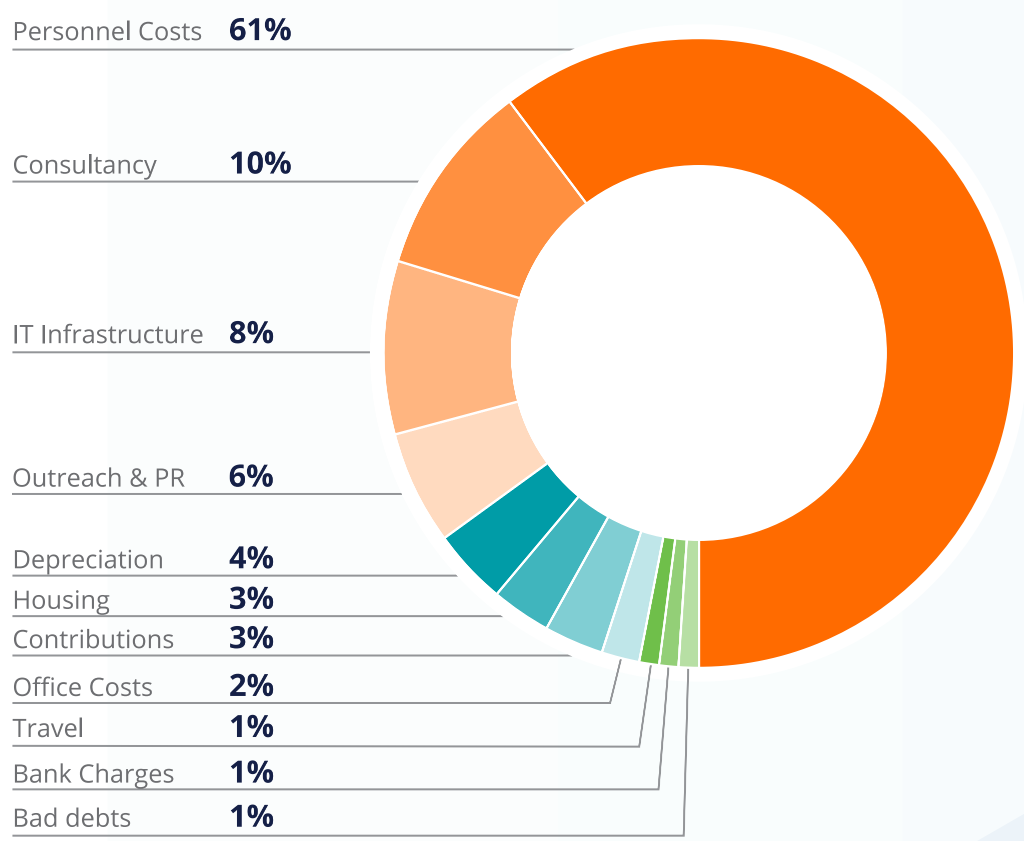
In 2020, our income was 40.2M EUR, including 11.1M EUR of redistribution, which is 7% higher than what we had projected. In 2019, our income was 48.4M EUR including the 8.2M EUR of redistribution. The contraction in total membership income from 48.4M EUR to 40.1M EUR brings us back to roughly the same income level as in 2018 (38.9M EUR).

Income from sign-up fees went down to 2.5M EUR in 2020, a steep drop compared to 12.1M EUR in 2019. This reduction due to fewer new members signing up was anticipated. The total number of LIRs at the end of 2020 was 23,569 (down from 25,125 LIRs in 2019) which is 2% higher than expected. This trend towards LIR consolidation is expected to continue and we are financially prepared for this.



Costs under budget

Due to the pandemic, we spent 29M EUR instead of the 34.4M EUR budget, which represents a 16% decrease in costs. This decrease consists of 1M EUR unspent in travel costs, 2.2M EUR in outreach and PR (1.2M EUR in RIPE Meeting costs, 300 kEUR in Regional Meetings costs, 400 kEUR in training costs) and 1.4M EUR in office and personnel costs.

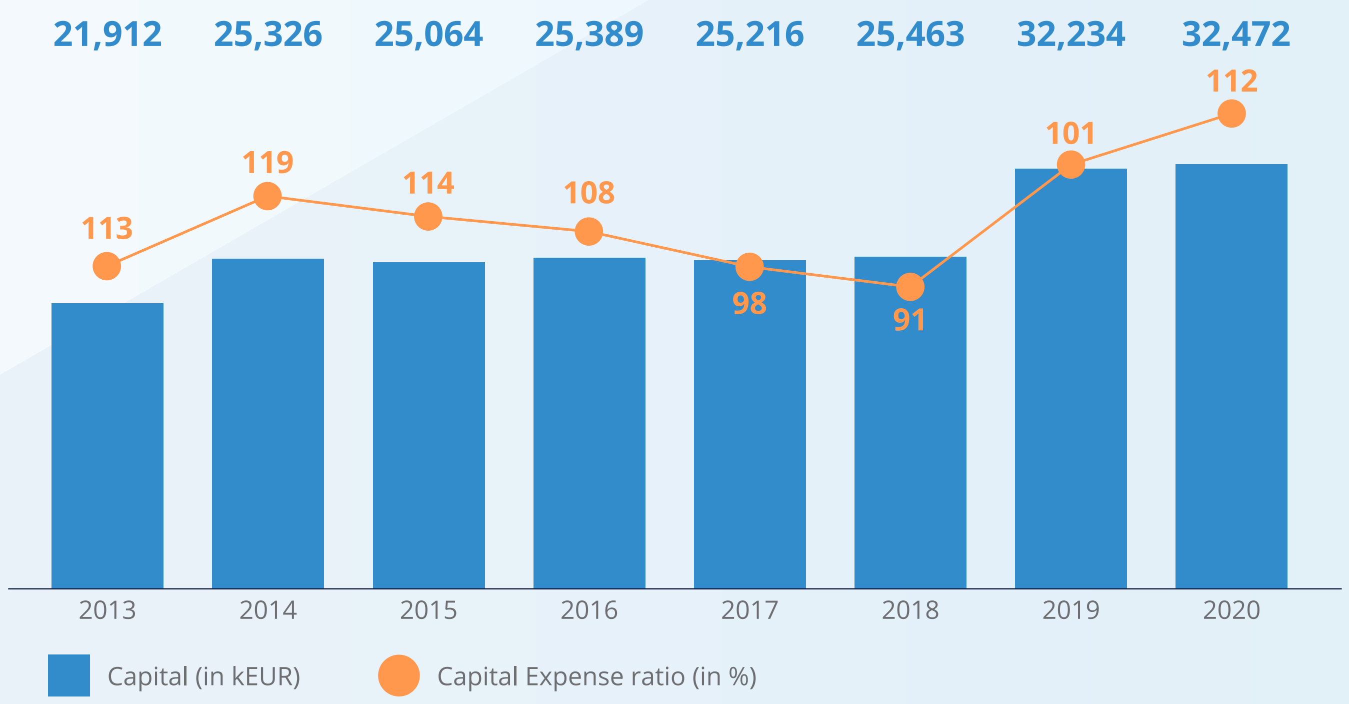


Sound capital and liquidity management

The RIPE NCC continues to implement a conservative investment strategy to minimise risk for the RIPE NCC reserves.

In 2020, the Capital Expense ratio increased from 101% to 112% as we had lower expenses due to the pandemic. There was also a slight increase in our Clearing House buffer from 32.2M EUR to 32.5M EUR. This is a comfortable amount that will allow us to handle uncertainties over the coming years. The Treasury Statute describes how we minimise risks for our investment portfolio, including the asset mix spread, and it is monitored and reviewed annually by the Executive Board.

The RIPE NCC is solvent, and we will continue to look at our capacity to meet our longer-term financial obligations.



Risks and Uncertainties

Our risk-management framework allows us to identify and keep track of potential risks for the RIPE NCC. This proactive approach makes us more flexible and responsive to the frequent changes in the Internet landscape as well as better equipped to fulfil the needs of our stakeholders.

Main risk findings

In 2020, our second risk assessment identified eight risk types covering all areas of our membership association (Organisational, Financial, Legal, IT, Operational, HR, Registry and Reputational). The main findings were in the Organisational, Legal and HR risk types. These findings were addressed by the development of a regulatory playbook, the creation of a new secondary benefits scheme and the optimisation of our HR processes. We also implemented new controls to ensure our compliance with EU sanctions and strengthen our due diligence processes. The Ministry of Foreign Affairs confirmed that they agree with our approach. This will hopefully bring sufficient comfort to our banks and we expect an outcome shortly. RPKI experienced some outages but corrective steps were taken to strengthen our framework. Information Security made significant progress and our Critical Security Control (CSC) scores were improved.

Risk culture

Our reputation is built on trust and we find it extremely important that our stakeholders comprehend our organisational purpose, direction and operating procedures. We operate according to the policies and guidelines as set out by the RIPE community and our members endorse our activities through a yearly Activity Plan and Budget cycle.

Risk profile

As part of our long-term strategy, we are committed to maintaining a low-risk profile. We actively manage our financial position looking at the relevant Internet developments that have a direct impact on our work and we continuously consider the needs and requirements of our community. We will link our risk mitigation plans to our funding needs so that we can continue to fulfil our obligations in a stable and predictable manner. We continue to maintain stable operations in a complex and changing environment. From a financial and organisational governance perspective, the RIPE NCC is in a strong position and is well equipped to face challenges in the years to come.

Risk management focus areas

We introduced the integrated risk-management framework in 2019, which requires each risk type owner to identify risks in their respective areas. Every year, we carry out a revalidation of our initial risk assessment. We anticipate a continued focus on due diligence processes, information security and developing more robust operational processes.

BALANCE SHEET AS OF 31 DECEMBER 2020 (in kEUR)

Before Allocation of Deficit/Surplus (in kEUR)

		31/12/2020		31/12/2019	
FIXED ASSETS					
Tangible Fixed Assets	[1]				
Hardware		1,920		2,226	
Infrastructure		282		553	
Office Equipment		121		156	
			2,323		**2,935**
Financial Fixed assets	[2]	12,381		12,975	
			12,381		**12,975**
CURRENT ASSETS					
Receivables	[3]				
Accounts Receivable		54		27	
Taxes and Social Security Contributions		446		266	
Miscellaneous Receivables		1,361		1,390	
			1,861		**1,683**
Cash at Bank and in Hand	[4]		**32,556**		**30,689**
TOTAL ASSETS			**49,121**		**48,282**
CAPITAL AND LIABILITIES					
Capital	[5]				
Clearing House		32,234		25,460	
Surplus/Deficit after Taxation		238		6,774	
			32,472		**32,234**
Current Liabilities	[6]				
Trade Creditors and Suppliers		1,457		949	
Taxes and Social Security Contributions		965		3,972	
Accruals and Deferred Income		14,227		11,127	
Total Current Liabilities			**16,649**		**16,048**
TOTAL CAPITAL AND LIABILITIES			**49,121**		**48,282**

STATEMENT OF INCOME AND EXPENDITURE 2020 (in kEUR)

Before Allocation of Deficit/Surplus (in kEUR)

		Actual 2020	Budget 2020	Actual 2019
Income	[7]			
Annual Fees		37,460	35,936	35,618
Sign-up Fees		2,524	1,000	12,120
RIPE Meetings		-	235	302
Sponsorship Income		85	255	295
Other Income		107	50	39
Redistribution of Member Fees		(11,075)	-	(8,196)
TOTAL INCOME		**29,101**	**37,476**	**40,178**
Expenditures	[8]			
Payroll and Personnel Expenditures		17,668	18,688	18,954
Other Operating Expenditures		10,269	14,456	11,947
Depreciations and Amortisations		1,156	1,300	1,217
TOTAL EXPENDITURES		**29,093**	**34,444**	**32,118**
Financial Income and Expenditures	[9]			
Result on Interest Income		33	300	226
Result Exchange differences		(115)	-	(11)
Unrealised Revaluation Financial Fixed Assets		312	-	536
TOTAL FINANCIAL INCOME AND EXPENDITURES		**230**	**300**	**751**
SURPLUS/DEFICIT BEFORE TAXATION		**238**	**3,332**	**8,811**
Corporate Income Taxes	[10]	-	-	2,037
SURPLUS/DEFICIT AFTER TAXATION		**238**	**3,332**	**6,774**

CASH FLOW STATEMENT 2020 (in kEUR)

The cash flow has been drawn up using the indirect method.

		2020		2019
Cash Flow from Operating Activities				
Operating Surplus/Deficit		8		8,061
Adjustments for:				
Depreciations and Amortisations	1,156		1,217	
Exchange Rate Differences	(103)		(12)	
Movement in Provisions	298		-	
		1,351		1,205
Changes in Working Capital:				
Movements in Current Receivables	(598)		(130)	
Movements in Current Liabilities	2,638		(1,207)	
		2,040		(1,337)
Cash Generated from Operations		3,399		7,929
Interest Received		162		215
Interest Paid		(37)		-
Corporate Income Tax paid		(2,037)		-
NET CASH GENERATED FROM OPERATIONS		**1,487**		**8,145**
Cash Flow from Investment Activities				
Additions to Tangible Fixed Assets		(553)		(857)
Disposals of Tangible Fixed Assets		9		4
NET CASH GENERATED FROM INVESTMENT ACTIVITIES		**(544)**		**(853)**
Cash Flow from Financing Activities				
Government Bonds (end of term)		925		866
NET CASH GENERATED FROM FINANCING ACTIVITIES		**925**		**866**
NET CASH FLOWS		**1,867**		**8,158**
MOVEMENT IN CASH AT BANK IN HAND		**1,867**		**8,158**

ACCOUNTING POLICIES

1. General Notes

1.1 Activities

Réseaux IP Européens Network Coordination Centre (RIPE NCC) administers Internet number resources for its members. The RIPE NCC maintains several technical elements vital to the Internet infrastructure, including the public RIPE Database and K-root service. As the secretariat for the RIPE community, the RIPE NCC carries out a number of support functions such as running RIPE Meetings and facilitating the RIPE Policy Development Process.

1.2 Registered office, legal form and registration number at the chamber of commerce

The RIPE NCC is a not-for-profit membership association under Dutch law, registered with the Netherlands Chamber of Commerce under number 40539632, located at Stationsplein 11, 1012 AB Amsterdam, the Netherlands.

1.3 Going concern

The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the association.

1.4 Judgments and estimates

The RIPE NCC's management makes various judgments and estimates when applying the accounting policies and rules for preparing financial statements. The principal judgments and estimates, including underlying assumptions, are the provision of bad debts. The provision of bad debts is an assumption based on the experience from past years that approximately 1% of existing members will not pay their membership fee. Assets and liabilities are only offset in the financial statements if and to the extent that:

- An enforceable legal right exists to offset the assets and liabilities and settle them simultaneously, and;
- The firm intention is to settle the assets and liabilities on a net basis or simultaneously.

1.5 Accounting policies for the cash flow statement

The Cash Flow Statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than twelve months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the Cash Flow Statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognised in the Cash Flow Statement. The value of the related asset and lease liability are disclosed in the notes to the Balance Sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

2.1 General accounting policies

2.1 General

The financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards (RJ640 non-profit organisations), as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). Assets and liabilities are generally valued at historical cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the Balance Sheet, Statement of Income and Expenditure and the Cash Flow Statement, references are made to the notes.

2.2 Comparison with previous years

The valuation principles and method of determining the result are the same as those used in the previous year. We made some reclassifications in the comparison figures for comparability reasons. The reclassifications do not have any effect in the results or equity.

2.3 Foreign currency

2.3.1 Functional currency

The financial statements are presented in euros, which is the functional and presentation currency of the RIPE NCC.

2.3.2 Transactions, receivables and liabilities

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the Balance Sheet date. The translation differences resulting from settlement and conversion are credited or charged to the Statement of Income and Expenditure, unless hedge-accounting is applied. Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date. Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

2.4 Leasing

2.4.1 Operational leasing

The association may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of nor incurred by the association. The lease contracts are recognised as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the Statement of Income and Expenditure for the duration of the contract.

3. Accounting Policies Applied to the Valuation of Assets and Liabilities

3.1 Tangible fixed assets

Tangible fixed assets are depreciated for the period of economic use. If the depreciation method, useful economic life and/or residual value are subject to changes over time, they are treated as a change in accounting estimates. A tangible fixed asset is derecognised upon sale or when no further economic benefits are expected from its continued use or sale. The gain or loss arising from the disposal is booked to the Statement of Income and Expenditure. Tangible fixed assets in use by the organisation are carried at the cost of acquisition, net of accumulated depreciation and, where applicable, accumulated impairment losses. Tangible fixed assets carried at cost do not include capitalised interest charges. Hardware, infrastructure and office equipment are written off after five years and depreciated on a straight-line basis. Fixed assets with a total value of under EUR 500 are expensed. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful economic lives, taking the residual value into account.

3.2 Financial fixed assets

Financial fixed assets consist of government bonds and Exchange-Traded Funds (ETFs.) The fair values of these quoted securities are based on price quotations at the reporting date. Changes in the fair value are directly recognised in the Statement of Income and Expenditure.

3.3 Accounts receivable

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognised using the effective interest method. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

3.4 Cash at banks and in hand

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognised as part of debts to lending institutions under current liabilities. Cash at banks and in hand is carried at nominal value.

3.5 Current liabilities

On initial recognition, current liabilities are recognised at fair value. After initial recognition, current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

4. Principles for the Statement of Income and Expenditure

4.1 General

The surplus/deficit is the difference between the realisable value of the services provided and the costs and other charges during the year. The results on transactions are recognised in the year which they are realised. The surplus/deficit is determined taking into account the recognition of unrealised changes in fair value of the securities as included in the fixed assets.

4.2 Revenue recognition

4.2.1. General

Net income relates to the proceeds from membership fees, sponsorships and the delivery of services after deducting taxes on sales.

4.2.2 Sales of services

If the result of a transaction relating to one of these can be reliably estimated and the income is likely to be received, the income relating to that service is recognised in proportion to the service delivered. RIPE NCC members determine annually whether to adjust fees that members have to pay for the year by adopting a redistribution scheme for the current year regarding excess contribution paid.

4.3 Expenditures

4.3.1 General

Expenditures are determined with due observance of the accounting policies mentioned in this report and are allocated to the financial year to which they relate. Obligations (foreseeable and otherwise) and potential losses arising before the end of the financial year are recognised if they are known before the financial statements are prepared, provided that all other conditions for forming provisions are met. Project funding expenditures are recognised in the year in which the agreements with the funding recipient were signed and announced.

4.3.2 Employee costs

Wages, salaries and social security charges are recognised in the Statement of Income and Expenditure according to the terms of employment to the extent that they are due to either employees or the tax authorities.

4.3.3 Pensions

Pension contributions payable to the pension scheme administrator are recognised as an expenditure in the Statement of Income and Expenditure. Contributions payable or prepaid contributions at year-end are recognised under accruals and prepayments respectively.

4.4 Financial Income and Expenditure

4.4.1. Interest income and interest expenditures

Interest income and expenditures are recognised on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenditures, the recognised transaction expenditures for loans received are taken into consideration.

4.4.2. Currency translation differences

Currency translation differences arising upon the settlement or conversion of monetary items are recognised in the income statement in the period that they are realised, unless hedge accounting is applied.

4.5 Corporate Income Tax

Tax on the result is calculated based on the result before tax in the Statement of Income and Expenditure, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs.

5. Financial instruments and risk management

5.1 Market risk

5.1.1. Currency risk

The RIPE NCC mainly operates in Europe, Central Asia and the Middle East. From an income perspective currency risks are low because invoices are sent to members in EUR only. However, outstanding payable positions are held in several foreign currencies and bank accounts are also held in USD and AED. Government bonds and securities are held in four different currencies. Based on the RIPE NCC's Treasury Statute, which is reviewed annually by the Executive Board, it was decided that none of these currencies needs to be hedged.

5.1.2. Price risk

The RIPE NCC incurs risk regarding the valuation of securities and government bonds disclosed under financial assets within fixed assets. Market value risk is managed by stratifying the portfolio and imposing limits as described in the RIPE NCC's Treasury Statute.

5.1.3 Interest rate and cash flow risk

Interest rate risk is incurred on interest-bearing receivables (in particular those included in financial assets, securities and cash). No financial derivatives for hedging of the interest rate risk are contracted with regard to the receivables.

5.2 Credit risk

The RIPE NCC does not have any significant concentrations of credit risk.

5.3 Liquidity risk

The RIPE NCC uses several banks in order to avail itself of a range of overdraft facilities. Where necessary, further securities will be furnished to the bank for available overdraft facilities.

BREAKDOWNS OF ITEMS IN THE BALANCE SHEET

Fixed Assets

Tangible Fixed Assets [1]

	31/12/2020	31/12/2019
Hardware	1,920	2,226
Infrastructure	282	553
Office Equipment	121	156
	2,323	**2,935**

Our tangible fixed assets decreased compared to 2019 due to higher depreciations and fewer investments. We expect this trend to continue in the years to come as we're moving part of our infrastructure to the cloud.

	Hardware	Infrastructure	Office Equipment	Total
Carrying amount as of 1 January 2020	2,226	553	156	2,935
Addition	514	-	39	553
Disposals/Retirements	125	-	-	125
Depreciation Disposals	116	-	-	116
Depreciation	(811)	(271)	(75)	(1,157)
CARRYING AMOUNT AS OF 31 DECEMBER 2020	**1,920**	**282**	**121**	**2,323**
Cost	7,024	1,369	508	8,901
Depreciation	(5,104)	(1,087)	(387)	6,578
CARRYING AMOUNT AS OF 31 DECEMBER 2020	**1,920**	**282**	**121**	**2,323**

Financial Fixed Assets [2]

	31/12/2020	31/12/2019
FINANCIAL FIXED ASSETS	**12,381**	**12,975**

	Government Bonds	Securities	Total
Carrying amount as of 1 January 2020	8,333	4,642	12,975
Addition	-	-	-
Disposals	(925)	-	(925)
Currency Translation Effect	(12)	-	(12)
Revaluation	(55)	398	343
CARRYING AMOUNT AS OF 31 DECEMBER 2020	**7,341**	**5,040**	**12,381**

The RIPE NCC's investments are managed in accordance with RIPE NCC's Treasury Statute. On 31 December 2020, the RIPE NCC held ten different government bonds and securities in three different currencies: EUR, CAD and AUD. In 2020, no new investments were made and one government bond reached its maturity date. The total financial assets delivered an unrealised return of 331 kEUR.

The government bonds and securities portfolio meet the asset mix requirements as set out in the Treasury Statute, assuring a minimal risk strategy for the RIPE NCC capital reserves.

All government bonds and securities qualify as held for trading. The total portfolio doesn't include any majority stakes.

Current Receivables [3]

	31/12/2020	Remaining Term > 1 year	31/12/2019	Remaining Term > 1 year
Account Receivables	54	-	27	
Taxes and Social Security Contributions	446	-	266	
Miscellaneous Receivables	1,361	226	1,390	8
	1,861	**226**	**1,683**	**8**

The fair value of the receivables approximates the carrying amount due to their short-term character and that provisions for bad debt are recognised where necessary.
The increase in receivables with a remaining term is due to advance payments for events which have been partially postponed to 2022.

Accounts Receivable

	31/12/2020	31/12/2019
Debtors	54	27
Provision for Doubtful Debts	-	-
	54	**27**

Due to a reclassification of 379 kEUR (565 kEUR in 2019), there is no significant outstanding amount shown for debtors. The reclassification relates to unearned sign-up fees and new member service fees which have been invoiced in 2020, but which are unpaid as of 31 December 2020. This is also related to a reclassification of negative amounts in the debtors list and positive amounts in the list of creditors. Without these reclassifications, the debtors would show an outstanding amount of approximately 325 kEUR (540 kEUR in

2019 instead of 54 kEUR). The decrease in gross outstanding is explained by the IPv4 run-out. Based on the 54 kEUR amount, we considered that a provision for doubtful debts was not necessary.

Taxes and Security Contributions

	31/12/2020	31/12/2019
VAT	506	266
Provision for Doubtful Debts	(60)	-
	446	**266**

The VAT receivables consist of the Dutch VAT returns for November and December 2020 as well as the VAT to be received from the Icelandic and French tax authorities for local VAT charged at RIPE Meetings. We also included a provision of 60 kEUR for receivables related to Iceland VAT returns.

Miscellaneous Receivables

	31/12/2020	31/12/2019
Interest Receivable	10	102
Prepayments	1,315	1,263
Other Receivables	36	25
	1,361	**1,390**

The interest receivable decreased by 92 kEUR as negative interest was charged on our current accounts and deposits. Thus, a major part of the receivables is composed of the interest from our financial fixed assets.

Prepayments consist of several items linked to the budget for 2021 that were accounted for in 2020 as well as prepayments for multiple events. Approximately 500 kEUR (750 kEUR in 2019) were spent on prepayments for events that were postponed or held online due to COVID-19. Some of our suppliers have agreed to provide a refund and some have agreed that the prepayment will be used to host future events. However, as the situation in the event sector remains uncertain we recorded a provision of 245 kEUR in case of potential losses. The remaining part of prepayments mainly consist of annual software subscriptions. The other receivables include payments from Adyen, which is used for collecting credit card debtor payments.

Cash at Banks and in Hand [4]

	31/12/2020	31/12/2019
ABN AMRO Bank N.V.	14,065	9,911
Rabobank	10,199	10,154
ING Bank N.V.	8,276	10,606
National Bank of Abu Dhabi	16	17
Cash in Hand	0.4	1
	32,556	**30,689**

The cash at banks and in hand includes a bank guarantee of 357 kEUR, which relates to the lease of the office in Amsterdam. All other cash at banks and in hand are at the RIPE NCC's disposal. The increase is due to the general development in our operational and financial activities. Income was higher than expected and we didn't spend the entire amount budgeted due to COVID-19 restrictions.

CAPITAL AND LIABILITIES

Capital [5]

	31/12/2020	31/12/2019
	32,472	**32,234**

In 2020, the Capital Expense ratio increased from 101% to 112%. This is sufficient to cover the RIPE NCC's operational costs for one year. The Capital Expense ratio is a key indicator used by the RIPE NCC to weigh the extent of Capital in relation to Expenses.

	Clearing House	Surplus/ Deficit After Taxation	Total
Carrying amount as of 1 January 2020	25,460	6,774	32,234
Addition of the Surplus 2019	6,774	(6,774)	-
Surplus after taxation 2020	-	238	238
CARRYING AMOUNT AS OF 31 DECEMBER 2020	**32,234**	**333**	**32,472**

Current Liabilities [6]

	31/12/2020	31/12/2019
Trade Creditors and Suppliers	1,457	949
Taxes and Social Security Contributions	965	3,972
Other Liabilities, Accruals and Deferred Income	14,227	11,127
	16,649	**16,048**

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

Trade Creditors and Suppliers

	31/12/2020	31/12/2019
TRADE CREDITORS AND SUPPLIERS	**1,457**	**949**

The increase in the amount owed to trade creditors and suppliers is explained by an investment in new hardware of 339 kEUR made at the end of 2020.

Taxes and Social Security Contributions

	31/12/2020	31/12/2019
Additional Wage Tax Adjustment	-	1,042
Wage Tax Payable	965	893
Corporate Income tax	-	2,037
	965	**3,972**

The total liability for Taxes and Social Security Contributions has decreased due to a 2019 additional wage tax adjustment paid in 2020. There is no Corporate Tax liability this year as the 2020 surplus is being completely redistributed to the membership.

The regular wage tax payable has increased by 8% (72 kEUR). This increase can be explained by the fact we we employed two more FTEs at year-end 2020 compared to year-end 2019, higher wages due to a general market correction of 1% and other outstanding items paid at the end of the year (e.g. performance bonus).

Other Liabilities, Accruals and Deferred Income

	31/12/2020	31/12/2019
Unearned Revenues	153	132
Accruals	898	752
Payable Employee Expenses	2,020	1,878
Redistribution of Members Fees	11,156	8,365
	14,227	**11,127**

The unearned revenues consist of the following:

- Invoices for the service fees for 2020 from existing members for which payment was not yet received in 2020
- Invoices for the service fees which relate to 2021 but where payment was received in 2020

The accruals mainly relate to the ICANN contribution, NRO expenses, the RIPE NCC Community Projects Fund and some accrued consultancy fees for the month of December 2020.

The payable employee expenses include severance settlements, bonus accruals, holiday allowance, vacation days for employees and the secondary benefit scheme. The increase relates to a new reserve of 225 kEUR for the new employee secondary benefit scheme. In 2020, our secondary benefit scheme was simplified by moving from paying declaration based benefits to fixed benefits related to transport, technology and health. The other increase is due to the outstanding holidays reservation which has grown from 702 kEUR in 2019 to 1,021 kEUR in 2020 mostly due to travel restrictions in light of COVID-19.

The redistribution of member fees consists of the redistribution of the 2020 surplus of 11,075 kEUR and a residual redistribution of the surplus for 2019 of 82 kEUR. The increase is due to a 100% redistribution in 2020 compared to a 50% redistribution in 2019.

ARRANGEMENTS AND COMMITMENTS NOT SHOWN IN THE BALANCE SHEET

Office Lease

Obligations to Pay	
Within one year	656
From one to five years	2,468
After five years	309
TOTAL	**3,433**

The office lease commitments are for our offices in Amsterdam and Dubai, and an additional workspace in Moscow. A bank guarantee of 204 kEUR is issued for the office in Amsterdam.

Other Lease Agreements

Obligations to Pay	
Within one year	19
From one to five years	0
After five years	0
TOTAL	**19**

Other Commitments Not Shown in the Balance Sheet

Obligations to Pay	
Within one year	4,120
From one to five years	1,013
After five years	100
TOTAL	**5,233**

As of 31 December 2020, the other obligations not shown in the Balance Sheet amounted to 5.2M EUR. These obligations relate to different types of contracts: IT (hardware, software, housing and connectivity and cloud), insurances, training costs and office expenses.

BREAKDOWN OF ITEMS IN THE STATEMENT OF INCOME AND EXPENDITURE

Income (Total 2020 kEUR 29,101) [7]

Annual Fees

	2020	Budget 2020	2019
Fees Existing Members	35,133	34,300	28,570
Independent Resource Fees	1,081	1,086	1,070
Fees New Members	1,140	350	5,738
Re-opening Fees	106	200	240
	37,460	**35,936**	**35,618**

We started the year with 25,125 LIRs and ended with 23,569 LIRs, which is a decrease of 1,556 LIRs compared to 2019. This contraction in membership numbers is mainly due to IPv4 run-out and LIR consolidation, which was anticipated and budgeted for.

Sign-up Fees

	2020	Budget 2020	2019
SIGN-UP FEES	**2,524**	**1,000**	**12,120**

The sign-up fee for each LIR account is EUR 2,000, the same as in 2019. We welcomed 1,295 new LIRs to the RIPE NCC, a significantly higher figure than we expected.

RIPE Meetings

	2020	Budget 2020	2019
RIPE MEETINGS	**-**	**235**	**302**

Due to COVID-19, the RIPE Meetings scheduled to be held in Berlin and Milan were moved to an online format. RIPE 80 and RIPE 81 were held as fully virtual RIPE Meetings. Both meetings were open and free, and saw record participation.

Sponsorship Income

	2020	Budget 2020	2019
SPONSORSHIP INCOME	**85**	**255**	**295**

The decrease of sponsorship income is due to the COVID-19 pandemic and the changes in sponsorship packages are due to the online event formats.

Other Income

	2020	Budget 2020	2019
OTHER INCOME	**107**	**50**	**39**

Other income mainly consists of the release of debtor overpayments. At the end of 2019 we had a total negative amount of 270 kEUR recorded in our debtor administration. A major part of this amount was related to overpayments of debtors. During the year, the majority of overpayments has been refunded to our members. Remaining amounts have been untraceable and are therefore released and included in the redistribution.

Redistribution of Member Fees

	2020	Budget 2020	2019
REDISTRIBUTION OF MEMBER FEES	**(11,075)**	**-**	**(8,196)**

The redistribution of the 2020 surplus was approved by the RIPE NCC General Meeting in October 2020. The RIPE NCC 2020 surplus will be redistributed to eligible members on their 2021 invoices. The amount of the redistribution applied to each LIR account is based on the annual membership fee paid in 2020. Sign-up fees and/or re-activation fees are excluded from the calculation.

Income by RIPE NCC Sub-regions

The income by region does not include the redistribution of member fees.

	31/12/2020	31/12/2019
Western Europe	23,322	26,605
ENOG Region	5,736	7,904
Middle East	4,045	4,649
Eastern Europe	2,803	3,221
South East Europe	2,087	2,681
Other	2,183	3,314
	40,176	**48,374**

Expenditures (Total 2020 kEUR 29,093) [8]

Payroll and Personnel Expenditures

	2020	Budget 2020	2019
Wages and Salaries	13,651	14,319	13,889
Social Security Charges	1,704	1,750	2,836
Pension Contributions	1,416	1,687	1,350
Miscellaneous Employee Expenditures	897	932	879
	17,668	**18,688**	**18,954**

Wages and Salaries

The overall amount spent on wages and salaries in 2020 decreased compared to 2019. If severance payments are excluded from the comparison, then there is a 1% increase in wages and salaries in 2020 compared to the previous year. This increase is due to a small rise in the number of FTEs, a general market salary increase of 1% and an extra allowance to compensate staff for working from home. The numbers also show a decrease in costs as we had fewer FTEs than budgeted for.

Social Security Charges

The decrease in social security charges in 2020 as compared to 2019 can be explained by the additional wage tax adjustment of 1,042 kEUR which was received in 2019. If we exclude the additional wage tax adjustment, the total social security charges are in line with the wages and salary development.

Pension Contributions

The rise in pension contributions compared to previous year is in line with our FTE count. Pension costs are calculated using an age scale and the increase is proportional to rise in the FTE count and employee age.

Miscellaneous Employee Expenditures

Miscellaneous employee expenditures are in line with last year's figures and our FTE count.

Average number of employees

	2020	Budget 2020	2019
Communications, External Relations and Web Services	23.3	25.5	24
Customer Services	14.9	16.0	16.7
General Support	52.6	55.0	53.5
Global Information Structure	11.3	11.6	9.9
Learning and Development	13.5	12.5	12.1
Registration Services	22.4	25.2	22.9
Software Engineering	21.2	19.3	18.1
TOTAL NUMBER OF EMPLOYEES	**159.2**	**165.1**	**155.7**

During 2020, 159.2 employees were employed on a full-time basis compared to 155.7 in 2019. Of these employees, four were employed outside the Netherlands in 2020, while there were five employees outside the Netherlands in 2019.

Executive Board Remuneration

The RIPE NCC Executive Board does not receive remuneration or a fixed expense reimbursement. Board members are reimbursed for travel expenses incurred while attending board meetings, RIPE Meetings, RIPE NCC Regional Meetings and other Internet coordination meetings. These costs decreased from 155 kEUR in 2019 to 19 kEUR in 2020 due to COVID-19 travel restrictions.

Other Operating Expenditures

	2020	Budget 2020	2019
Bad Debts	277	250	353
Bank Charges	292	347	375
Consultancy	2,928	3,211	2,541
Contributions	836	846	952
Housing	895	929	878
IT Infrastructure	2,505	2,820	2,137
Outreach and PR	1,764	3,942	2,373
Office Costs	554	977	1,266
Travel	218	1,134	1,072
TOTAL OTHER OPERATING EXPENDITURES	**10,269**	**14,456**	**11,947**

Bad Debts and Bank Charges

The decrease of these expenditures compared to previous year is in line with 2019's high income due to IPv4 run-out. There is no unusual movement in bad debts

Consultancy Charges

The consultancy expenditures increased in 2020 compared to 2019 but are still under budget. In 2020, consultancy expenses were spent on several internal projects relating to our Certified Professionals programme, legal advice on EU sanctions, RPKI and internal processes and procedures.

Contributions

In 2020, contributions were made to ICANN, the RIPE NCC Community Projects Fund, the NRO and the IETF. They show a small decrease compared to 2019 which is mainly due to exchange currency differences. The total expenditure is in line with the 2020 budget.

Housing

The decrease in housing costs is due to COVID-19 and all staff working from home. The expenses related to electricity and water decreased in 2020 compared to 2019.

IT Infrastructure

Our IT expenses consisted of software licences, IT housing and IT support. The increase in IT infrastructure compared to the previous year is due to our shifting services to the cloud. The difference between the budgeted amount and the actual cost is due to certain projects being postponed as a result of the pandemic. The IT team was obliged to focus on enabling working from home and as a consequence postpone certain projects.

Outreach and PR

All physical RIPE Meetings were cancelled and held online instead. Expenses for online meetings were considerably lower. We also had lower costs for training activities as face-to-face courses were cancelled after the first quarter.

Office Costs

The decrease of office costs can also be explained by the pandemic. We stopped our catering services and other expenses related to the use of our office also decreased as staff worked from home.

Travel Expenses

The decrease in travel expenses is due to COVID-19 travel restrictions.

Depreciation and Amortisations

	2020	Budget 2020	2019
Hardware	811		873
Infrastructure	270		269
Office Equipment	75		75
	1,156	**1,300**	**1,217**

Financial Income and Expenditures [9]

	2020	Budget 2020	2019
Result on Interest Income	33	300	226
Result Exchange Differences	(115)	-	(11)
Unrealised Revaluation Financial Fixed Assets	312	-	536
	230	**300**	**751**

The decrease in total financial income is mainly due to negative interest charged by banks on our accounts and deposits. Parallel to that, the positive revaluation of government bonds and exchange traded funds which are held in the RIPE NCC's portfolio is lower than in 2019. Due to unfavourable stock market conditions caused by the pandemic, we recorded a lower unrealised return in 2020.

Corporate Income Taxes [10]

	2020	2019
Deferred Corporate Income Tax	-	-
Corporate Income Tax Current Financial Year	-	2,037
Corporate Income Tax Previous Financial Years	-	-
	-	**2,037**

Since 1 January 2015, the RIPE NCC has been subject to corporate income tax. Any surplus or deficit will be submitted for taxation. The RIPE NCC has a tax ruling with the Dutch tax authorities that excludes the Clearing House reserve and any capital gains in the Clearing House reserve from corporate income taxation.

No deferred tax assets are recognised for temporary differences between the valuation for tax and financial reporting purposes and we don't have any carry-forward losses.

The fiscal result of 2020 is 0 EUR, so no corporate income tax payable is recognised in the Balance Sheet and the Statement of Income and Expenditure.

Subsequent Events

No significant events occurred after the Balance Sheet date.

Auditor's Fees

	2020	2019
Audit Fees	53	42
Audit-related Fees	-	-
Tax Advisory Fees	28	-
	81	**42**

The audit fees listed relate to the procedures applied to the Association by accounting firms, external independent auditors including their tax services and advisory groups. These audit fees relate to the audit of the financial statements, regardless of whether the work was performed during the financial year.

Signed by Ondřej Filip
RIPE NCC Executive Board Treasurer
10 March 2021
RIPE NCC
Amsterdam, the Netherlands

INDEPENDENT AUDITOR'S REPORT

To: the members and directors of Réseaux IP Européens Network Coordination Centre

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Réseaux IP Européens Network Coordination Centre, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Réseaux IP Européens Network Coordination Centre as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2020
- The profit and loss account for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Réseaux IP Européens Network Coordination Centre in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The executive board's report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements and the other information, including the executive board's report in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's

To: the members and directors of Réseaux IP Européens Network Coordination Centre

ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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
- Obtaining 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 company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Amsterdam, 12 March 2021

Ernst & Young Accountants LLP
B.J.P. Langedijk

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