



REPORT OF INDEPENDENT AUDITORS  
AND CONSOLIDATED FINANCIAL STATEMENTS

**INTERNET CORPORATION FOR ASSIGNED  
NAMES AND NUMBERS**

For the fiscal years ended June 30, 2022 and 2021

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## **Report of Independent Auditors**

The Board of Directors  
Internet Corporation for Assigned Names and Numbers

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Internet Corporation for Assigned Names and Numbers, which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Internet Corporation for Assigned Names and Numbers as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Internet Corporation for Assigned Names and Numbers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Other Matter – Prior Year Financial Statements***

The consolidated financial statements of Internet Corporation for Assigned Names and Numbers for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on October 22, 2021.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Internet Corporation for Assigned Names and Numbers' ability to continue as a going concern within one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- 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 Internet Corporation for Assigned Names and Numbers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Internet Corporation for Assigned Names and Numbers' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Moss Adams LLP*

Los Angeles, California  
October 25, 2022

**Internet Corporation for Assigned Names and Numbers**  
**Consolidated Statements of Financial Position**  
**(U.S. dollar amounts in thousands)**

<b>ASSETS</b>		June 30,	
		2022	2021
<b>ASSETS</b>			
Cash and cash equivalents	\$	84,025	\$ 78,868
Accounts receivable, net		35,407	35,754
Investments		421,537	441,601
Prepaid expenses		4,050	3,456
Other assets		2,150	1,496
Capital assets, net		11,211	15,231
Total assets	\$	558,380	\$ 576,406
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$	14,519	\$ 15,171
Deferred revenue		3,997	5,431
Total liabilities		18,516	20,602
NET ASSETS – without restrictions		539,864	555,804
Total liabilities and net assets	\$	558,380	\$ 576,406

**Internet Corporation for Assigned Names and Numbers**  
**Consolidated Statements of Activities**  
**(U.S. dollar amounts in thousands)**

	Years Ended June 30,	
	2022	2021
<b>CHANGES IN NET ASSETS WITHOUT RESTRICTIONS</b>		
Revenues and support		
Registry	\$ 88,103	\$ 86,583
Registrar	52,690	51,280
Regional Internet Registries (RIR)	823	823
Country code Top Level Domain (ccTLD) contribution and fees	2,383	2,363
Other income	5,529	460
Revenue from New gTLD application fees	(23)	65
	<u>-</u>	<u>-</u>
	<u>149,505</u>	<u>141,574</u>
<b>EXPENSES</b>		
Personnel	79,452	76,365
Travel and meetings	3,463	1,074
Professional services	31,089	26,931
Administration	22,571	18,950
	<u>136,575</u>	<u>123,320</u>
<b>OTHER INCOME</b>		
Investment (loss) gain	(28,870)	21,768
	<u>(28,870)</u>	<u>21,768</u>
<b>CHANGE IN NET ASSETS WITHOUT RESTRICTIONS</b>	<u>(15,940)</u>	<u>40,022</u>
<b>NET ASSETS, beginning of year</b>	555,804	482,985
Cumulative-effect adjustment for the change in accounting principle	-	32,797
	<u>555,804</u>	<u>515,782</u>
<b>Adjusted net assets, beginning of year</b>	<u>555,804</u>	<u>515,782</u>
<b>NET ASSETS, end of year</b>	<u>\$ 539,864</u>	<u>\$ 555,804</u>

**Internet Corporation for Assigned Names and Numbers**  
**Consolidated Statements of Cash Flows**  
**(U.S. dollar amounts in thousands)**

	Years Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (15,940)	\$ 40,022
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation expense	5,018	3,705
Bad debt expense (recovery)	82	(452)
Investment loss (gain), net	28,870	(21,768)
Loss on disposal of capital assets	1	6
Changes in operating assets and liabilities		
Accounts receivable	265	(1,570)
Prepaid expenses	(594)	(326)
Other assets	(654)	(55)
Accounts payable and accrued liabilities	(443)	914
Deferred revenue	(1,434)	2,587
Net cash provided by operating activities	<u>15,171</u>	<u>23,063</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of capital assets	(1,343)	(4,470)
Proceeds from sale of investments	6,329	9,400
Purchases of investments	<u>(15,000)</u>	<u>(10,121)</u>
Net cash used in investing activities	<u>(10,014)</u>	<u>(5,191)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	5,157	17,872
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>78,868</u>	<u>60,996</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><u>\$ 84,025</u></u>	<u><u>\$ 78,868</u></u>

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 1 – Organization

The consolidated financial statements for the Internet Corporation for Assigned Names and Numbers (“ICANN”) include the financials for ICANN and its affiliate Public Technical Identifiers (“PTI”).

ICANN was established in September 1998 under the laws of the state of California as a non-profit public benefit corporation.

ICANN coordinates a select set of the Internet’s technical coordination functions, such as the assignment of protocol parameters, the technical coordination of the domain name system (DNS), and the allocation of Internet Protocol (IP) address space. Categories of Internet domains include generic Top-Level Domains (gTLDs), examples of which are .com, .net, and .org; country code Top Level Domains (ccTLDs) in ASCII characters, examples of which are .us, .uk, .de and .fr; and Internationalized Domain Name (IDN) ccTLDs that are reflected through non-ASCII based languages.

ICANN has three supporting organizations that serve as the policy development bodies for ICANN within three specialized areas, including the system of IP addresses and the DNS. The three supporting organizations are the Address Supporting Organization (“ASO”), the Generic Names Supporting Organization (“GNSO”) and the Country Code Names Supporting Organization (“ccNSO”). These supporting organizations are the primary source of substantive policy recommendations for matters lying within their respective specialized areas. The supporting organizations are not separately incorporated entities.

ICANN is responsible for the performance of the Internet Assigned Numbers Authority (“IANA”) functions. Through contracts, ICANN has delegated the performance of the IANA functions to PTI, an affiliate of ICANN. PTI was established in August 2016 under the laws of the state of California as a non-profit public benefit corporation and ICANN is the sole member of PTI. PTI’s financials are included in the consolidated financial statements of ICANN. All funding for PTI is received from ICANN under subcontract agreements. PTI’s sole purpose is the performance of the IANA functions as delegated by ICANN.

ICANN’s primary sources of revenue are generated from domain name registrations and result from agreements with registries and registrars as follows:

**Registry fees** – As of June 30, 2022, ICANN had contracts with registry operators of 1,173 gTLDs. Registry fees are described in the respective registry agreements. Based on those agreements, registries pay to ICANN fees via a fixed fee, transaction-based fee, or both.

**Registrar fees** – ICANN accredits registrars in accordance with the registrar accreditation agreement (RAA). The RAA provides for the following types of fees:

- Application fees, which are paid one time by prospective registrars at the time of the application.
- Annual accreditation fees, which are fees that all registrars are required to pay annually to maintain accreditation.



# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 1 – Organization (continued)

- Per-registrar variable fees are based upon a set amount divided by the number of accredited registrars and is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, some registrars may qualify for “forgiveness” of two-thirds of the standard per-registrar variable fee.
- Transaction-based fees based on each add, transfer, or renewal domain name registration.
- Add Grace Period (AGP) deletion fees are charged to registrars that delete added names within the grace period in excess of a threshold.

As of June 30, 2022, ICANN had 2,552 RAAs in place.

**Address registry fees** – ICANN coordinates with the Regional Internet Registries (RIRs), which are responsible for the assignment and administration of Internet addresses. RIRs provide funding to ICANN for the IANA Numbering Services function in addition to providing voluntary contributions to ICANN.

### Application fees

*Registrar* – Accreditation application fees are non-refundable and are paid at the time of application by applicants seeking to become an ICANN-accredited domain name registrar.

*New generic Top-Level Domain (gTLD)* – The application fees were paid during the New gTLD Program 2012 application window by applicants seeking to become a new gTLD registry operator for a particular top-level domain. Application fees are refundable at a decreasing rate according to the processing phase in which the request for refund occurs. Note that once a new gTLD registry agreement is signed with an applicant that party becomes the registry operator for that particular gTLD and is subject to registry fees in accordance with the terms of the registry agreement.

**ccTLD contribution and fees** – ccTLD operators contribute on a voluntary basis to ICANN. The ccNSO maintains guidelines offered to ccTLD operators that decide to contribute financially to ICANN. These guidelines suggest amounts of voluntary contributions based on the number of domain names under management.

**Contributions and other income** – ICANN receives sponsorships from parties in return for providing exhibition space and advertisements during ICANN Public meetings and also receives contribution revenue from the Number Resource Organization (“NRO”), which is described in Note 2. In addition, ICANN receives contribution revenue from Verisign which is described in Note 10.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 2 – Significant Accounting Policies

**Basis of presentation** – The consolidated financial statements of ICANN have been prepared in accordance with accounting principles generally accepted in the United States of America. ICANN recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of ICANN and the changes therein are classified and reported as follows:

*Net assets – without restrictions* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of ICANN. ICANN's Board adopted the ICANN Investment Policy in November 2007, which was most recently updated in July 2022. This investment policy established a Board designated Reserve Fund that limits use of the Reserve Fund based upon specific Board actions. All investments are designated under the Reserve Fund and considered net assets without restrictions. The balance of the Reserve Fund was approximately \$142,903,000 and \$154,272,000 as of June 30, 2022 and 2021, respectively.

The ICANN Board adopted a separate investment policy, the New gTLD and Auction Proceeds Investment Policy, to govern new gTLD application fees and auction proceeds which are also considered net assets without restrictions. The balance of the new gTLD investment funds was approximately \$278,633,000 and \$287,328,000 as of June 30, 2022 and 2021, respectively.

*Net assets – with restrictions* – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of ICANN. Net assets for which the donor has stipulated that the principal be maintained in perpetuity, but permits ICANN to use, or expend, all or part of the income derived from the donated assets for general or specific purposes, are subject to statutory regulations. As of the years ended June 30, 2022 and 2021, ICANN did not have any net assets with restrictions as any restrictions were satisfied prior to year end.

**Principles of consolidation** – The consolidated financial statements include the accounts of ICANN and PTI. All significant intercompany balances and transactions have been eliminated in consolidation.

**Recent accounting pronouncements** – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a comprehensive new revenue recognition standard that supersedes previous revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. This standard deferred the effective date of ASU 2014-09 for non-public entities, which includes ICANN, from fiscal years beginning after December 15, 2018 to fiscal years beginning after December 15, 2019, which is ICANN's fiscal year 2021 for the period beginning July 1, 2020 and ending June 30, 2021.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 2 – Significant Accounting Policies (continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard requires the reporting entity to identify its existing leases as either Operating or Financing leases and apply the prescribed accounting based on lease type identified. For all leases, the reporting entity is required to record a Right-of-Use Asset (ROU) and corresponding Lease Liability. Operating leases are expensed on a straight-line basis. For Financing leases, the ROU Asset is amortized over the life of the lease and interest expense is recognized related to the Lease Liability. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. This standard defers the effective date of ASU 2016-02 for non-public entities, which includes ICANN, from fiscal years beginning after December 15, 2020 to fiscal years beginning after December 15, 2021, which is ICANN's fiscal year 2023 for the period beginning July 1, 2022 and ending June 30, 2023.

ICANN is currently evaluating the effect that these accounting pronouncements will have on the consolidated financial statements.

**Revenue recognition** – ICANN recognizes revenue as follows:

- Transaction-based fees are determined based upon an established rate per registration, multiplied by the volume and number of contract years of the underlying domain registration. Transaction-based fees are earned and recognized in the year the transaction occurs. A transaction corresponds to a registration, a transfer or a deletion of a domain name.
- Fixed fees are billed in accordance with the underlying contract and are recognized as earned over the contractual period.
- Registrar application fees are non-refundable and are recognized at the time the application and application fees are received.
- New gTLD application fees are recognized as the application moves through the delegation process and the potential refund amount changes (see Note 2, Recent Accounting Pronouncements).
- Auction proceeds are recognized in revenues when an auction is concluded.
- Accreditation fee amounts are due in accordance with agreements and are recognized ratably monthly over the term of the accreditation.
- All voluntary contributions are made at the discretion of the contributing parties and thus not recognized until ICANN has received confirmation from the parties contributing.

**Cash and cash equivalents** – Cash and cash equivalents include deposits in bank and money market funds. ICANN considers all cash and financial instruments with original maturities of three months or less to be cash and cash equivalents. ICANN's cash and cash equivalents are maintained at financial institutions with high credit standings. ICANN considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### Note 2 – Significant Accounting Policies (continued)

**Accounts receivable, net** – On a periodic basis, ICANN adjusts its allowance based on an analysis of historical collectability, current receivables aging, and assessment of specific identifiable customer accounts considered at risk or uncollectible.

**Investments** – Investments are reported at their fair value and all related transactions are recorded on the trade date. Interest, dividends and realized and unrealized gains and losses are accounted for within net assets without restrictions. If available, investments are reported at their net asset value (NAV) per unit as a practical expedient as reported by the fund manager.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Accounting Standards Codification (ASC) establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** – Quoted prices in active markets for identical assets or liabilities.

**Level 2** – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**Level 3** – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### **Note 2 – Significant Accounting Policies (continued)**

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Investments that are valued based on quoted market prices of comparable assets and investments reported at net asset value or its equivalent, which are redeemable in the near term are typically classified within Level 2. In certain cases, securities are measured using the net asset value (NAV) per share practical expedient, an estimate of fair value, and are excluded from the fair value hierarchy. ICANN obtains the fair value for these securities from fund managers. The fund managers use various models, comparisons, and assumptions to estimate fair value. Consideration is given to the type of investment, risks, marketability, restrictions, dispositions, and quotations from other market participants. Adjustments may be determined by management to account for the time period since the date of the fund's last statement.

ICANN's policy is to recognize transfers in and transfers out at the end of the reporting period. This policy includes transfers in and transfers out of Level 1 and Level 2. ICANN has no Level 3 investments.

**Fair value of financial instruments** – The carrying amounts of cash and cash equivalents, accounts receivables, prepaid and other receivables, accounts payable and accrued liabilities and deferred revenue approximate fair value because of the short-term maturity of these financial instruments. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual results. The fair value of investments recorded at fair value on a recurring basis are included in Note 6.

**Capital assets** – Capital assets consist of capitalized computer equipment, software, furniture and fixtures, and leasehold improvements and are stated at cost or, for contributed items, at fair value at date of contribution. Capital assets are depreciated using the straight-line method over their estimated useful lives, which range from three to seven years. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful life or the remaining lease term. Acquisitions in excess of \$10,000 and one-year useful life as well as laptop computers are capitalized. Maintenance and repairs are charged to expense as incurred.

**Deferred revenue** – Deferred revenue is recorded when fees are not yet earned. In the fiscal year ended June 30, 2021, ICANN adopted ASC 606 which had an impact to the timing of the recognition of the application fee revenue associated with the New gTLD Program. Refer to Note 2, Recent Accounting Pronouncements. Deferred revenue primarily consisted of Verisign contributions of \$2,042,403 and \$3,567,827 as of June 30, 2022 and 2021, respectively, as described in Note 10. In addition, deferred revenue included new gTLD application fees of \$389,000 and \$468,500 as of June 30, 2022 and 2021, respectively, as well as deferred registrar accreditation income of \$1,565,000 and \$4,962,000 as of June 30, 2022 and 2021, respectively.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### Note 2 – Significant Accounting Policies (continued)

**Income taxes** – ICANN is exempt from federal and state income taxes in the United States under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. However, ICANN is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic consolidated financial statements taken as a whole.

ICANN believes it is in compliance with all applicable laws; however, upon audit by a taxing authority, if amounts are found due, ICANN may be liable for such taxes. Management has analyzed ICANN's tax positions taken on federal and state income tax returns for all open tax years and has concluded that, as of June 30, 2022 and 2021, respectively, no liabilities are required to be recorded in connection with such tax positions in ICANN's consolidated financial statements. No interest or penalties are recognized during the year as ICANN has not recorded income tax contingencies. ICANN is not under examination by the Internal Revenue Service for any open tax years.

**Liquidity and availability of funds** – ICANN has agreements with registries and registrars, which ICANN refers to collectively as contracted parties. ICANN invoices the majority of its contracted parties on a monthly or quarterly basis. There are no restrictions placed on proceeds received from these contracted parties.

ICANN has an annual Operating Plan and Budget to help monitor expenses. Funding received in excess of expenses are invested in accordance with ICANN's Investment Policy.

## Internet Corporation for Assigned Names and Numbers Notes to Consolidated Financial Statements

### Note 2 – Significant Accounting Policies (continued)

As of June 30, 2022 and 2021, respectively, financial assets available to meet cash needs were as follows:

	2022	2021
	<i>(in thousands)</i>	
Total financial assets at year-end		
Cash and cash equivalents	\$ 84,025	\$ 78,868
Investments at fair value	421,537	441,601
Accounts receivable	35,407	35,754
	<u>540,969</u>	<u>556,223</u>
Less: amounts not available to be used within one year		
Estimated New gTLD application fees refund	162	170
	<u>162</u>	<u>170</u>
Total amounts not available to be used within one year	<u>162</u>	<u>170</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 540,807</u>	<u>\$ 556,053</u>

**Functional allocation of expenses** – Expenses that can be identified to a specific program or supporting service are charged directly to the related program or supporting service. Management considered that expenses directly related to the furtherance of its mission to develop policy that supports the stability and interoperability of the domain name system to be program expenses. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management.

ICANN's expenses are classified approximately as follows for the years ended (in thousands):

	Program Services				Support Services				
	ICANN Ops	Net gTLD	PTI	Total Program Expenses	ICANN Ops	New gTLD	PTI	Total Support Services	
Year Ended June 30, 2022									
Personnel	\$ 51,281	\$ 1,387	\$ 4,593	\$ 57,261	\$ 19,942	\$ 539	\$ 1,710	\$ 22,191	\$ 79,452
Travel and meetings	2,559	25	65	2,649	788	8	18	814	3,463
Professional services	19,267	4,069	608	23,944	6,459	382	304	7,145	31,089
Administration	15,393	418	533	16,344	5,803	165	259	6,227	22,571
Total expenses	<u>\$ 88,500</u>	<u>\$ 5,899</u>	<u>\$ 5,799</u>	<u>\$ 100,198</u>	<u>\$ 32,992</u>	<u>\$ 1,094</u>	<u>\$ 2,291</u>	<u>\$ 36,377</u>	<u>\$ 136,575</u>
Year Ended June 30, 2021									
Personnel	\$ 50,426	\$ 482	\$ 4,142	\$ 55,050	\$ 19,610	\$ 187	\$ 1,518	\$ 21,315	\$ 76,365
Travel and meetings	805	-	4	809	265	-	-	265	1,074
Professional services	14,247	6,642	561	21,450	4,687	528	266	5,481	26,931
Administration	12,670	158	701	13,529	5,107	61	253	5,421	18,950
Total expenses	<u>\$ 78,148</u>	<u>\$ 7,282</u>	<u>\$ 5,408</u>	<u>\$ 90,838</u>	<u>\$ 29,669</u>	<u>\$ 776</u>	<u>\$ 2,037</u>	<u>\$ 32,482</u>	<u>\$ 123,320</u>

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 2 – Significant Accounting Policies (continued)

**Use of estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Coronavirus impact** – On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO announced a global health outbreak and classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of COVID-19 continues to evolve as of the date of this report. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, stakeholders, and workforce.

As of October 22, 2021, ICANN has not experienced any adverse impact to either its operations or its funding sources. In fact, ICANN's funding has continued to increase moderately, consistently with expectations, since the beginning of the COVID-19 pandemic and until June 30, 2022. Considering strong funding and significant decreases in travel expense, ICANN's financial position as of June 30, 2022, reflects an operating and cash excess.

Considering the possibility that COVID-19 continues to have significant impacts on the general economy and on the movement of persons in the extended future, ICANN considers that there is uncertainty regarding its in-person meeting schedule and the health of the global event and hospitality industries. Before the COVID-19 pandemic was declared, deposits were contracted and paid to various venues in relation to several future meetings organized by ICANN. Management discounted a portion of the meeting deposits paid based on an estimation of the risks associated with the recoverability of such deposits. Of the \$2,301,000 that was prepaid for these meetings, management impaired \$1,437,000 during fiscal year 2020, and as a result of deposit amounts returned to ICANN, \$135,000 of this impairment was recovered in fiscal year 2021. Additionally, in fiscal year 2021 there was \$1,016,793 of new meeting deposits made and \$410,244 of impairments made for the fiscal year 2021 deposits. Lastly, there was \$284,108 of additional net impairments related to the fiscal year 2020 deposits that were recorded in fiscal year 2021.

**Subsequent events** – ICANN evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. ICANN evaluated subsequent events through October 25, 2022, which is when these consolidated financial statements were available to be issued.

ICANN is not aware of any subsequent events that would have a material impact on its consolidated financial statements or require disclosure in the notes to the consolidated financial statements.



# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 3 – Segment and Affiliate Reporting

The following consolidated statements of financial position, statements of activities, and statements of cash flows provide the breakdown of ICANN's financial statements into the segments for ICANN and its affiliate PTI. The two segments for ICANN are ICANN Operations and the New Generic Top-Level Domains (gTLD) Program (the "Program").

**ICANN operations** – The ICANN Operations consist of the on-going activities performed to coordinate the Internet's technical functions, such as the assignment of protocol parameters, the technical coordination of the domain name system (DNS), and the allocation of Internet Protocol (IP) address space, as operated by PTI. These activities include the development of policies designed to maintain the security, stability, and resiliency of the DNS.

**PTI** – PTI is an affiliate of ICANN that is responsible for performing the IANA functions, on behalf of ICANN. ICANN contracts with PTI for the performance of the IANA naming function (through the IANA Naming Function Contract), and subcontracts with PTI for the performance of the protocol parameters (ICANN-PTI Subcontract Agreement for obligations under the Internet Engineering Task Force (IETF) Memorandum of Understanding (MoU) and Supplemental Agreement) and numbers (ICANN-PTI Subcontract Agreement for obligations under the Service Level Agreement (SLA) for IANA Numbering Services) functions. As a result, PTI is responsible for performing all three IANA functions. Included in these contracts and subcontracts is the sub-licensing of the use of the IANA trademarks and registrations from ICANN to PTI for use in connection with performing the IANA functions (see Note 11).

ICANN contracted with Verisign to provide Root Zone Maintainer services (the "Root Zone Maintainer Service Agreement," or "RZMA"). As the root zone maintainer service is integral to the performance of the IANA naming function, ICANN subcontracted certain of its obligations under the RZMA to PTI. PTI performs all requirements and furnishes all services necessary to fulfill ICANN's obligations under the RZMA, but is not obligated to and may not perform certain other items under the RZMA unless specifically requested by ICANN (e.g., pay the monthly fee to Verisign, serve on the RZMA Coordination Committee, initiate requests for additional services, make indemnification claims, or terminate/renew the RZMA).

ICANN commits to making available to PTI the necessary personnel, material, equipment, services, and facilities to perform PTI's contractual obligations to ICANN (as set out in the IANA Naming Functions contract and other subcontracts discussed herein). A Services Agreement between ICANN and PTI specifies ICANN's obligations to make resources available to PTI.

The PTI intra-company payables and receivables are settled on a quarterly basis. All unsettled intra-company payables and receivables eliminate on a consolidated basis.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 3 – Segment and Affiliate Reporting (continued)

**New Generic Top-Level Domain Program** – ICANN, through the Program, is responsible for the introductions of new gTLDs that has resulted in the expansion of the DNS. Under this program, the last time ICANN received applications for new gTLDs occurred in 2012 which resulted in 1,930 applications. New gTLDs are introduced with the primary goals of introducing and promoting competition, innovation and choice in the DNS, and providing a wider variety of organizations, communities and brand new ways to communicate with their audiences. All registries that operate these new gTLDs must pass a rigorous evaluation process and technical preparations and assessments. These steps help ensure the safe, secure and measured rollout of new gTLDs.

All 2012 applications for new gTLDs that have not been withdrawn have completed Initial Evaluation (IE) phase and, where applicable Extended Evaluation (EE). During IE and EE, all applications were evaluated for, among other things, financial, technical/operational, geographic names, and registry services.

Following completion and passing of IE, and EE if applicable, the contracting phase for eligible applications commenced. In the contracting phase, eligible applicants enter into a registry agreement with ICANN to operate a gTLD. After completion of contracting and before delegation, the applicant is required to enter into Pre-Delegation Testing (PDT).

PDT ensures that an applicant has the capacity to operate a new gTLD in a stable, secure manner. Every new registry must demonstrate that it has established operations in accordance with the technical and operational criteria described in the New gTLD Applicant Guidebook. After the registry operator passes PDT, the gTLD it has been entered into contract with ICANN to operate can be introduced into the root zone of the Internet.

During the years ended June 30, 2022 and 2021, two new gTLDs and one new gTLD were delegated in the root zone, respectively. As of June 30, 2022 and 2021, there were 1,173 and 1,184 new gTLDs delegated in the root zone, respectively.

As the Program and its funding through application fees has been designed on a cost recovery basis, and to enhance accountability and transparency, ICANN has fully segregated from its ongoing operations the Program's accounting ledger, bank accounts, investment accounts for all program-related funds and expenses.

The following consolidated statements of financial position, statements of activities, and statements of cash flows provide the breakdown of ICANN's financial statements into each segment and its affiliate.

The new gTLD statements of financial positions for June 30, 2022 and 2021, include auction proceeds classified as either cash and cash equivalents or investments.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### Note 3 – Segment and Affiliate Reporting (continued)

The auction proceeds are comprised of the following as of June 30, 2022 and 2021:

	Auction Proceeds	New gTLD Program Funds	Total
June 30, 2022			
Cash and cash equivalents	\$ -	\$ 1,217	\$ 1,217
Investments	<u>210,293</u>	<u>68,340</u>	<u>278,633</u>
Total	<u>\$ 210,293</u>	<u>\$ 69,557</u>	<u>\$ 279,850</u>
June 30, 2021			
Cash and cash equivalents	\$ -	\$ 1,438	\$ 1,438
Investments	<u>212,234</u>	<u>75,094</u>	<u>287,328</u>
Total	<u>\$ 212,234</u>	<u>\$ 76,532</u>	<u>\$ 288,766</u>

The new gTLD intra-company payables and receivables are settled in cash on a quarterly basis. All unsettled intra-company payables and receivables eliminate on a consolidated basis.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

#### Note 3 – Segment and Affiliate Reporting (continued)

The segmented statement of financial position at June 30, 2022:

June 30, 2022	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
<b>Assets</b>					
Cash and cash equivalents	\$ 82,808	\$ 1,217	\$ -	\$ -	\$ 84,025
Accounts receivable, net	35,407	-	-	-	35,407
Investments	142,904	278,633	-	-	421,537
Prepaid expenses	3,969	81	-	-	4,050
Other assets	2,150	-	-	-	2,150
Intra-company asset	1,704	54	292	(2,050)	-
Capital assets, net	11,211	-	-	-	11,211
	<u>\$ 280,153</u>	<u>\$ 279,984</u>	<u>\$ 292</u>	<u>\$ (2,050)</u>	<u>\$ 558,380</u>
<b>Total assets</b>					
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 12,675	\$ 1,552	\$ 292	\$ -	\$ 14,519
Intra-company liability	293	1,757	-	(2,050)	-
Deferred revenue	3,608	389	-	-	3,997
	<u>16,576</u>	<u>3,698</u>	<u>292</u>	<u>(2,050)</u>	<u>18,516</u>
<b>Total liabilities</b>	<b>16,576</b>	<b>3,698</b>	<b>292</b>	<b>(2,050)</b>	<b>18,516</b>
<b>Net assets without restrictions</b>	<u><b>263,577</b></u>	<u><b>276,287</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>539,864</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 280,153</b></u>	<u><b>\$ 279,985</b></u>	<u><b>\$ 292</b></u>	<u><b>\$ (2,050)</b></u>	<u><b>\$ 558,380</b></u>

(1) The segmented statement of financial position at June 30, 2022, contained unsettled intercompany receivables and/or payables between ICANN, the New gTLD Program and/or PTI. The unsettled intercompany balances of \$2,050,000 at June 30, 2022, are eliminated prior to consolidation of the financial statements.

## Internet Corporation for Assigned Names and Numbers Notes to Consolidated Financial Statements

### Note 3 – Segment and Affiliate Reporting (continued)

June 30, 2021	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
<b>Assets</b>					
Cash and cash equivalents	\$ 77,430	\$ 1,438	\$ -	\$ -	\$ 78,868
Accounts receivable, net	35,754	-	-	-	35,754
Investments	154,273	287,328	-	-	441,601
Prepaid expenses	3,456	-	-	-	3,456
Other assets	1,496	-	-	-	1,496
Intra-company asset	216	-	273	(489)	-
Capital assets, net	15,231	-	-	-	15,231
	<u>\$ 287,856</u>	<u>\$ 288,766</u>	<u>\$ 273</u>	<u>\$ (489)</u>	<u>\$ 576,406</u>
<b>Total assets</b>					
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Accounts payable and accrued liabilities	\$ 12,606	\$ 2,292	\$ 273	\$ -	\$ 15,171
Intra-company liability	273	216	-	(489)	-
Deferred revenue	4,962	469	-	-	5,431
	<u>17,841</u>	<u>2,977</u>	<u>273</u>	<u>(489)</u>	<u>20,602</u>
<b>Total liabilities</b>	<b>17,841</b>	<b>2,977</b>	<b>273</b>	<b>(489)</b>	<b>20,602</b>
<b>Net assets without restrictions</b>	<u><b>270,015</b></u>	<u><b>285,789</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>555,804</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 287,856</b></u>	<u><b>\$ 288,766</b></u>	<u><b>\$ 273</b></u>	<u><b>\$ (489)</b></u>	<u><b>\$ 576,406</b></u>

(1) The segmented statement of financial position at June 30, 2021, contained unsettled intercompany receivables and/or payables between ICANN, the New gTLD Program and/or PTI. The unsettled intercompany balances of \$489,000 at June 30, 2021, are eliminated prior to consolidation of the financial statements.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

### Note 3 – Segment and Affiliate Reporting (continued)

The segmented statement of activities for the year ended June 30, 2022:

Year Ended June 30, 2022	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Changes in net assets without restrictions					
Revenues and support					
Registry	\$ 88,103	\$ -	\$ -	\$ -	\$ 88,103
Registrar	52,690	-	-	-	52,690
RIR	823	-	650	(650)	823
ccTLD contribution and fees	2,383	-	-	-	2,383
Contributions and other income	5,529	-	-	-	5,529
Revenue from New gTLD application fees	-	(23)	-	-	(23)
Contributions to PTI from ICANN	-	-	7,440	(7,440)	-
	149,528	(23)	8,090	(8,090)	149,505
Expenses					
Personnel	77,526	1,926	6,303	(6,303)	79,452
Travel and meetings	3,430	33	83	(83)	3,463
Professional services	26,639	4,450	912	(912)	31,089
Administration	22,280	583	792	(792)	22,863
	129,875	6,992	8,090	(8,090)	136,867
Other income					
Investment loss	(26,381)	(2,489)	-	-	(28,870)
Other income and expense	291	-	-	-	291
	(26,090)	(2,489)	-	-	(28,579)
Increase in net assets without restrictions	(6,437)	(9,504)	-	-	(15,941)
Net assets, beginning of year	270,015	285,790	-	-	555,805
Adjusted net assets, beginning of year	270,015	285,790	-	-	555,805
Net assets, end of year	\$ 263,578	\$ 276,286	\$ -	\$ -	\$ 539,864

(1) The segmented statement of activities for the year ended June 30, 2022, contained intercompany revenues and expenses between ICANN and PTI. The \$650,000 is derived from a portion of the contribution made by the NRO to ICANN for the IANA Numbering Services pursuant to section 5.2 of the Service Level Agreement (SLA), whereby ICANN in turn provided the total amount of this restricted contribution of \$650,000 related to the IANA functions to PTI as part of ICANN's total funding to PTI. The additional funding of \$8,090,000 was provided to PTI by ICANN. The total funding from ICANN to PTI was eliminated prior to consolidation of the financial statements.

(2) For the year ended June 30, 2022, ICANN transferred \$6,303,000 in personnel expenses, \$83,000 in travel and meetings expenses, \$912,000 in professional services expenses, and \$792,000 in administration expenses to PTI for all expenses pertaining to IANA functions. These transfers from ICANN to PTI were eliminated prior to consolidation of the financial statements.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

#### Note 3 – Segment and Affiliate Reporting (continued)

(3) For the year ended June 30, 2022, the following expenses associated with the next round of the New gTLD Program were included within the new gTLD segment amounts: \$1,247,000 in personnel expenses, \$24,000 in travel and meetings expenses, \$335,000 in professional services expenses, and \$94,000 in administration expenses.

The segmented statement of activities for the year ended June 30, 2021:

Year Ended June 30, 2021	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Changes in net assets without restrictions					
Revenues and support					
Registry	\$ 86,583	\$ -	\$ -	\$ -	\$ 86,583
Registrar	51,280	-	-	-	51,280
RIR	823	-	650	(650)	823
ccTLD contribution and fees	2,363	-	-	-	2,363
Contributions and other income	460	-	-	-	460
Revenue from New gTLD application fees	-	65	-	-	65
Contributions to PTI from ICANN	-	-	6,794	(6,794)	-
Total revenues and support without restrictions	<u>141,509</u>	<u>65</u>	<u>7,444</u>	<u>(7,444)</u>	<u>141,574</u>
Expenses					
Personnel	75,695	670	5,660	(5,660)	76,365
Travel and meetings	1,073	1	4	(4)	1,074
Professional services	19,762	7,169	827	(827)	26,931
Administration	18,730	220	953	(953)	18,950
Total expenses	<u>115,260</u>	<u>8,060</u>	<u>7,444</u>	<u>(7,444)</u>	<u>123,320</u>
Other income					
Investment gain	21,299	469	-	-	21,768
Other income and expense	-	-	-	-	-
Total other income	<u>21,299</u>	<u>469</u>	<u>-</u>	<u>-</u>	<u>21,768</u>
Increase in net assets without restrictions	<u>47,548</u>	<u>(7,526)</u>	<u>-</u>	<u>-</u>	<u>40,022</u>
Net assets, beginning of year	222,466	260,519	-	-	482,985
Cumulative-effect adjustment for the adoption of ASC 606	-	32,797	-	-	32,797
Adjusted net assets, beginning of year	<u>222,466</u>	<u>293,316</u>	<u>-</u>	<u>-</u>	<u>515,782</u>
Net assets, end of year	<u>\$ 270,014</u>	<u>\$ 285,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,804</u>

(1) The segmented statement of activities for the year ended June 30, 2021, contained intercompany revenues and expenses between ICANN and PTI. The \$650,000 is derived from a portion of the contribution made by the NRO to ICANN for the IANA Numbering Services pursuant to section 5.2 of the SLA, whereby ICANN in turn provided the total amount of this restricted contribution of \$650,000 related to the IANA functions to PTI as part of ICANN's total funding to PTI. The additional funding of \$7,444,000 was provided to PTI by ICANN. The total funding from ICANN to PTI was eliminated prior to consolidation of the financial statements.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

### Note 3 – Segment and Affiliate Reporting (continued)

(2) For the year ended June 30, 2021, ICANN transferred \$5,660,000 in personnel expenses, \$4,000 in travel and meetings expenses, \$827,000 in professional services expense, and \$953,000 in administration expenses to PTI for all expenses pertaining to IANA functions. These transfers from ICANN to PTI were eliminated prior to consolidation of the financial statements.

The segmented statement of cash flows for the year ended June 30, 2022:

Year Ended June 30, 2022	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Cash flows from operating activities					
Change in net assets	\$ (6,437)	\$ (9,503)	\$ -	\$ -	\$ (15,940)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities					
Depreciation expense	5,018	-	-	-	5,018
Bad debt expense	82	-	-	-	82
Investment loss	26,382	2,488	-	-	28,870
Gain on disposal of capital assets	1	-	-	-	1
Changes in operating assets and liabilities					
Accounts receivable	265	-	-	-	265
Prepaid expenses	(513)	(81)	-	-	(594)
Other assets	(654)	-	-	-	(654)
Accounts payable and accrued liabilities	400	(862)	19	-	(443)
Intercompany	(1,469)	1,488	(19)	-	-
Deferred revenue	(1,354)	(80)	-	-	(1,434)
Net cash provided by (used in) operating activities	21,721	(6,550)	-	-	15,171
Cash flows from investing activities					
Purchases of capital assets	(1,343)	-	-	-	(1,343)
Proceeds from sale of investments	-	6,329	-	-	6,329
Purchases of investments	(15,000)	-	-	-	(15,000)
Net cash (used in) provided by investing activities	(16,343)	6,329	-	-	(10,014)
Net decrease in cash and cash equivalents	5,378	(221)	-	-	5,157
Cash and cash equivalents, beginning of year	77,430	1,438	-	-	78,868
Cash and cash equivalents, end of year	<u>\$ 82,808</u>	<u>\$ 1,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,025</u>

(3) The segmented statement of cash flow for the year ended June 30, 2022, contained intercompany accounts receivables and intercompany accounts payable between ICANN and PTI for \$19,000. These balances were eliminated prior to consolidation of the financial statements.



## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

#### Note 3 – Segment and Affiliate Reporting (continued)

The segmented statement of cash flows for the year ended June 30, 2021:

Year Ended June 30, 2021	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Cash flows from operating activities					
Change in net assets	\$ 47,548	\$ (7,526)	\$ -	\$ -	\$ 40,022
Adjustments to reconcile change in net assets					
to cash provided by (used in) operating activities					
Depreciation expense	3,705	-	-	-	3,705
Bad debt expense	(452)	-	-	-	(452)
Investment gain	(21,299)	(469)	-	-	(21,768)
Gain on disposal of capital assets	6	-	-	-	6
Changes in operating assets and liabilities					
Accounts receivable	(1,570)	-	-	-	(1,570)
Prepaid expenses	(326)	-	-	-	(326)
Other assets	(55)	-	-	-	(55)
Accounts payable and accrued liabilities	414	509	(9)	-	914
Intercompany	710	(719)	9	-	-
Deferred revenue	3,836	(1,249)	-	-	2,587
	<u>32,517</u>	<u>(9,454)</u>	<u>-</u>	<u>-</u>	<u>23,063</u>
Net cash provided by (used in) operating activities					
Cash flows from investing activities					
Purchases of capital assets	(4,470)	-	-	-	(4,470)
Proceeds from sale of investments	-	9,400	-	-	9,400
Purchases of investments	(10,000)	(121)	-	-	(10,121)
	<u>(14,470)</u>	<u>9,279</u>	<u>-</u>	<u>-</u>	<u>(5,191)</u>
Net cash (used in) provided by investing activities					
Net change in cash and cash equivalents	18,047	(175)	-	-	17,872
Cash and cash equivalents, beginning of year	59,383	1,613	-	-	60,996
Cash and cash equivalents, end of year	<u>\$ 77,430</u>	<u>\$ 1,438</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,868</u>

(3) The segmented statement of cash flow for the year ended June 30, 2021, contained intercompany accounts receivables and intercompany accounts payable between ICANN and PTI for \$9,000. These balances were eliminated prior to consolidation of the financial statements.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 4 – Concentration of Credit Risk

Financial instruments that potentially subject ICANN to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, and investments. ICANN places its cash with major financial institutions. Cash held in the United States at these financial institutions may, at times, exceed the amount insured by the U.S. Federal Deposit Insurance Corporation. Concentration of credit risk with respect to receivables is mitigated by the diversity of registries/registrar comprising ICANN's registry/registrar base. ICANN places its investments with major investment brokers. Investments held at these investment brokers may, at times, exceed the amount insured by the Securities Investor Protection Corporation. The investments held are subject to volatility of the market and industries in which they are invested.

ICANN is contracted with one registry and one registrar to which it invoices a total of approximately \$66,810,000 or 45% of the total support and revenue for the year ended June 30, 2022. ICANN is contracted with one registry and one registrar to which it invoices a total of approximately \$60,720,000 or 43% of the total support and revenue for the year ended June 30, 2021.

### Note 5 – Accounts Receivable

Accounts receivable is comprised of the following as of June 30:

	<u>2022</u>	<u>2021</u>
	<i>(U.S. dollars in thousands)</i>	
gTLD registries and registrars	\$ 35,787	\$ 36,084
ccTLD and IDN Fast Track	-	1
Other	<u>70</u>	<u>69</u>
Total accounts receivable	35,857	36,154
Less: allowance for doubtful accounts	<u>(450)</u>	<u>(400)</u>
Total accounts receivable, net	<u>\$ 35,407</u>	<u>\$ 35,754</u>

ICANN had recoveries of \$82,000 and bad debt expense of \$452,000 during the years ended June 30, 2022 and 2021, respectively.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

#### Note 6 – Investments

The guidance requires fair value measurements to be separately disclosed by level within the fair value hierarchy and requires a separate reconciliation of fair value measurements categorized as Level 3. Certain investments that are measured at fair value using the Net Asset Value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy table below. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy table to the amounts presented in the statements of financial positions. Assets held in collective trusts are also subject to the fair value measurement requirements and are separately disclosed below.

Investments consist of the following as of June 30, 2022:

<u>2022</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
	<i>(U.S. dollars in thousands)</i>				
Cash and cash equivalents	\$ 36,441	\$ 36,441	\$ -	\$ -	\$ -
Corporate bonds	131,255	-	131,255	-	-
Government agencies bonds	32,075	-	32,075	-	-
Collective trusts	137,199	-	-	-	137,199
U.S. government bonds	38,197	-	38,197	-	-
Asset-backed bonds	547	-	547	-	-
Money market funds	3,940	3,940	-	-	-
International bonds	39,334	-	39,334	-	-
Municipal and principal bonds	2,549	-	2,549	-	-
	<u>\$ 421,537</u>	<u>\$ 40,381</u>	<u>\$ 243,957</u>	<u>\$ -</u>	<u>\$ 137,199</u>

Investments consist of the following as of June 30, 2021:

<u>2021</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
	<i>(U.S. dollars in thousands)</i>				
Corporate bonds	\$ 92,060	\$ -	\$ 92,060	\$ -	\$ -
Government agencies bonds	89,950	-	89,950	-	-
Collective trusts	154,272	-	-	-	154,272
U.S. government bonds	62,122	-	62,122	-	-
Asset-backed bonds	7,782	-	7,782	-	-
Money market funds	16,296	16,296	-	-	-
International bonds	14,257	-	14,257	-	-
Municipal and principal bonds	4,862	-	4,862	-	-
	<u>\$ 441,601</u>	<u>\$ 16,296</u>	<u>\$ 271,033</u>	<u>\$ -</u>	<u>\$ 154,272</u>

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### Note 6 – Investments (continued)

The following table sets forth a summary of investments with a reported NAV as of June 30, 2022:

<u>2022</u>	Fair Value Estimated Using NAV per Share			
	<i>(U.S. dollars in thousands)</i>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective trusts (a)	\$ 137,199	N/A	One and ten days	One and two days

(a) The collective trusts investments include holdings in U.S. bonds, international bonds, U.S. equities, international equities, real estate investment trusts, and money market funds.

The following table sets forth a summary of investments with a reported NAV as of June 30, 2021:

<u>2021</u>	Fair Value Estimated Using NAV per Share			
	<i>(U.S. dollars in thousands)</i>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective trusts (a)	\$ 154,272	N/A	One and ten days	One and two days

(a) The collective trusts investments include holdings in U.S. bonds, international bonds, U.S. equities, international equities, real estate investment trusts, and money market funds.

Net investment gain is comprised of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
	<i>(U.S. dollars in thousands)</i>	
Dividend and interest income	\$ 1,539	\$ 2,281
Realized gains	8,814	12,661
Unrealized (losses) gains	(38,390)	7,541
Management fees and other	<u>(833)</u>	<u>(715)</u>
Total net investment gain	<u>\$ (28,870)</u>	<u>\$ 21,768</u>

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### Note 7 – Capital Assets

Capital assets consist of the following as of June 30:

	2022	2021
	<i>(U.S. dollars in thousands)</i>	
Computer equipment	\$ 10,455	\$ 13,268
Computer software	40,423	39,828
Furniture and fixtures	371	371
Leasehold improvements	6,143	6,143
Construction in progress	809	1,313
Gross capital assets	58,201	60,923
Less: accumulated depreciation	(46,990)	(45,592)
Net capital assets	\$ 11,211	\$ 15,331

Depreciation expense for the years ended June 30, 2022 and 2021, was \$5,018,153 and \$3,705,397, respectively. For the year ended June 30, 2022, ICANN retired of capital assets \$3,720,326.

#### Note 8 – Legal Matters

In the ordinary course of business, ICANN is occasionally named as a defendant in lawsuits and may be involved in other alternative dispute resolution proceedings. Management cannot at this time determine the probable outcome or the effect, if any, that these matters may have on the financial position and the ongoing operations of ICANN. Accordingly, the accompanying consolidated financial statements do not include a provision for any losses that may result from ICANN's current involvement in legal matters.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 9 – Related-Party Transactions

**ICANN and PTI** – ICANN is responsible for the performance of the IANA functions. Through contracts, ICANN has delegated the performance of the IANA functions to its affiliate PTI. PTI’s sole purpose is the performance of the IANA functions as delegated by ICANN under one contract and three subcontracting agreements. PTI and ICANN are also parties to a Shared Services Agreement. The contracts and subcontracts between ICANN and PTI are as follows:

Subcontract Name	Community Served	Parties to the Agreement	Date in Effect	Term
Services agreement	N/A	ICANN/PTI		Agreement in force until terminated under a notice period
IANA Naming Function Contract (amended May 7, 2019)	Names	ICANN/PTI		Five years with automatic renewal pending certain requirements
Subcontract of Responsibilities under MoU/Supplemental Agreement	Protocol Parameters (IETF)	ICANN/PTI		Agreement in place until revoked
Subcontract of Responsibilities under SLA	Numbers (RIRs)	ICANN/PTI		Agreement in place until revoked
Subcontract of Responsibilities under RZMA	Names	ICANN/PTI		Agreement in place until revoked

The contract/subcontracts are related to performing functions as designated by ICANN for the Names, Numbers and Protocol parameters communities. Each agreement references that ICANN shall provide or make available to PTI the necessary personnel, material, equipment, services, and facilities to perform PTI’s obligations. ICANN’s obligation to provide those resources is set out more specifically in the Services Agreement between ICANN and PTI, which requires ICANN to make resources available to PTI.

The expenses incurred in connection with the ICANN/PTI Service Agreement allocated by community group amounted to \$8,089,477 and \$7,444,323 for the years ended June 30, 2022 and 2021, respectively.

Although ICANN contracts and subcontracts with PTI to perform the IANA functions, ICANN remains ultimately responsible for delivering on the obligations under the ICANN-IETF MoU and Supplemental Agreement, the RIRs SLA, the ICANN Bylaws (through the IANA Naming Function Contract and RZMA).

All amounts from the Service Agreement between ICANN and PTI eliminate upon consolidation.

**Board of Directors** – Board members are selected annually to provide services to ICANN. Total compensation for those who elected to receive compensation of approximately \$765,000 and \$795,000 was paid for the years ended June 30, 2022 and 2021, respectively.

## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### **Note 9 – Related-Party Transactions (continued)**

Rafael Lito Ibarra was a voting member of the ICANN Board of Directors until October 2021. Mr. Ibarra, who became an ICANN Director in October 2015, manages and administrates the .sv ccTLD as well as an IPv4 address block equivalent to a class B, through his role as Founding President and Executive Director for SVNet (ccTLD manager for .sv). Revenue to ICANN from SVNet amounted to \$1,000 for the years ended June 30, 2022 and 2021. To avoid any conflict of interest between ICANN and SVNet, Mr. Ibarra abstained from voting on all matters he identified as an actual, potential, or perceived conflict of interest that came before the Board for decision while he was on the ICANN Board.

Danko Jevtović is a voting member of the ICANN Board of Directors with a term from October 2018 through November 2024. Mr. Jevtović was elected as a board member for the Serbian National Internet Domain Registry Foundation (RNIDS) for a three year term beginning February 2022. RNIDS manages the registry of the national internet domain names .rs and .cpB and the Internet infrastructure of special importance for the functioning of the Internet in Serbia. Revenue to ICANN from RNIDS amounted to approximately \$10,500, for the year ended June 30, 2022. To avoid any conflict of interest between ICANN and the RNIDS, Mr. Jevtović abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Nigel Roberts was a voting member of the ICANN Board of Directors with a term that ended October 2021. Mr. Roberts, who became an ICANN Director in October 2018, works with Island Networks Ltd. and Island Networks (Jersey) Ltd., which are the ccTLD managers for .gg and .je, respectively. Revenue to ICANN from Island Networks Ltd. and Island Networks (Jersey) Ltd., amounted to \$2,000 and \$0 for the years ended June 30, 2022, and 2021, respectively. To avoid any conflict of interest between ICANN and Island Networks Ltd. and Island Networks (Jersey) Ltd., Mr. Roberts abstained from voting on all matters he identified as an actual, potential, or perceived conflict of interest that came before the Board for decision while he was on the ICANN Board.

Lise Fuhr was a voting member of the PTI Board of Directors until September 2022 and also served as Chair of the Board. PTI is a controlled affiliate of ICANN, which commenced operations on October 1, 2016. Ms. Fuhr was appointed to the Internet Society Public Interest Registry (PIR) Board of Directors for a three-year term starting in July 2016 and was reappointed in 2019 for another three-year term, with service on the PIR Board ending in June 2022. Revenue to ICANN from the PIR amounted to approximately \$2,791,000 and \$2,755,000 for the years ended June 30, 2022 and 2021, respectively, under the fee structure of its Registry Agreement with ICANN. In accordance with the PTI Conflicts of Interest Policy, Ms. Fuhr considered whether each item that came before the PTI Board for decision posed an actual, potential, or perceived conflict of interest and was required to disclose any such conflict of interest, if one arose.

# Internet Corporation for Assigned Names and Numbers

## Notes to Consolidated Financial Statements

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### Note 9 – Related-Party Transactions (continued)

Patricio Poblete is a voting member of the ICANN Board of Directors with a term from October 2020 through October 2023. In 1987, the Department of Computer Science of the University of Chile, which later came to be NIC Chile, took on the responsibility of managing the registry for .cl, the ccTLD for the Republic of Chile. Mr. Poblete has led NIC Chile, under the University of Chile, since its founding. Revenue to ICANN from the University of Chile amounted to \$25,000 for the years ended June 30, 2022 and 2021. To avoid any conflict of interest between ICANN and the University of Chile, Mr. Poblete abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Edmon Chung is a voting member of the ICANN Board of Directors with a term from October 2021 through November 2024. Mr. Chung is the CEO of Dot Asia Organisation. Since 2002, Mr. Chung has played a leadership role in the region-wide '.asia' domain extension initiative. Revenue to ICANN from Dot Asia Organisation amounted to approximately \$72,000 for the year ended June 30, 2022. To avoid any conflict of interest between ICANN and Dot Asia Organisation, Mr. Chung abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

### Note 10 – Commitments

ICANN leases its offices and certain other facilities under operating lease agreements that expire at various dates through May 2028. The lease agreements have various termination clauses requiring 3 to 60 months' rent for early termination of which none have been terminated.

Minimum future payments under operating leases for the future years ending June 30 are approximately:

Years Ending June 30,	(U.S. dollars in thousands)
2023	\$ 4,994
2024	4,817
2025	4,893
2026	4,998
2027	4,798
Thereafter	<u>29,988</u>
	<u>\$ 54,488</u>

Rent expense amounted to approximately \$3,946,000 and \$4,100,000 for the years ended June 30, 2022 and 2021, respectively. ICANN also has pass-through and additional charges from certain sublessors that are not included in the minimum expected payments above. The pass-through and additional charges cannot be reasonably estimated for future periods. There were no pass-through and additional charges for the years ended June 30, 2022 and 2021.



## Internet Corporation for Assigned Names and Numbers

### Notes to Consolidated Financial Statements

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#### **Note 10 – Commitments (continued)**

ICANN and Verisign have signed an amendment to the registry agreement to operate the .com top level domain name. Such amendment is accompanied by a binding Letter of Intent (LOI) under which ICANN and Verisign agree to continue to work together in good faith toward enhancing the security, stability, and resiliency (SSR) of the domain name system (DNS). In accordance with the LOI, Verisign shall, for a period of five years, contribute \$4,000,000 to ICANN annually through year 2025 for a total contribution of \$20,000,000. These funds are to be applied to expenses that ICANN incurs in conducting, facilitating or supporting activities that preserve and enhance the SSR of the DNS infrastructure. In accordance with this LOI, Verisign paid to ICANN the first and second annual installments of \$4,000,000 in January 2021 and January 2022.

ICANN's President and CEO, Göran Marby, has an employment agreement with ICANN through May 2024. Pursuant to that agreement, during the year ended June 30, 2022, Mr. Marby was entitled to an annual base salary of approximately \$728,000 and at-risk compensation of up to \$218,000 – not to exceed a total of \$946,853. For the year ended June 30, 2021, Mr. Marby was entitled to an annual base salary of approximately \$707,000 and at-risk compensation of up to \$212,000.

The ICANN Board members (voting directors and non-voting liaisons except for the Governmental Advisory Committee liaison), who specifically elect for it, receive compensation for their services on the Board. The voting directors are selected for three-year terms and the non-voting liaisons are selected for one to three-year terms. The aggregated amounts of expected compensation relative to the current Board members as of June 30, 2022, assuming that they each will continue to elect to receive compensation for the remainder of their terms, are \$765,000 and \$600,000 for the fiscal years ending June 30, 2023 and 2024, respectively.

#### **Note 11 – Defined Contribution Plan**

ICANN's 401(k) Plan (the "Plan") is available to all employees in the United States at the first of the month following hire date with ICANN. Subject to legal limitations, ICANN contributes 5% of each employee's salary to the Plan regardless of employee contributions. ICANN also matches employee contributions up to 10% of the employee's annual salary, subject to legal limitations, and depending on the employee's chosen contribution levels. Employer contributions recognized for the years ended June 30, 2022 and 2021, amounted to approximately \$6,554,000 and \$6,174,000, respectively. At June 30, 2022 and 2021, the 401(k) Plan contributions receivable and payable were approximately \$(3,000) and \$1,106,000, respectively.