



FY 2014 Financial Package

For the Six Months Ending December 2013

Table of Contents

Executive Summary	1
FY14 Budget by Quarter	2
Statement of Activity (Actual vs. Budget)	3
Balance Sheet.....	4
Funds Under Management.....	5
Cash Flows Synopsis	6
Operating Fund and New gTLD Cash	7
Reserve Fund.....	8
New gTLD Financial Summary.....	9
New gTLD Historical Development Costs	10

ICANN
Executive Summary
For the Six Months Ending December 2013

Overview

The ICANN change in net assets is \$3.3M, or 13.6%, higher than budget during the first six months of FY14 mainly as a result of (i) delays in planned operations (\$2.8M, see Operating Expenses below), (ii) timing differences of ccTLD contributions (\$1.3M), (iii) Reserve Fund and New gTLD investment income of (\$3.7M) and (\$1.4M), respectively, offset by (iv) delayed evaluation processing in the New gTLD program resulting in lower revenues recognized for the period (-\$8.0M).

The Funds under Management by ICANN decreased by \$28.2M during the first six months to a total of \$331.6M, mainly as a result of the payment of New gTLD evaluation expenses (\$16.9M) and general operating expenses for ICANN Ops (\$11.3M).

Financial Position

The funds under management decreased by \$28.2M during the quarter as a result of the following:

- A decrease of the New gTLD funds by \$51.4M due to:

- (i) the net reimbursement to ICANN Operations of the accumulated direct/allocated costs for \$3.0M,
- (ii) the reimbursement to ICANN Operations of the historical development costs for \$19.2M,
- (iii) net refunds to applicants for \$5.3M,
- (iv) payments to vendors/employees for \$25.5M,
- (v) partially offset by appreciation of the new gTLD investments for \$1.7M.

- An increase of the ICANN Operations funds by \$23.2M due to:

- (i) the net reimbursement from the New gTLD funds of the direct/allocated costs for \$3.0M,
- (ii) the reimbursement from the New gTLD program of the historical development costs for \$19.2M,
- (iii) all other net operating variances for \$1.0M.

The decrease of the deferred revenues balance of \$48.1M corresponds to:

- (i) the amount of revenues recognized for the New gTLD program (\$45.5M),
- (ii) the refunds to New gTLD applicants (\$3.7M)
- (iii) other (-\$1.1M).

Support and Revenue

Revenues for ICANN Ops were \$1.8M favorable to budget primarily due to the timing of the non-contracted contribution from the ccTLDs for fiscal year 2013. Revenues for New gTLD program were \$22.3M unfavorable to budget primarily due to lower costs incurred in the first six months of FY14, resulting in lower revenues recognized for the period

Operating Expenses

Personnel costs for ICANN Ops were \$0.3M favorable to budget primarily due to delayed hires offset by unbudgeted positions. Personnel costs for the New gTLD program were \$1.5M favorable to budget primarily due to delayed hires.

Travel and Meetings costs for ICANN Ops and the New gTLD Program were relatively flat to budget.

Professional Services costs for ICANN Ops were \$2.4M favorable to budget primarily due to delayed security projects, IDN Variant projects, and signing of EBERO contracts. Professional Services costs for the New gTLD Program were \$12.9M favorable to budget due to lower costs incurred for Initial and Extended Evaluation and delayed Pre-delegation testing and contracting.

Administrative costs for ICANN Ops were \$0.6M favorable to budget primarily due to timing of sponsorships and IT costs. Administrative costs for the New gTLD Program were \$0.2M favorable to budget due to a lower allocation of ICANN ops shared services costs to the program.

Bad debt expenses were \$0.2M unfavorable to budget.

Depreciation costs were \$0.4M unfavorable to budget primarily due to higher and earlier than budgeted capital projects expenditures.

Other Income /Expense

Investment Income was \$3.7M and \$1.4M favorable to budget for ICANN Ops and the New gTLD Program, respectively due to investment income/ loss not budgeted in FY14.

**Statement of Activity
FY14 Budget by Quarter
In Thousands**

	Quarter 1			Quarter 2			Quarter 3			Quarter 4			Total Year		
	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total
Support and Revenue															
Registry	\$10,115	\$0	10,115	\$10,068	\$0	10,068	\$12,828	\$0	12,828	\$14,545	\$0	14,545	\$47,556	\$0	47,556
Registrar	8,448	0	8,448	8,005	0	8,005	9,237	0	9,237	10,389	0	10,389	36,079	0	36,079
R.I.R.	206	0	206	206	0	206	206	0	206	206	0	206	823	0	823
ccTLD	0	0	0	100	0	100	150	0	150	1,650	0	1,650	1,900	0	1,900
ccTLD IDN	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributions & Other															
Income	450	0	450	450	0	450	450	0	450	450	0	450	1,800	0	1,800
New gTLD Application Fees	0	41,411	41,411	0	26,343	26,343	0	22,665	22,665	0	21,687	21,687	0	112,105	112,105
Total Support and Revenue	19,219	41,411	60,629	18,829	26,343	45,172	22,870	22,665	45,535	27,240	21,687	48,927	88,158	112,105	200,263
Expenses															
Personnel	7,464	2,965	10,429	8,973	2,779	11,753	9,874	2,552	12,426	10,404	2,217	12,621	36,715	10,513	47,229
Travel & Meetings*	4,062	444	4,506	3,818	430	4,248	3,820	411	4,231	3,792	357	4,149	15,493	1,642	17,134
Professional Services	4,805	18,531	23,336	6,197	10,412	16,609	5,436	8,669	14,105	4,805	8,579	13,384	21,243	46,190	67,433
Administration	2,797	917	3,714	3,120	919	4,039	2,902	878	3,781	3,278	817	4,095	12,098	3,531	15,628
Bad Debt Expenses	120	0	120	120	0	120	120	0	120	120	0	120	480	0	480
Depreciation Expenses	510	0	510	677	0	677	677	0	677	677	0	677	2,540	0	2,540
Total Expenses	19,759	22,856	42,615	22,905	14,540	37,445	22,829	12,510	35,339	23,076	11,970	35,046	88,569	61,875	150,444
Contingency	925	0	925	925	0	925	925	0	925	925	0	925	3,700	0	3,700
Interest - General	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FX Translation (Gain) / Loss	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Investment (Income)/ Loss	0	(141)	(141)	0	(125)	(125)	0	(110)	(110)	0	(94)	(94)	0	(470)	(470)
Total Other (Income)/Expense	925	(141)	784	925	(125)	800	925	(110)	815	925	(94)	831	3,700	(470)	3,230
Change in Net Assets Before Historical Costs and Reserves	(1,465)	18,695	17,230	(5,001)	11,928	6,927	(884)	10,265	9,381	3,239	9,811	13,050	(4,111)	50,699	46,588
Support	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hist. Development Costs/ (Reimbursement)	(4,317)	4,317	(0)	(2,746)	2,746	0	(2,363)	2,363	(0)	(2,261)	2,261	0	(11,687)	11,687	(0)
Risk Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exceptional Items**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change In Net Assets	\$2,852	\$14,378	\$17,230	(\$2,255)	\$9,182	\$6,927	\$1,479	\$7,902	\$9,381	\$5,500	\$7,550	\$13,050	\$7,576	\$39,013	\$46,588

*Includes Community Support Requests

**Exceptional Items are included in "Expenses" section above.

ICANN
Statement of Activity
Actual vs. Budget
For the Six Months Ending December 2013
In Thousands

	FY 14 Actuals			FY 14 Budget			Variance			
	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	%
Support and Revenue										
Registry	\$20,389	\$0	20,389	\$20,183	\$0	20,183	\$205	\$0	\$205	1.0%
Registrar	17,003	0	17,003	16,453	0	16,453	550	0	550	3.3%
R.I.R.	412	0	412	412	0	412	0	0	0	0.0%
ccTLD	1,381	0	1,381	100	0	100	1,281	0	1,281	1281.2%
ccTLD IDN	0	0	0	0	0	0	0	0	0	0.0%
Contributions & Other Income	640	3	643	900	0	900	(260)	3	(257)	(28.6%)
Revenues from NgTLD App. Fees	0	45,456	45,456	0	67,754	67,754	0	(22,298)	(22,298)	(32.9%)
Total Support and Revenue	39,824	45,460	85,283	38,047	67,754	105,801	1,776	(22,294)	(20,518)	(19.4%)
Expenses										
Personnel	16,103	4,288	20,391	16,438	5,744	22,182	335	1,456	1,791	8.1%
Travel & Meetings	7,796	986	8,782	7,880	874	8,754	84	(112)	(28)	(0.3%)
Professional Services	8,615	16,088	24,702	11,002	28,942	39,944	2,388	12,854	15,242	38.2%
Administration	5,338	1,680	7,019	5,917	1,836	7,753	579	155	734	9.5%
Bad Debt Expenses	400	0	400	240	0	240	(160)	0	(160)	(66.5%)
Depreciation Expenses	1,619	0	1,619	1,187	0	1,187	(432)	0	(432)	(36.4%)
Total Expenses	39,870	23,043	62,913	42,664	37,396	80,060	2,794	14,354	17,147	21.4%
Contingency	250	0	250	1,850	0	1,850	1,600	0	1,600	86.5%
Interest - General	0	0	0	0	0	0	0	0	0	0.0%
FX Translation (Gain) / Loss	48	40	88	0	0	0	(48)	(40)	(88)	0.0%
Investment (Income)/ Loss	(3,745)	(1,671)	(5,415)	0	(266)	(266)	3,745	1,405	5,149	(1936.6%)
Total Other (Income)/Expense	(3,447)	(1,631)	(5,078)	1,850	(266)	1,584	5,297	1,365	6,662	420.5%
Change in Net Assets Before Historical Costs and Reserves	3,400	24,048	27,448	(6,466)	30,624	24,157	9,867	(6,576)	3,291	13.6%
New gTLD Applicant Support	0	0	0	0	0	0	0	0	0	0.0%
Hist. Development Costs/ (Reimbursement)	(5,642)	5,642	0	(7,063)	7,063	(0)	(1,421)	1,421	(0)	100.0%
Risk Costs	0	0	0	0	0	0	0	0	0	0.0%
Exceptional Items	0	0	0	0	0	0	0	0	0	0.0%
Change In Net Assets	\$9,042	\$18,406	\$27,448	\$597	\$23,561	\$24,157	\$8,446	(\$5,154)	\$3,291	13.6%

*Includes Community Support Requests

**Exceptional Items are included in "Expenses" section above.

**ICANN
Balance Sheet
As of December 31, 2013
In Thousands**

	12/31/13			06/30/13			Increase/ (Decrease)			Notes
	ICANN	New gTLD	Total	ICANN	New gTLD	Total	ICANN	New gTLD	Total	
ASSETS										
Cash & Cash Equivalents	\$17,652	\$5,514	\$23,166	\$17,340	\$47,547	\$64,887	\$312	(\$42,033)	(\$41,721)	(1)
Investments	78,565	229,859	308,424	55,685	239,189	294,874	22,880	(9,329)	13,551	(2)
Funds Under Management	96,217	235,373	331,590	73,025	286,736	359,761	23,192	(51,363)	(28,171)	
Receivables	20,155	2,910	23,065	22,866	1,290	24,156	(2,711)	1,620	(1,091)	
Prepaid Expenses	311	0	311	927	1,397	2,323	(615)	(1,397)	(2,012)	
Plant, Property & Equipment -	11,738	0	11,738	8,518	0	8,518	3,220	0	3,220	
Other Assets	15,779	(14,331)	1,447	33,296	(30,880)	2,416	(17,518)	16,549	(969)	
TOTAL ASSETS	\$144,200	\$223,952	\$368,152	\$138,631	\$258,543	\$397,174	\$5,569	(\$34,591)	(\$29,022)	
LIABILITIES AND NET ASSETS										
Payables	6,008	9,472	15,479	10,855	13,320	24,175	(4,848)	(3,849)	(8,696)	(3)
Deferred Income	14,111	141,355	155,466	13,090	190,503	203,594	1,021	(49,149)	(48,128)	(4)
Other Liabilities	1,028	0	1,028	674	0	674	353	0	353	
TOTAL LIABILITIES	21,146	150,827	171,973	24,620	203,824	228,443	(3,473)	(52,997)	(56,471)	
UNRESTRICTED/RESTRICTED ASSETS	114,012	54,719	168,731	114,012	54,719	168,731	0	0	0	
CURRENT YEAR CHANGE IN NET ASSETS	9,042	18,406	27,448	0	0	0	9,042	18,406	27,448	
TOTAL NET ASSETS	123,054	73,125	196,179	114,012	54,719	168,731	9,042	18,406	27,448	
TOTAL LIABILITIES & NET ASSETS	\$144,200	\$223,952	\$368,152	\$138,631	\$258,543	\$397,174	\$5,569	(\$34,591)	(\$29,022)	

Note (1):

New gTLD cash decreased mainly as a result of; 1) the repayment of \$19.2M of Historical Development costs and \$15.5M of accumulated direct allocated costs incurred on behalf of the program; and 2) \$7.3M for refunds to applicants and disbursements to vendors.

Note (2):

The ICANN investment (Reserve Fund) increased as a result of the contribution of the \$19.2M repayment received from the New gTLD program for Historical Development costs and unrealized gains of \$3.7M during the period.

The New gTLD investments decreased mainly as a result of an \$11M transfer to the New gTLD cash account for disbursement purposes offset by unrealized gains of \$1.7M during the period.

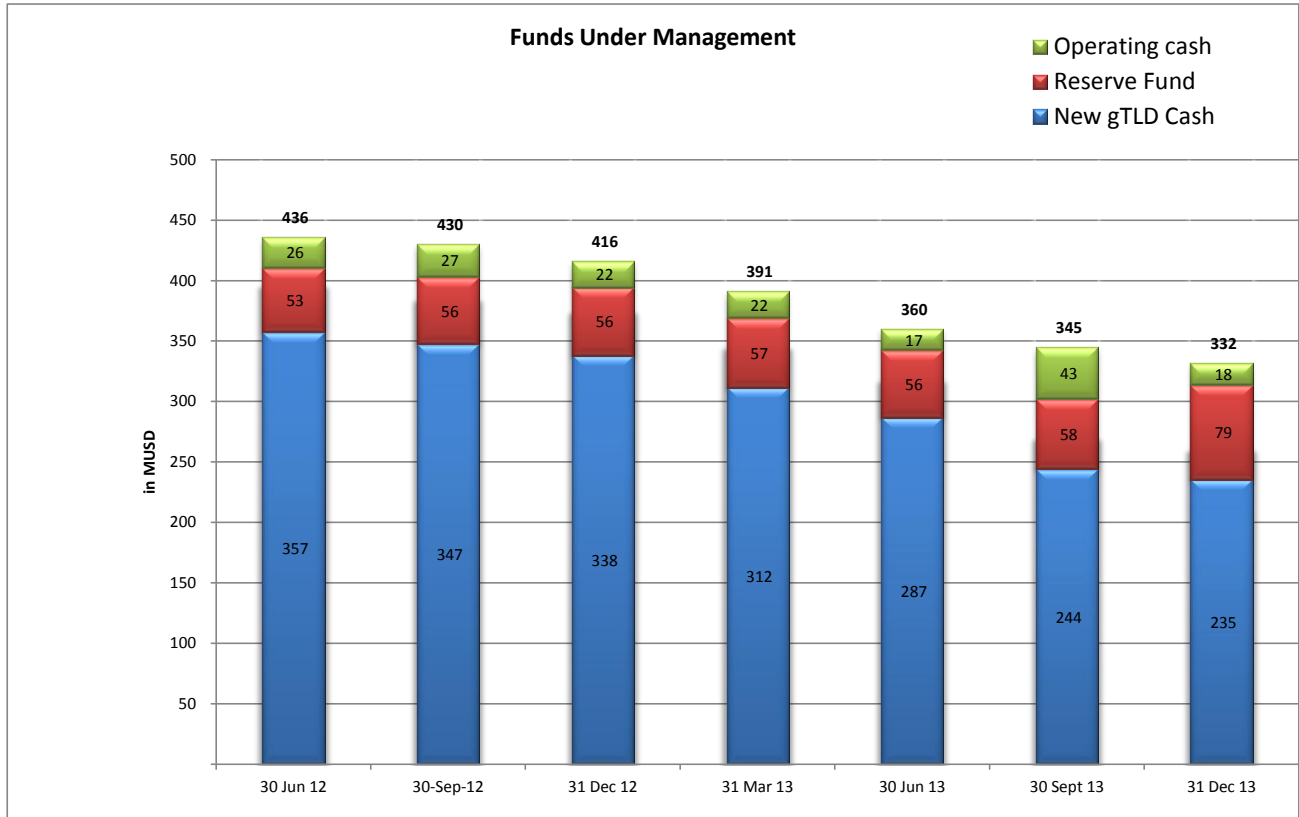
Note (3):

The reduction of payables is driven by the timing of expenses and related payments

Note (4):

The reduction of deferred revenues is resulting mainly from the revenues recognized during the quarter on the new gTLD program, reflecting from the progress of the evaluation process, and from the refunds of application fees.

**ICANN
Funds Under Management
As of December 31, 2013
In Millions**



ICANN
Cash Flows Synopsis
For the Six Months Ending December 2013
In Thousands

	ICANN Ops	NgTLD	Total
Funds Under Management at Beginning of Period	\$73,025	\$286,736	\$359,761
Collected/ (refunded) from contributors/parties	43,155	(5,309)	37,846
Paid to vendors (operating)	(25,908)	(21,246)	(47,154)
Paid to employees	(16,121)	(4,288)	(20,409)
Capital expenditures	(5,616)	0	(5,616)
Intracompany Clearing	22,191	(22,191)	0
Other net cash flows	1,746	0	1,746
Change in investment value	3,745	1,671	5,415
Funds Under Management at End of Period	\$96,217	\$235,373	\$331,590

**ICANN
Operating Fund and New gTLD Cash
In Thousands**

ICANN Ops	As of Friday 6/29/2012	As of Friday 6/28/2013	As of Friday 9/27/2013	As of Friday 12/27/2013
Total	\$28,295	\$18,508	\$42,431	\$17,872
HSBC	14,928	15,917	42,425	17,872
Union Bank	3,824	2,473	-	-
Bank of America	1,978	-	-	-
NAB*	7,565	117	6	-

Historical default = 3 months of operating expenses.
Updated monthly per statements. Includes operating and term deposit accounts.
FX rate used is the average current EOM/ previous EOM rates.

New gTLD	As of Friday 6/29/2012	As of Friday 6/28/2013	As of Friday 9/27/2013	As of Friday 12/27/2013
Total	\$357,464	\$286,768	\$244,279	\$234,978
HSBC	124,443	47,579	15,108	5,119
Union Bank	109,608	-	-	-
Bank of America	123,413	-	-	-
Investments	-	239,189	229,171	229,859

**ICANN
Reserve Fund
As of December 31, 2013
In Millions**

Reserve Fund Activity	
Contributions	
Nov-07	\$25.0
Aug-08	8.0
Sep-09	11.0
Dec-13	<u>19.1</u>
Total Contributions	63.1
Balance at Beginning of Fiscal Year (01-Jul-2013)	55.7
Prior Fiscal Quarter Balance (30-Sep-2013)	58.1
Current Fiscal Quarter Balance (31-Dec-2013)	\$78.6

Notes:

Historical default = 12 months of operating expenses.

ICANN
New gTLD Financial Summary
As of December 31, 2013
In Thousands

	Program to date	Full Program		Program Balance	
	as of 31-Dec-2013	Current Estimate (Sep 2013)	Prior Estimate (June 2013)	Actual vs Current Estimate	Actual vs Prior Estimate
Fees					
Application Fees	\$361,033 ⁽¹⁾	\$359,554	\$359,554	\$1,479	\$1,479
Other Fees	1,369 ⁽²⁾	3,598	3,788	(2,229)	(2,419)
Total Fees	362,402	363,152	363,342	(750)	(940)
Refunds					
Withdrawal (Pre-reveal/Overpayment)	1,220	5,736	5,736	4,516	4,516
Withdrawal (@ 80%)	444	444	444	-	-
Withdrawal (@ 70%)	13,000	13,260	13,650	260	650
Withdrawal (@ 35%)	1,495	28,600	25,350	27,105	23,855
Withdrawal (@ 20%)	37	2,960	6,845	2,923	6,808
Total Refunds	16,197	51,000	52,025	34,803	35,828
Funds Net of Refunds	346,206	312,152	311,317		
Revenue					
Recognized Revenue	194,830	312,152	311,317		
Deferred Revenue	151,376	-	-		
Total Revenue	346,206	312,152	311,317	34,053	34,888
Expenses					
Evaluation Processing Costs	87,933	124,889	130,458	36,956	42,525
Overhead	20,628	41,902	41,371	21,274	20,743
NgTLD Team	4,383	11,753	12,415	7,370	8,032
ICANN Staff Allocation	11,888	22,769	22,769	10,880	10,880
Other Overhead	4,357	7,380	6,187	3,023	1,831
Total Operating Expenses	108,560	166,791	171,829	58,230	63,268
Historical Development Costs	21,038	32,454	32,454	11,416	11,416
Total Expenses	129,599	199,245	204,283	69,646	74,684
Net Remaining Funds	\$216,607	\$112,907	\$107,035	\$103,699	\$109,572
Remaining Funds	216,607	112,907	107,035	103,699	109,572
Actual Risk Costs	1,759 ⁽³⁾	1,349	1,179	410	(580)
Net Remaining Funds	214,847	111,558	105,856	103,289	108,992

(2) Proceeds from Prioritization Draw, and Fees for Change Request.

(3) Reflects actual risk costs incurred. Future costs cannot be estimate. Further review of risk costs identification in progress.

ICANN
New gTLD Historical Development Costs
As of December 31, 2013
In Thousands

	Accrued	Transferred/Paid
FY13 Actual	\$15,396	\$0
Q1 FY14 Actual	3,739	16,750
Q2 FY14 Actual	1,903	-
Q3 FY14 Forecast	3,958	4,288
Q4 FY14 Forecast	2,647	3,958
FY14 Total	12,246	24,996
FY14 (Program to date)	27,643	24,996
Q1 FY15 Forecast	1,711	2,647
Q2 FY15 Forecast	1,458	1,711
Q3 FY15 Forecast	855	1,458
Q4 FY15 Forecast	788	1,642
FY15 Total	4,811	7,458
FY15 (Program to date)	\$32,454	\$32,454

NOTE: Forecast referenced above, as of January 2014.