

ICANN Unaudited Quarterly Financials – Fiscal Year 2023

November 2022



Background

- This report is published quarterly.
- The following information reflects ICANN's unaudited financials for the first quarter fiscal year 2023 (FY23), corresponding to three months beginning 1 July 2022 and ending 30 September 2022.
- To provide useful information regarding ICANN's financial results in addition to what is determined by generally accepted accounting principles (GAAP), ICANN supplements its audited GAAP financial reporting by including non-GAAP information in these quarterly publications.
- ICANN org reports non-GAAP information because it provides useful supplemental information and removes non-operational expenses. This improves clarity and transparency by providing a more accurate measure of ICANN's operational funding and expenses and enables comparability of financial results period-over-period.
- Whereas GAAP reporting aligns to accounting rules and standards which can make it challenging to properly understand operations and performance.

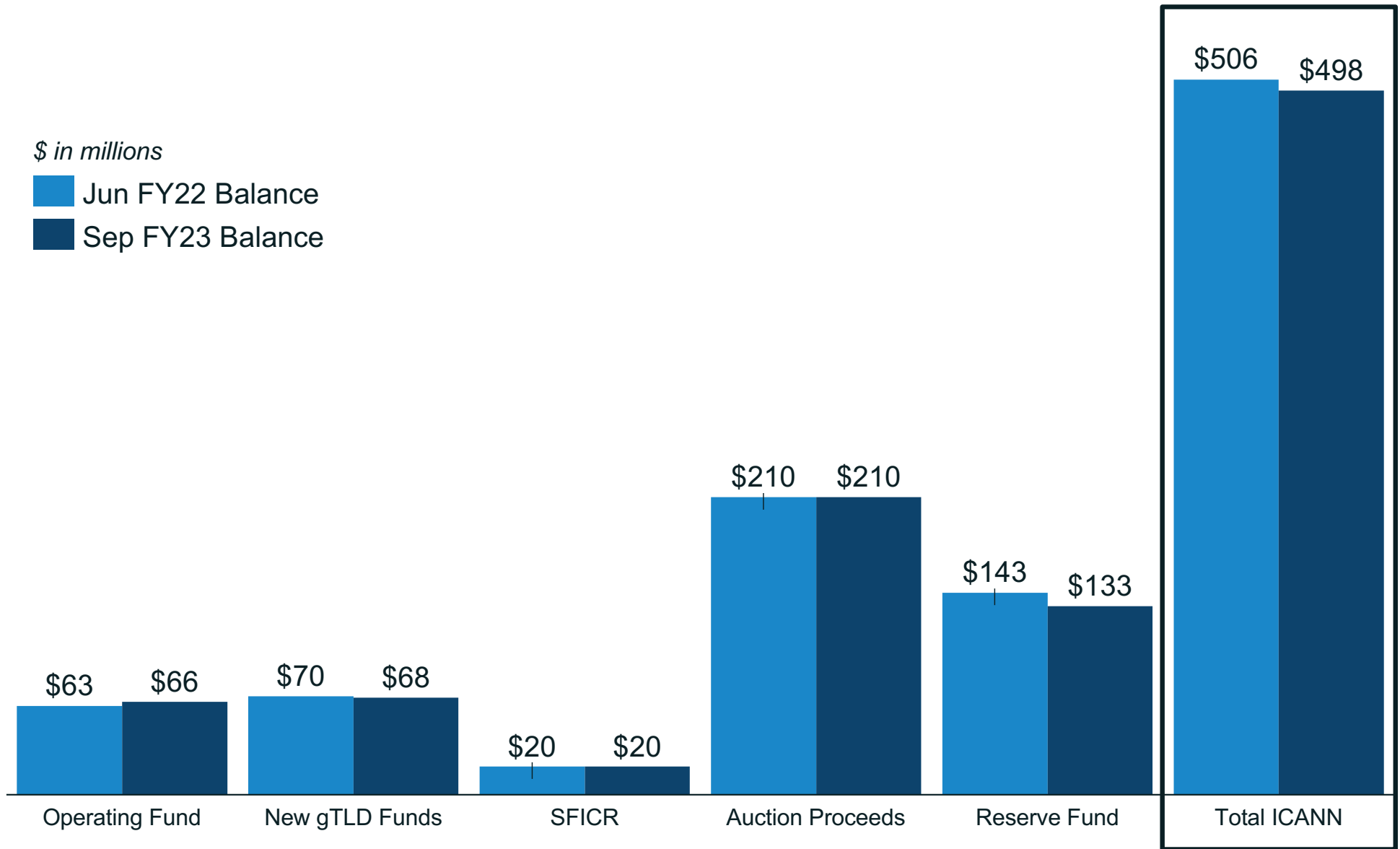
Total ICANN

Consists of ICANN Operations (including IANA), the New gTLD Program 2012 Round, and the Operational Design Phase (ODP) of New gTLD Subsequent Procedures, as well as ICANN's funds under management

Total ICANN – Funds Under Management (as of Sep 2022)

\$ in millions

■ Jun FY22 Balance
■ Sep FY23 Balance



Total ICANN represents sum of month-end balances for all accounts



Total ICANN – Financial Overview (Jul 22 – Sep 22)

Total ICANN Cash Flow In Millions, US dollars	For the Three Months Ending 30 Sep 2022						Total ICANN
	ICANN Operations	New gTLD 2012 Round	SubPro ODP	SFICR	Auction Proceeds	Reserve Fund	
Funds Under Management - 30 Jun 2021	62.8	60.6	9.0	20.0	210.3	142.9	505.6
Funding Collected from Contracted Parties	36.3	-	-	-	-	-	36.3
Expenses paid to Employees	(16.8)	(0.2)	(1.6)	-	-	-	(18.5)
Expenses paid to Vendors	(14.5)	(1.4)	(0.9)	-	-	-	(16.8)
Working Capital	(0.6)	0.3	0.2	-	-	-	(0.0)
Intercompany Receivables/(Payables)	(2.0)	(0.3)	2.3	-	-	-	(0.0)
Net Cash Excess/(Deficit)	2.4	(1.5)	-	-	-	-	0.9
ICANN org Transfers (Board Approved)	-	-	-	-	-	-	-
Investment Income/(Declines)	0.2	0.5	-	0.1	0.2	(9.5)	(8.6)
Funds Under Management - 30 Sep 2022	65.4	59.5	9.0	20.1	210.5	133.4	497.8

- Total ICANN describes the financial components of ICANN Operations (including IANA), the New gTLD Program 2012 Round, and New gTLD Subsequent Procedures (SubPro)
 - It also includes ICANN's funds under management
- The above table is a high-level summary of Total ICANN covering three months of FY23 unaudited financials ending 30 Sep 2022
- FY23 funds under management have declined \$9M year to date driven by investment declines in the Reserve Fund due to volatility in the financial markets; please see following slide for more information

Reserve Fund Balances

- Funds Under Management decreased due to investment declines of \$9M, partially offset by excess from operations.
- The majority of the investment declines relate to the Reserve Fund.

Key Points

- The Reserve Fund is invested according to a conservative [policy](#) which includes a limited exposure to fluctuations of the financial markets. Returns are correlated with the trends of the financial markets and therefore this decline is consistent with but less than financial market trends resulting from the recent events (*i.e., Russia-Ukraine conflict, inflation, rising interest rates, and a potential recession*).
- Investment declines in the Reserve Fund have no operational impact to ICANN org as these funds are used as a last resort to cover large expenses resulting from unavoidable or unplanned events, which cannot be funded from ICANN's Operations.
- The Board approved an 8-year replenishment strategy in 2018 which included a goal of reaching a fund balance equal to at least one year of expense budget. Despite the recent declines, the Reserve Fund is still trending ahead of the replenishment strategy and its balance is close to one-year of operating expenses.
- In addition, the Board recently approved an investment policy update to improve the efficiency of the Reserve Fund due to changes in the market environment and approved a \$19 million transfer to the Reserve Fund from the Operating Fund.

ICANN Operations

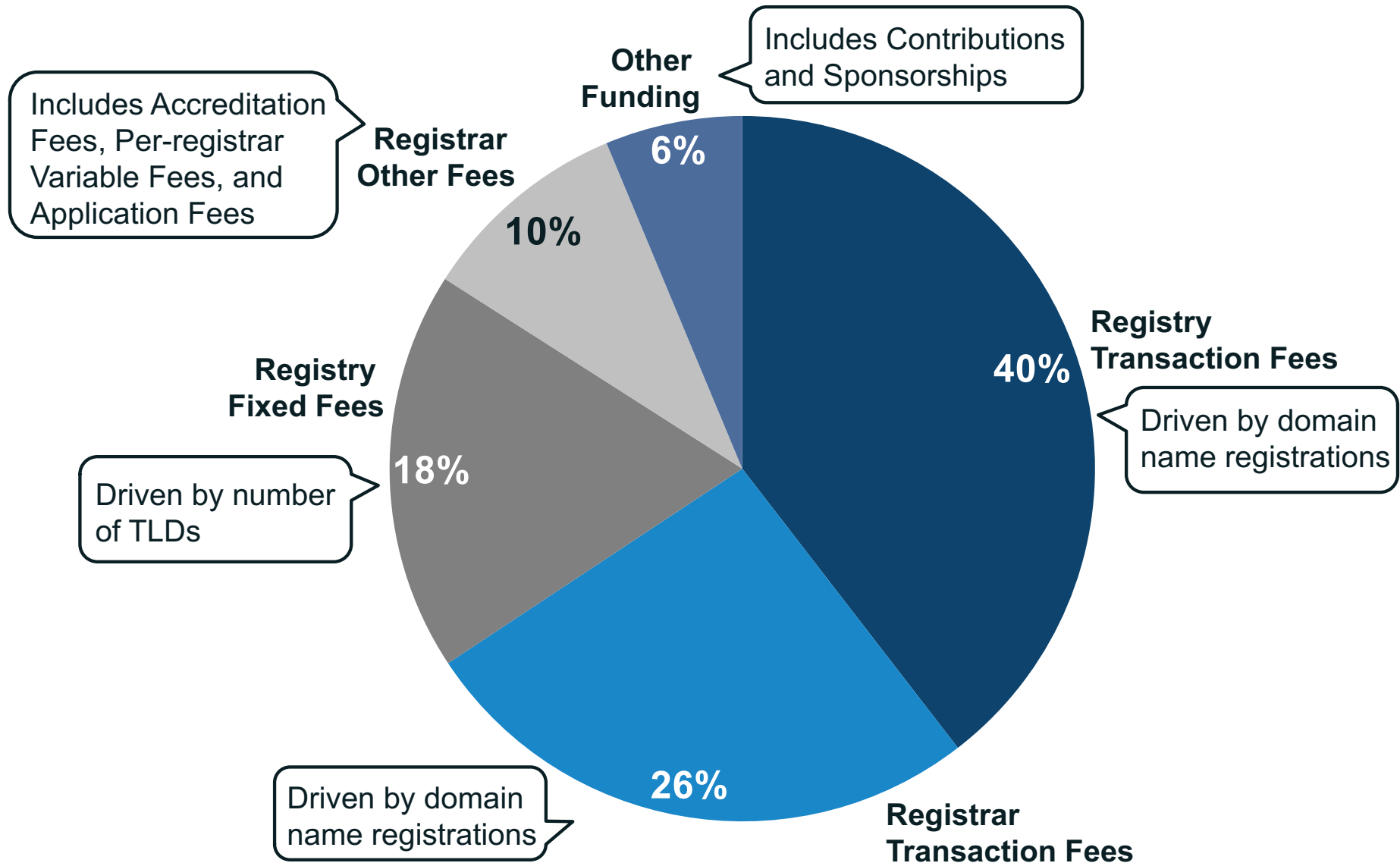
Consists of ongoing activities such as the technical coordination of the domain name system (DNS) and coordination of the development and implementation of policies concerning top-level domains

ICANN Operations – Financial Overview (Jul 22 – Sep 22)

ICANN Operations	FY23 Actual	FY23 Budget	Var	FY22 Actual	Var
Funding	\$40	\$38	\$2	\$38	\$2
Expenses	\$35	\$36	\$1	\$27	(\$8)
Net Operating Excess/(Deficit)	\$5	\$1	\$3	\$10	(\$6)
Average Headcount	399	390	(8)	391	(8)

ICANN Operations – Funding by Category (Jul 22 – Sep 22)

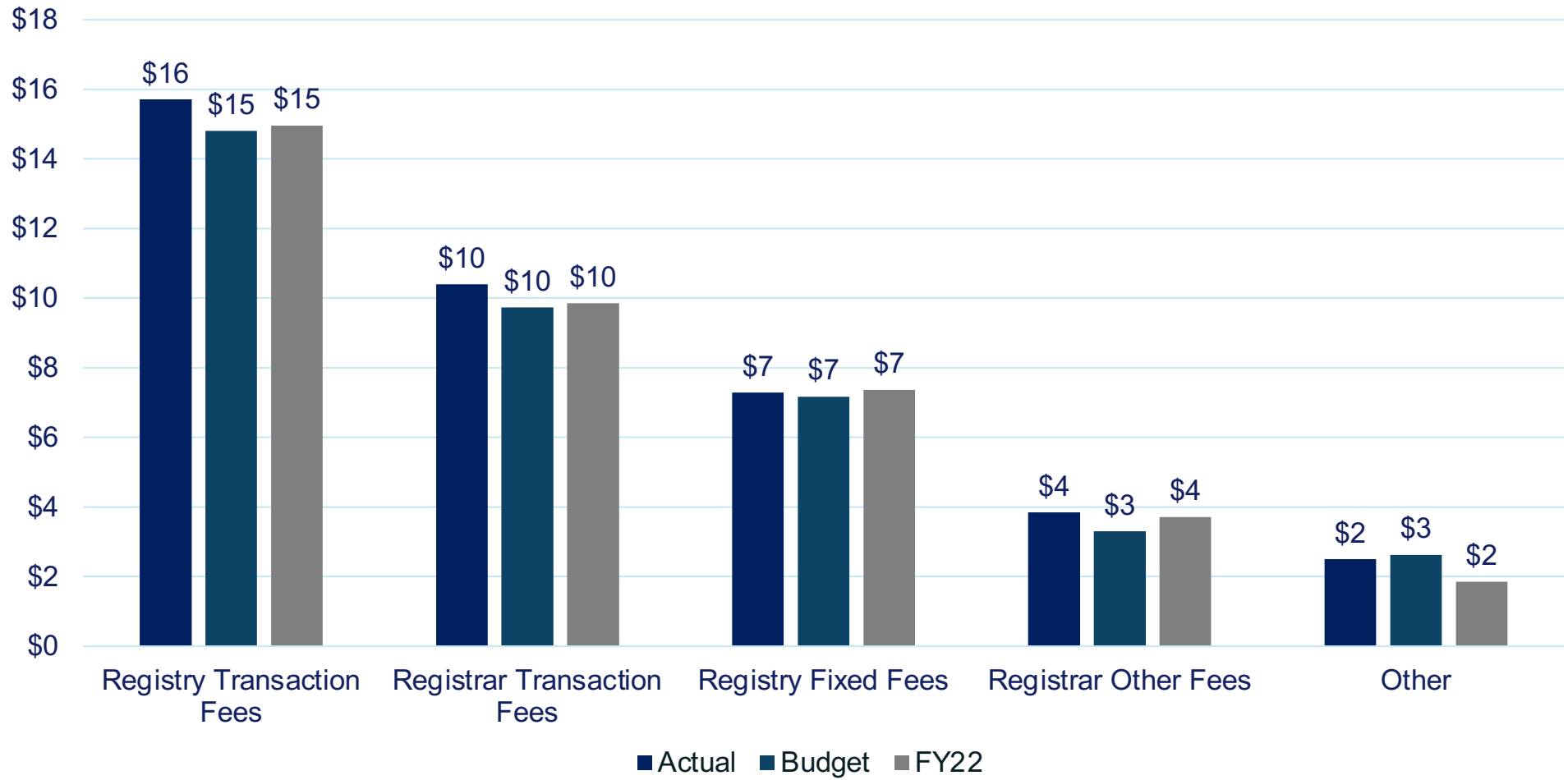
FY23 Funding- \$40M



ICANN Operations – Funding vs Budget and Prior Year

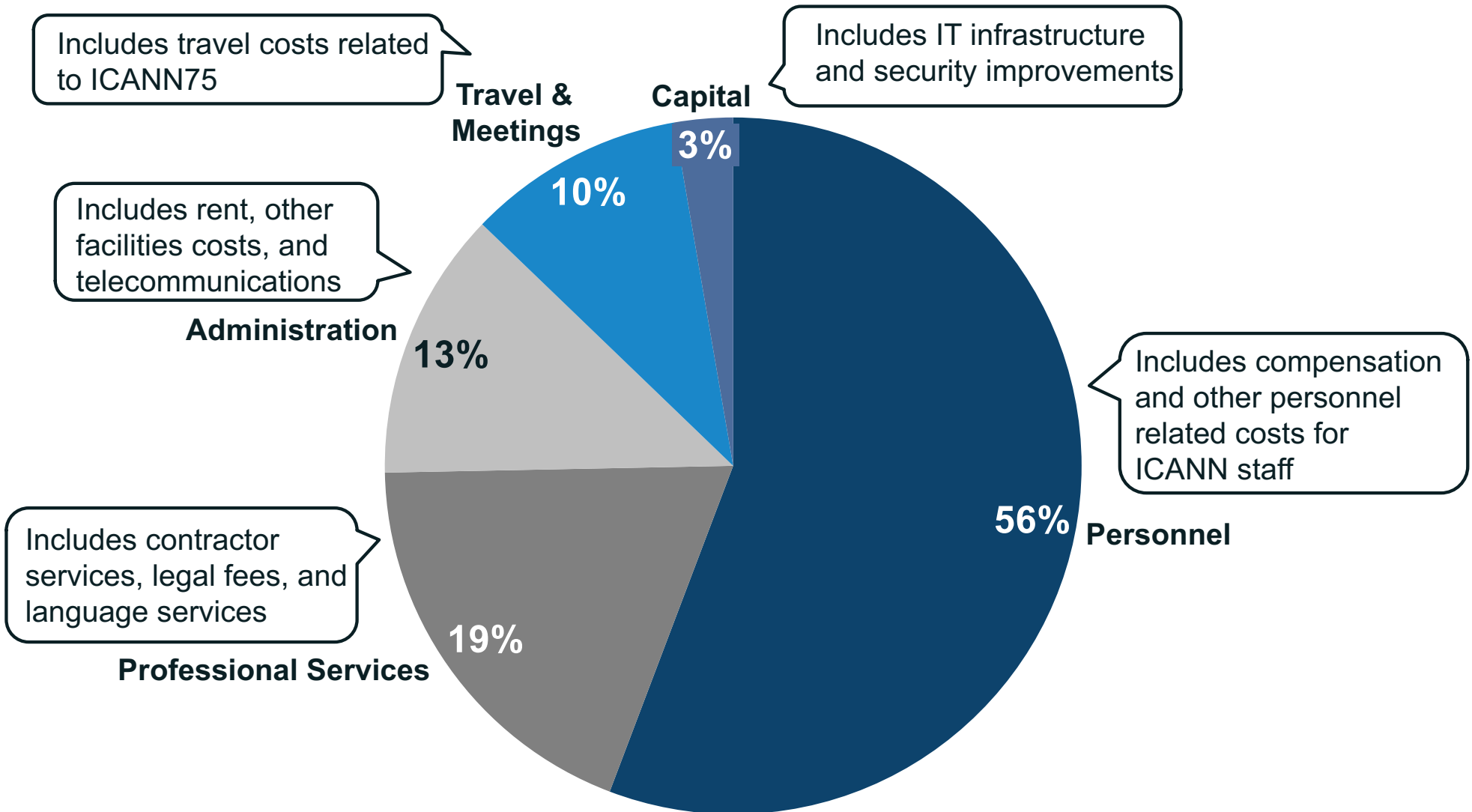
- Funding is higher than Budget and prior year driven by growth in domain transactions

Actual: \$ 40M
Budget: \$ 38M
FY22: \$ 38M



ICANN Operations – Expenses by Category (Jul 22 – Sep 22)

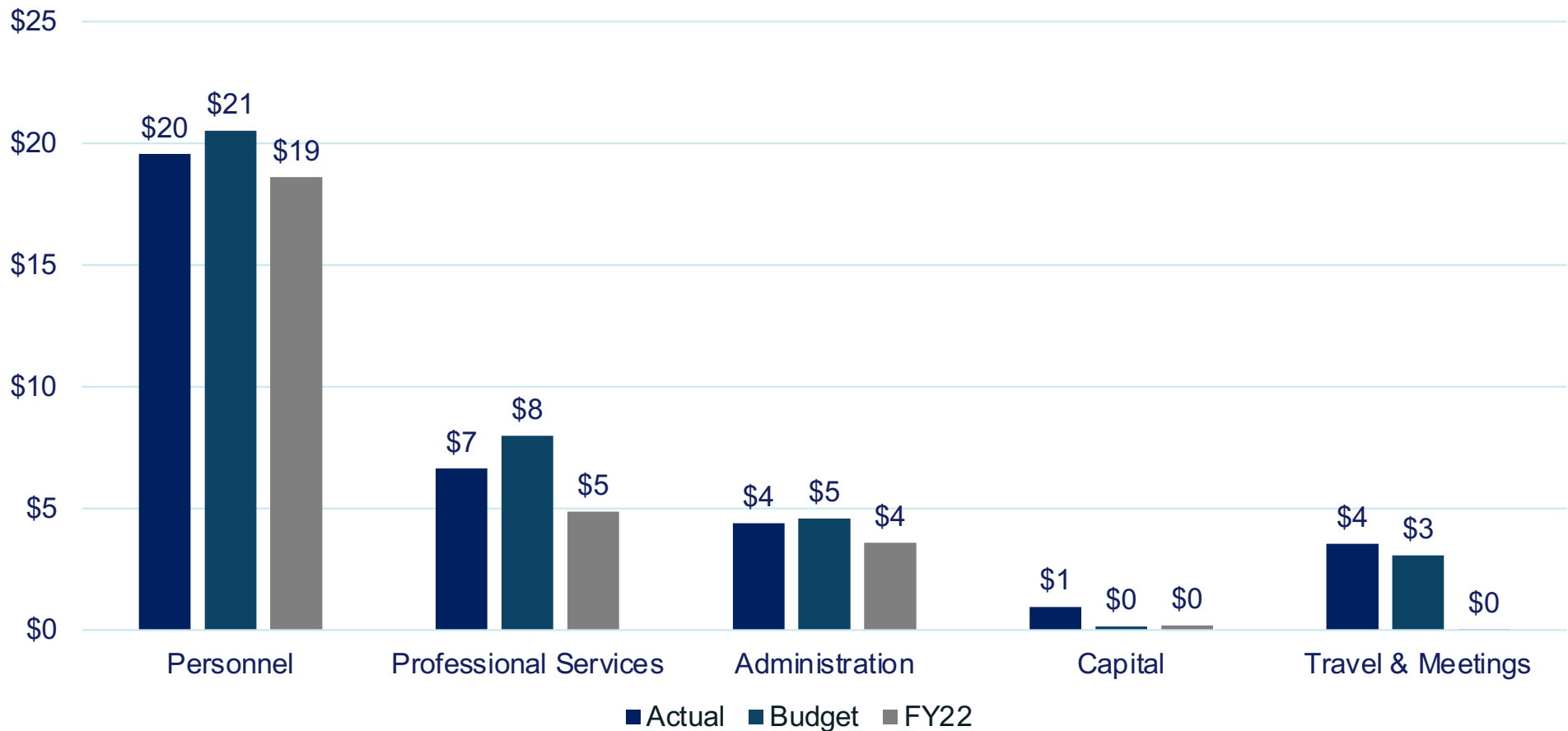
FY23 YTD Expenses- \$35M



ICANN Operations – Expenses vs Budget and Prior Year

- Expenses are lower than budget driven by lower than planned professional services and personnel costs

Actual: \$ 35M
Budget: \$ 36M
FY22: \$ 27M



New gTLD Program 2012 Round

Implemented by ICANN org to enable the expansion of the DNS with the goal of enhancing innovation, competition, and consumer choice

New gTLD 2012 Round – Multiyear Forecast (as of Sep 2022)

Application Fees Collected: \$361M

- Projected Refunds: \$53M

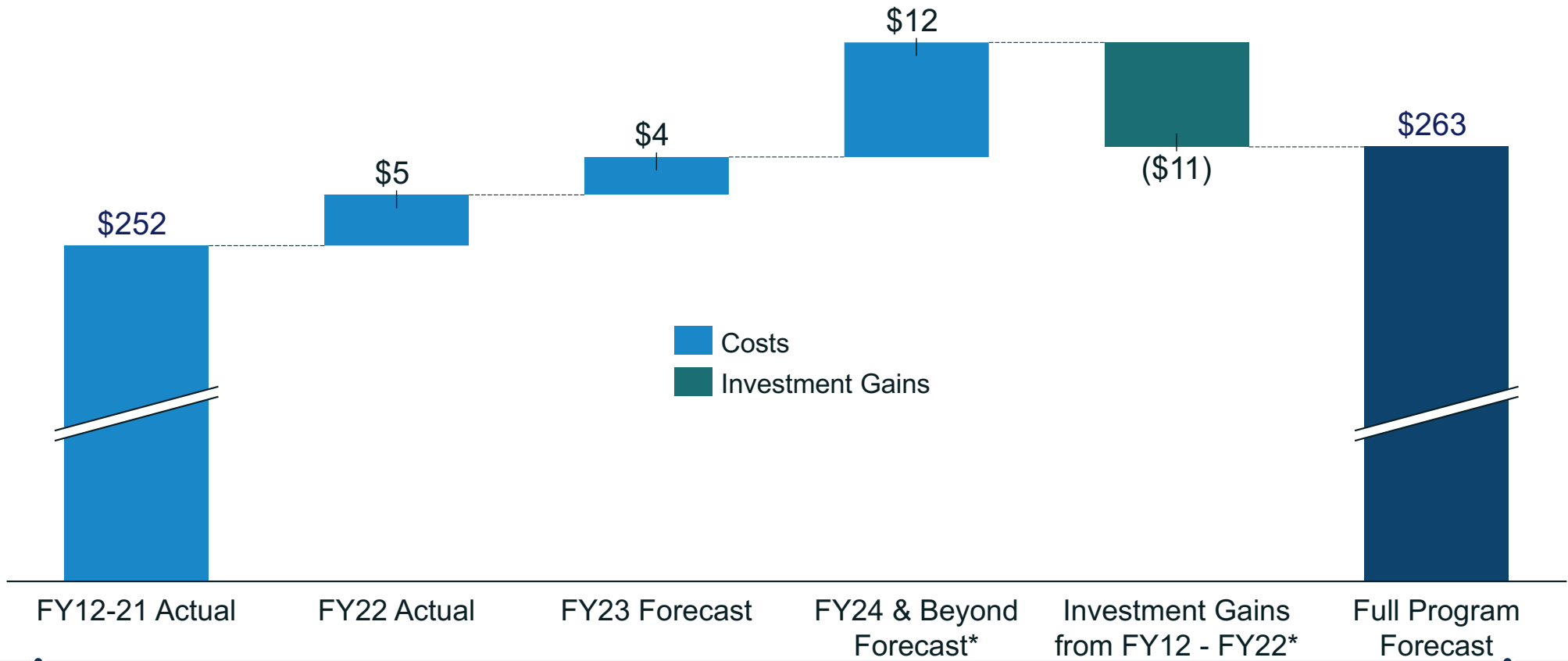
Applicant Fees Net of Refunds: \$308M

- Projected Program Costs: \$274M

+ Investment Gains from FY12 - FY22: \$11M

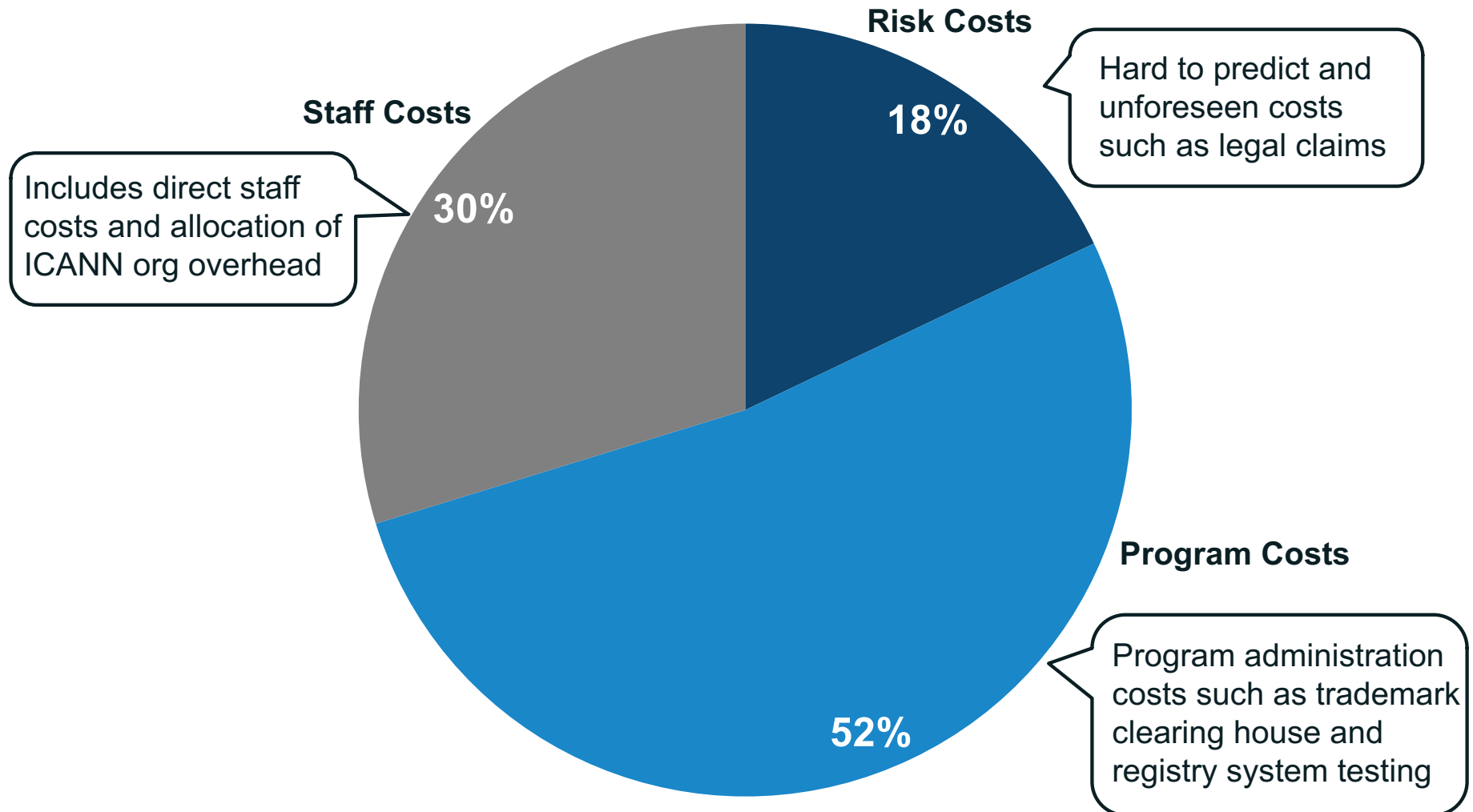
Projected Remaining Funds: \$46M

*Risk Costs and Investment Gains are not estimated for future years



New gTLD 2012 Round – FY23 Expenses (Jul 22 – Sep 22)

FY23 Expenses- \$4M



Subsequent Procedures

Operational Design Phase (SubPro ODP)

Launched in January 2022 to facilitate the Board's determination of whether the outputs defined in the New gTLD SubPro Policy Development Process Final Report are in the best interest of the ICANN Community or ICANN, in accordance with the ICANN Bylaws

SubPro ODP – Board-Approved Budget

- ⦿ The Board-approved budget for the SubPro ODP is \$7M-\$9M
- ⦿ ICANN org staff and contractors began working on the SubPro ODP in January 2022
- ⦿ At this point, ICANN org does not anticipate needing more funds than were approved
- ⦿ More comprehensive reporting can be found on the [SubPro ODP page](#)

Estimated ODP Expenses	Staff/Contractors (estimated range)	USD\$ in millions (estimated range)
Full-Time Equivalent (FTE)	22-34	\$2.8M-\$3.3M
Temporary Resources	10-15	\$1.7M-\$2.2M
External Support and Expertise		\$2.5M-\$3.5M
Total	32-49	\$7.0M-\$9.0M

SubPro ODP – Expenses (Jan 22 – Sep 22)

- Expenses consisted primarily of personnel expenses for staff time efforts on the ODP and shared services support allocations

SubPro ODP	Program-to-Date (January 2022 - September 2022)			
	Staff FTE (avg)	Contractor FTE (avg)	Total Hours	Total Expenses*
Work Track				
Project Governance	2.3	0.8	3,960	\$611
Policy Development and Implementation Materials	2.6	0.2	3,653	\$401
Operational Readiness	0.9	0.2	1,328	\$238
Systems and Tools	2.2	0.0	2,663	\$346
Vendors	0.4	0.0	423	\$81
Communications and Outreach	1.0	0.4	1,620	\$193
Resources, Staffing, and Logistics	1.0	0.4	1,830	\$179
Finance	1.0	0.1	1,178	\$127
Overarching	1.6	0.2	2,048	\$217
Shared Services Support**	0.0	0.0	0	\$1,774
Total	12.9	2.1	18,701	\$4,166

*Expenses presented in USD Thousands and are draft subject to change with year end close

** Shared Services Support is not a work track and

Any arithmetic inconsistencies are due to rounding

Appendix

Supplemental Financials

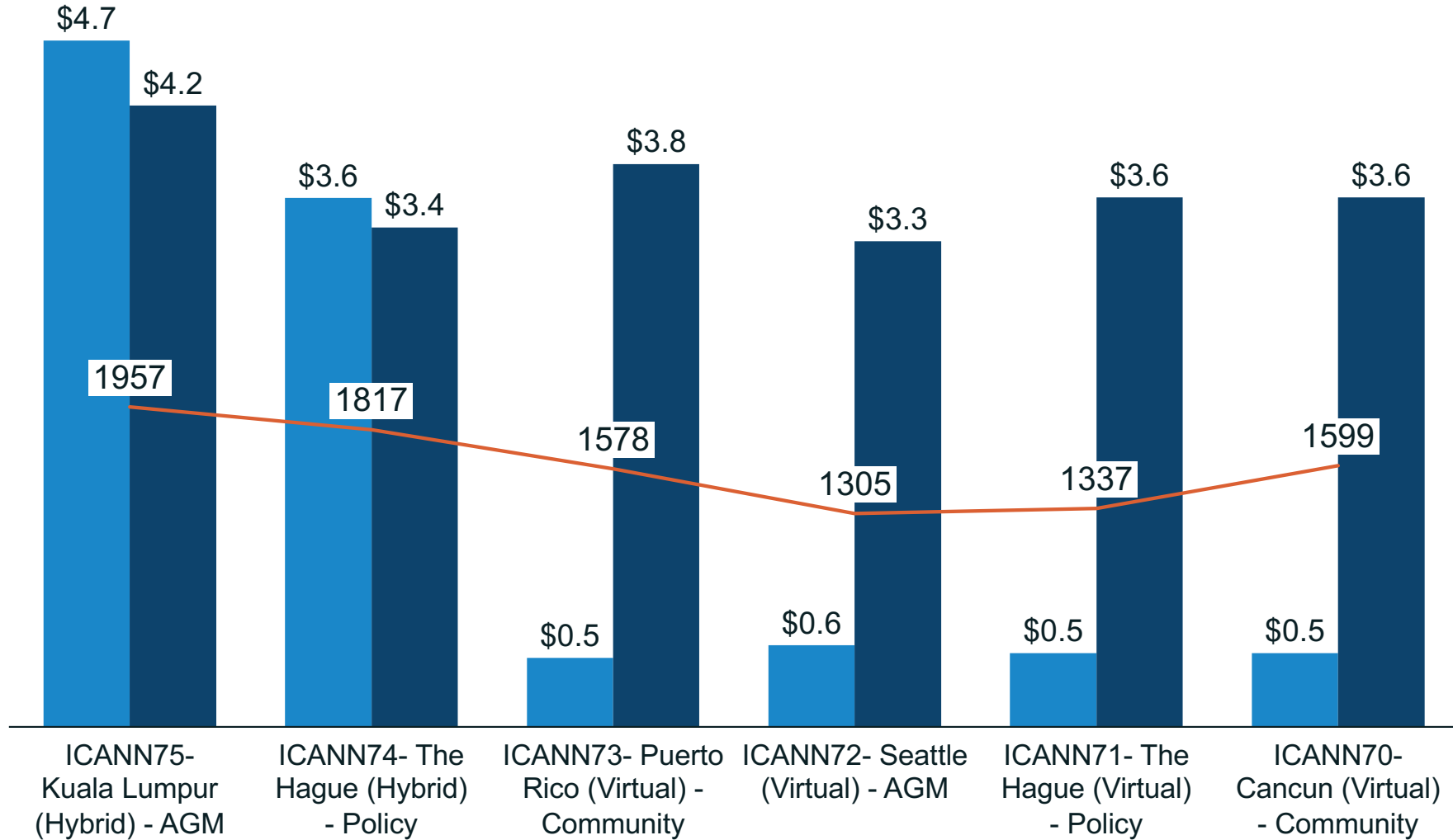
ICANN75 – Expense by Category

ICANN75 Kuala Lumpur Sep 2022	Total Actual	Total Budget	(Higher)/ Lower
Attendee Travel	2.3	1.9	(0.4)
Audio/Visual	0.8	0.9	0.1
Catering	0.4	0.4	0.0
Language Services	0.7	0.6	(0.1)
Meeting Space	0.3	0.4	0.1
Other	0.2	0.1	(0.1)
Gross Expenses	4.7	4.2	(0.4)

- ICANN75 was conducted as a face-to-face meeting as budgeted
- The majority of meeting expenses are for attendee travel costs and audio/visual costs
- ICANN75 had 476 ICANN funded travelers which was 45 fewer than Budget
 - Meeting expenses were higher than Budget primarily due to higher than planned airfare partially offset by lower than planned attendees

ICANN Meeting Trends

Actual Budget Attendance



Unaudited - USD in millions - any arithmetic inconsistencies are due to rounding

FY23 Statement of Position (as of Sep 2022)

USD in millions Unaudited	30 Sep 2022				30 Jun 2022			
	ICANN	New gTLD 2012	New gTLD Sub Pro	Total	ICANN	New gTLD 2012	New gTLD Sub Pro	Total
ASSETS								
Total Cash & Cash Equivalents	85.5	1.1	0.0	86.6	82.8	1.2	0.0	84.0
Investments	133.4	277.8	0.0	411.2	142.9	278.6	0.0	421.5
Funds Under Management	218.9	278.9	0.0	497.8	225.7	279.8	0.0	505.6
Receivables	37.9	0.0	0.0	37.9	35.4	0.0	0.0	35.4
Prepaid Expenses	4.4	0.0	0.1	4.5	4.0	0.0	0.1	4.1
Plant, Property & Equipment - Net	10.5	0.0	0.0	10.5	11.2	0.0	0.0	11.2
Other Assets	5.4	0.3	(4.0)	1.7	3.9	0.1	(1.8)	2.2
TOTAL ASSETS	277.1	279.3	(4.0)	552.4	280.2	279.9	(1.7)	558.4
LIABILITIES AND NET ASSETS								
Accounts Payable & Accrued Liabilities	15.2	1.9	0.2	17.3	13.0	1.5	0.0	14.5
Deferred Funding	2.6	0.4	0.0	3.0	3.6	0.4	0.0	4.0
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL LIABILITIES	17.8	2.3	0.2	20.3	16.6	1.9	0.0	18.5
UNRESTRICTED/RESTRICTED ASSETS	263.6	278.0	(1.7)	539.9	270.0	285.8	0.0	555.8
CURRENT YEAR CHANGE IN NET ASSETS	-4.3	(1.0)	(2.5)	(7.8)	(6.4)	(7.8)	(1.7)	(15.9)
TOTAL NET ASSETS	259.3	277.0	(4.2)	532.1	263.6	278.0	(1.7)	539.9
TOTAL LIABILITIES & NET ASSETS	277.1	279.3	(4.0)	552.4	280.2	279.9	(1.7)	558.4

FY23 Cash Flow Synopsis (as of Sep 2022)

Cash Flow Statement		FY23 - Year to Date		
		ICANN Ops	New gTLD 2012	New gTLD SubPro
Unaudited				
Operating Activities				
Cash Received from Funding	36.3	0.0	0.0	36.3
Cash Paid to Personnel	(16.8)	(0.2)	(1.6)	(18.5)
Cash Paid for Purchases	(16.2)	(1.4)	(0.9)	(16.6)
Total Cash from Operating Activities	2.7	(1.3)	(2.3)	1.1
Investing Activities				
Total Investment Income	(9.3)	0.4	0.0	(8.9)
Capital Expenditures	(0.3)	0.0	0.0	(0.3)
Total Cash from Investing Activities	(9.5)	0.4	0.0	(9.2)
Net Change in Cash Flow	(6.8)	(0.9)	(2.3)	(10.0)
Funds Under Management Beginning of Period	225.7	279.8	0.0	505.6
Funds Under Management End of Period	218.9	278.9	0.0	497.8

New gTLD 2012 Round – Multiyear Details (as of Sep 2022)

New gTLD Program 2012 Round	Statement of Activities by Fiscal Year					Statement of Activities for Full Program (Sep 2022) Current Estimate
	FY12 - FY20 Actual	FY21 Actual	FY22 Actuals	FY23 Forecast	FY24 & Beyond Forecast	
New gTLD Applicant Fees	360	0	(0)	0	1	361
Refunds	(52)	-	0	(0)	(1)	(53)
Applicant Fees (Net of Refunds)	\$ 308	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Processes	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(38)	(2)	(1)	(2)	(10)	(53)
Staff Costs	(56)	(1)	(2)	(1)	(2)	(63)
Operating Expenses	\$ (185)	\$ (4)	\$ (3)	\$ (3)	\$ (12)	\$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Risk Costs	(25)	(4)	(3)	(1)	-	(33)
Non Operating Expenses	\$ (58)	\$ (4)	\$ (3)	\$ (1)	\$ -	\$ (66)
Other Income/(Expense)	\$ (2)	\$ -	\$ -	\$ -	\$ -	\$ (2)
Investment Income/(Expense)	\$ 11	\$ 0	\$ (0)	\$ 0	\$ -	\$ 11
Total Expenses	\$ (234)	\$ (8)	\$ (6)	\$ (4)	\$ (12)	\$ (263)
Net Remaining New gTLD Funds	\$ 74	\$ (8)	\$ (6)	\$ (4)	\$ (12)	\$ 46