



Internet Corporation for Assigned Names and Numbers

Consolidated Financial Statements
As of and for the Years Ended
June 30, 2021 and 2020

Internet Corporation for Assigned Names and Numbers

Consolidated Financial Statements

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June 30, 2021 and 2020

Internet Corporation for Assigned Names and Numbers

Contents

Independent Auditor's Report	3-4
Consolidated Financial Statements	
Consolidated Statements of Financial Position as of June 30, 2021, and 2020	6
Consolidated Statements of Activities for the Years Ended June 30, 2021 and 2020	7
Consolidated Statements of Cash Flows for the Years Ended June 30, 2021 and 2020	8
Notes to Consolidated Financial Statements	9-35



Independent Auditor's Report

Board of Directors
Internet Corporation for Assigned Names and Numbers
Los Angeles, California

Opinion

We have audited the consolidated financial statements of Internet Corporation for Assigned Names and Numbers (ICANN or Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years 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 and its Affiliate as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Company has changed its accounting policy related to revenue from contracts with customers on a modified retrospective approach in year 2021 of financial statements that reflect the accounting change due to the adoption of Accounting Standards Codification Topic 606, Revenue From Contracts With Customers. Our opinion is not modified with respect to this matter.

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 consolidated 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be 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 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 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 the Organization's 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 the Organization's 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.

BDO USA, LLP

Los Angeles, California
October 22, 2021

Consolidated Financial Statements

Internet Corporation for Assigned Names and Numbers

Consolidated Statements of Financial Position

(U.S. dollar amounts in thousands)

	Notes	<i>June 30,</i>	
		2021	2020
Assets			
Cash and cash equivalents	2,4,5	\$ 78,868	\$ 60,996
Accounts receivable, net	2,4,6	35,754	33,732
Investments	2,4,7	441,601	419,112
Prepaid expenses	4	3,456	3,130
Other assets	4	1,496	1,441
Capital assets, net	2,4,8	15,231	14,472
Total assets		\$ 576,406	\$ 532,883
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	4	\$ 15,171	\$ 14,257
Deferred revenue	2,4	5,431	35,641
Total liabilities		20,602	49,898
Net assets - without restrictions	2,4	555,804	482,985
Total liabilities and net assets		\$ 576,406	\$ 532,883

See accompanying independent auditor's report and notes to consolidated financial statements.

Internet Corporation for Assigned Names and Numbers

Consolidated Statements of Activities

(U.S. dollar amounts in thousands)

	Notes	<i>Years ended June 30,</i>	
		2021	2020
Changes in net assets without restrictions			
Revenues and support:			
Registry	1,2,4	\$ 86,583	\$ 86,947
Registrar	1,2,4	51,280	50,504
Regional Internet Registries (R.I.R.)	1,2,4	823	823
Country code Top Level Domain (ccTLD) contribution and fees	1,2,4	2,363	2,243
Contributions and other income	1,2,4	460	197
Revenue from New gTLD application fees	1,2,4,5	65	-
New gTLD application fees cumulative adjustment, net	3	-	(8,766)
Total revenues and support without restrictions		141,574	131,948
Expenses			
Personnel	2,3	76,365	75,520
Travel and meetings	2,3	1,074	9,530
Professional services	2,3	26,931	24,375
Administration	2,3	18,950	20,098
Total expenses		123,320	129,523
Other income			
Investment gain	3,7	21,768	10,778
Total other income		21,768	10,778
Increase in net assets without restrictions		40,022	13,203
Net assets, beginning of year		482,985	469,782
Cumulative-effect adjustment for the adoption of ASC 606	2	32,797	-
Adjusted net assets, beginning of year		515,782	469,782
Net assets, end of year		\$ 555,804	\$ 482,985

See accompanying independent auditor's report and notes to consolidated financial statements.

Internet Corporation for Assigned Names and Numbers

Consolidated Statements of Cash Flows (U.S. dollar amounts in thousands)

<i>Years ended June 30,</i>	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 40,022	\$ 13,203
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation expense	3,705	3,802
Bad debt (recovery) expense	(452)	449
Investment gain, net	(21,768)	(10,778)
Loss on disposal of capital assets	6	3
Changes in operating assets and liabilities:		
Accounts receivable	(1,570)	401
Prepaid expenses	(326)	463
Other assets	(55)	(391)
Accounts payable and accrued liabilities	914	(1,949)
Deferred revenue	2,587	8,135
Net cash provided by operating activities	23,063	13,338
Cash flows from investing activities		
Purchases of capital assets	(4,470)	(8,260)
Proceeds from sale of investments	9,400	20,500
Purchases of investments	(10,121)	(3,000)
Net cash provided by (used in) investing activities	(5,191)	9,240
Net increase in cash and cash equivalents	17,872	22,578
Cash and cash equivalents, beginning of year	60,996	38,418
Cash and cash equivalents, end of year	\$ 78,868	\$ 60,996

See accompanying independent auditor's report and notes to consolidated financial statements.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 Public Technical Identifiers (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, 2021, ICANN had contracts with registry operators of 1,184 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 are paid one time by prospective registrars at the time of the application.
- Annual accreditation fees 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

- 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, 2021, ICANN had 2,518 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 contribute annually 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 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 a registry operator that is subject to registry fees in accordance with the terms of the registry agreement.

Country Code Top Level Domain (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 meetings and also receives contribution revenue from the Naming Resource Organization (NRO) which is described in Note 2. In addition, ICANN receives contribution revenue from Verisign which is described in Note 10.

2. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of ICANN have been prepared in accordance with generally accepted accounting principles in the United States. 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:

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 an investment policy in November 2007, which was most recently updated in July 2021. 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 investment policy also established a Board designated New gTLD investment fund, in which funds received from application fees and auction proceeds are invested. All funds designated under the New gTLD investment account are considered net assets without restrictions.

Net assets - with restrictions - 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, subject to statutory regulations.

During the years ending June 30, 2021 and 2020, the Number Resource Organization (NRO), on behalf of the five Regional Internet Registries (RIRs), contributed a total of \$823,000 and \$823,000, respectively, to ICANN for the years ended June 30, 2021 and 2020, of which \$650,000 and \$650,000, respectively, was net assets with restrictions for the IANA Numbering Services pursuant to section 5.2 of the Service Level Agreement (SLA) for IANA Numbering Services. During the years ended June 30, 2021 and 2020, ICANN contributed the total amount of this restricted contribution of \$650,000, respectively, related to performance of the IANA functions to PTI. During the years ended June 30, 2021 and 2020, respectively, the contribution was used for the IANA Numbering Services and all restrictions were satisfied as of the periods ending June 30, 2021 and 2020. As such, there were no net assets with restrictions as of periods ending June 30, 2021 and 2020.

Recent Accounting Pronouncements

In May 2014, the FASB issued 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 defers 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.

Effective July 1, 2020, ICANN adopted the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606"), using the modified retrospective transition method.

Under this method, ICANN recorded the cumulative effect of initially applying the new standard to all transactions that were not completed as of the date of adoption. The only transactions that resulted in an adjustment to revenue were the remaining New gTLD Program applications from the New gTLD 2012 program, as the impact of applying ASC 606 primarily resulted in the recognition of revenue from all the completed transactions as their performance obligations were already satisfied.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The adoption resulted in an increase to Net Assets of \$32,797,034 and a decrease to deferred revenue of \$32,797,034 for applications that were previously delegated or withdrawn as of July 1, 2020. This relates to the revenue that would have been recognized in prior periods when applying the guidance of ASC 606.

For the year ending June 30, 2021, the adoption resulted in a \$5,215,465 decrease to revenue and \$5,215,465 increase to deferred revenue.

Consolidated Statement of Financial Position - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following table summarizes the impacts from adoption of the new revenue recognition standard on our Consolidated Statement of Financial Position as of June 30, 2021 (in thousands):

	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)
Assets			
Cash and cash equivalents	\$ 78,868	\$ -	\$ 78,868
Accounts receivable, net	35,754	-	35,754
Investments	441,601	-	441,601
Prepaid expenses	3,456	-	3,456
Other assets	1,496	-	1,496
Capital assets, net	15,231	-	15,231
Total assets	\$ 576,406	\$ -	\$ 576,406
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued liabilities	\$ 15,171	\$ -	\$ 15,171
Deferred revenue	5,431	(28,766)	34,197
Total liabilities	20,602	(28,766)	49,368
Net assets - without restrictions	555,804	28,766	527,038
Total liabilities and net assets	\$ 576,406	\$ -	\$ 576,406

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

Consolidated Statement of Activities - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following table summarizes the impacts from the adoption of the new revenue recognition standard on our Consolidated Statement of Activities for the year ended June 30, 2021 (in thousands):

	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)
Changes in net assets without restrictions			
Revenues and support:			
Registry	\$ 86,583	\$ -	\$ 86,583
Registrar	51,280	-	51,280
Regional Internet Registries (R.I.R.)	823	-	823
Country code Top Level Domain (ccTLD) contribution and fees	2,363	-	2,363
Contributions and other income	460	-	460
Revenue from New gTLD application fees	65	(5,215)	5,280
New gTLD application fees cumulative adjustment, net	-	-	-
Total revenues and support without restrictions	141,574	(5,215)	146,789
Expenses			
Personnel	76,365	-	76,365
Travel and meetings	1,074	-	1,074
Professional services	26,931	-	26,931
Administration	18,950	-	18,950
Total expenses	123,320	-	123,320
Other income			
Investment gain	21,768	-	21,768
Total other income	21,768	-	21,768
Increase in net assets without restrictions	40,022	(5,215)	45,237
Net assets, beginning of year	515,782	32,797	482,985
Net assets, end of year	\$ 555,804	\$ 27,582	\$ 528,222

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows - Reconciliation of the Impacts from the Adoption of the New Revenue Recognition Standard

The following table summarizes the impacts from the adoption of the new revenue recognition standard on our consolidated statement of cash flows for the year ended June 30, 2021 (in thousands):

	As Reported (ASC 606)	Impacts from Adoption	Without Adoption (ASC 605)
Cash flows from operating activities			
Change in net assets	\$ 40,022	\$ (5,215)	\$ 45,237
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, net	(21,768)	-	(21,768)
Loss 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	914	-	914
Deferred revenue	2,587	(28,766)	31,353
Net cash provided by (used in) operating activities	23,063	(33,981)	57,044
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	(10,121)	-	(10,121)
Net cash provided by investing activities	(5,191)	-	(5,191)
Net increase in cash and cash equivalents	17,872	(33,981)	51,853
Cash and cash equivalents, beginning of year	60,996	-	60,996
Cash and cash equivalents, end of year	\$ 78,868	\$ (33,981)	\$ 112,849

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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

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.

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. Level 1 securities include money markets funds. 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.

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.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 7.

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 ending 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 consists of deferred income related to the new gTLD application fees of \$468,500 and \$34,515,000 as of June 30, 2021 and 2020, deferred registrar accreditation income of \$4,962,000 and \$1,126,000 as of June 30, 2021 and 2020, respectively.

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 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, 2021 and 2020, no liabilities are required to be recorded in connection with such tax positions in ICANN's consolidated financial statements. The fiscal 2016 through 2020 tax years remain open for examination by the taxing authorities. 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.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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.

As of June 30, 2021, and 2020, financial assets available to meet cash needs were as follows:

	2021	2020
	<i>(in thousands)</i>	
Total financial assets at year-end:		
Cash and cash equivalents	\$ 78,868	\$ 60,996
Investments at fair value	441,601	419,112
Accounts receivable	35,754	33,732
Total financial assets at year-end	556,223	513,840
Less amounts not available to be used within one year:		
Estimated New gTLD application fees refund	170	436
Total amounts not available to be used within one year	170	436
Financial assets available to meet cash needs for general expenditures within one year	\$ 556,053	\$ 513,404

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.

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Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

ICANN's expenses are classified approximately as follows for the years ended:

<i>Year ended June 30, 2021</i>	<i>Program Services</i>				<i>Support Services</i>				<i>Total Expenses</i>
	<i>ICANN Ops</i>	<i>New gTLD</i>	<i>PTI</i>	<i>Total Program Expenses</i>	<i>ICANN Ops</i>	<i>New gTLD</i>	<i>PTI</i>	<i>Total Support Services</i>	
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	62	252	5,421	18,950
Total expenses	\$ 78,148	\$ 7,282	\$ 5,408	\$ 90,838	\$ 29,669	\$ 777	\$ 2,036	\$ 32,482	\$ 123,320

<i>Year ended June 30, 2020</i>	<i>Program Services</i>				<i>Support Services</i>				<i>Total Expenses</i>
	<i>ICANN Ops</i>	<i>New gTLD</i>	<i>PTI</i>	<i>Total Program Expenses</i>	<i>ICANN Ops</i>	<i>New gTLD</i>	<i>PTI</i>	<i>Total Support Services</i>	
Personnel	\$ 52,268	\$ 525	\$ 3,611	\$ 56,404	\$ 17,661	\$ 169	\$ 1,286	\$ 19,116	\$ 75,520
Travel and meetings	6,637	68	150	6,855	2,613	34	28	2,675	9,530
Professional services	11,509	5,408	609	17,526	5,694	858	297	6,849	24,375
Administration	12,518	66	831	13,415	6,203	64	416	6,683	20,098
Total expenses	\$ 82,932	\$ 6,067	\$ 5,201	\$ 94,200	\$ 32,171	\$ 1,125	\$ 2,027	\$ 35,323	\$ 129,523

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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, 2021. Considering strong funding and significant decreases in travel expense, ICANN's financial position as of June 30, 2021 reflects an operating and cash excess.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 meetings 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. Various negotiations with venues are in progress as of the date of this report. Management has discounted a portion of the meetings 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 has impaired \$1,437,000 during fiscal year 2020, and as a result of deposit amounts returned to ICANN, \$135,000 of this impairment was reversed 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 22, 2021, 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.

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.

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 Domain Name System.

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 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).

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 request 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.

New Generic Top-Level Domain Program

ICANN, through its New gTLD Program (Program), is responsible for the introductions of new gTLDs that has resulted in the expansion of the domain name system (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 brands 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, 2021 and 2020, one new gTLD and five new gTLDs were delegated in the root zone, respectively. As of June 30, 2021, and 2020, there were 1,184 new gTLDs and 1,198 new gTLDs delegated in the root zone, respectively.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 on-going 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 2021 and 2020 include auction proceeds classified as either cash and cash equivalents or investments.

The auction proceeds are comprised of the following as of June 30, 2021 and 2020:

	Auction Proceeds	New gTLD Program Funds	Total
June 30, 2021			
Cash and cash equivalents	\$ -	\$ 1,438	\$ 1,438
Investments	212,234	75,094	287,328
Total	\$ 212,234	\$ 76,532	\$ 288,766
June 30, 2020			
Cash and cash equivalents	\$ -	\$ 1,612	\$ 1,612
Investments	211,910	84,229	296,139
Total	\$ 211,910	\$ 85,841	\$ 297,751

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.

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Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The segmented statement of financial position at June 30, 2021:

June 30, 2021	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(US dollars in thousands)</i>				
Assets					
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
Total assets	\$ 287,856	\$ 288,766	\$ 273	\$ (489)	\$ 576,406
Liabilities and Net Assets					
Liabilities					
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
Total liabilities	17,841	2,977	273	(489)	20,602
Net assets without restrictions	270,015	285,789	-	-	555,804
Total liabilities and net assets	\$ 287,856	\$ 288,766	\$ 273	\$ (489)	\$ 576,406

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

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Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The segmented statement of financial position at June 30, 2020:

<i>June 30, 2020</i>	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(US dollars in thousands)</i>				
Assets					
Cash and cash equivalents	\$ 59,384	\$ 1,612	\$ -	\$ -	\$ 60,996
Accounts receivable, net	33,732	-	-	-	33,732
Investments	122,973	296,139	-	-	419,112
Prepaid expenses	3,130	-	-	-	3,130
Other assets	1,441	-	-	-	1,441
Intra-company asset	935	-	282	(1,217) ⁽¹⁾	-
Capital assets, net	14,472	-	-	-	14,472
Total assets	\$ 236,067	\$ 297,751	\$ 282	\$ (1,217) ⁽¹⁾	\$ 532,883
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued liabilities	\$ 12,193	\$ 1,782	\$ 282	\$ -	\$ 14,257
Intra-company liability	282	935	-	(1,217) ⁽¹⁾	-
Deferred revenue	1,126	34,515	-	-	35,641
Total liabilities	13,601	37,232	282	(1,217) ⁽¹⁾	49,898
Net assets without restrictions	222,466	260,519	-	-	482,985
Total liabilities and net assets	\$ 236,067	\$ 297,751	\$ 282	\$ (1,217)	\$ 532,883

(1) - The segmented statement of financial position at June 30, 2020 contained unsettled intercompany receivables and/or payables between ICANN, New gTLD and/or PTI. The unsettled intercompany balances of \$1,217,100 at June 30, 2020 are eliminated prior to consolidation of the financial statements.

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Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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

<i>Year ended June 30, 2021</i>	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(US dollars in thousands)</i>				
Changes in net assets without restrictions					
Revenues and support					
Registry	\$ 86,583	\$ -	\$ -	\$ -	\$ 86,583
Registrar	51,280	-	-	-	51,280
R.I.R.	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
New gTLD application fees cumulative adjustment	-	-	-	-	-
Contributions to PTI from ICANN	-	-	6,794	(6,794)	-
Total revenues and support without restrictions	141,509	65	7,444	(7,444)	141,574
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	115,260	8,060	7,444	(7,444)	123,320
Other income					
Investment gain	21,299	469	-	-	21,768
Other income and expense	-	-	-	-	-
Total other income	21,299	469	-	-	21,768
Increase in net assets without restrictions	47,548	(7,526)	-	-	40,022
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	222,466	293,316	-	-	515,782
Net assets, end of year	\$ 270,014	\$ 285,790	\$ -	\$ -	\$ 555,804

- (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 for the IANA Numbering Services pursuant to section 5.2 of the Service Level Agreement (SLA), whereby ICANN in turn contributed the total amount of this restricted contribution of \$650,000 related to the IANA functions to PTI as part of ICANN's total funding contribution to PTI. The additional funding of \$7,444 was contributed to PTI by ICANN. The funding contribution from ICANN to PTI was eliminated prior to consolidation of the financial statements.
- (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.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The segmented statement of activities for the year ended June 30, 2020:

<i>Year ended June 30, 2020</i>	ICANN Operations	New gTLD	PTI	Elimination	Total
<i>(US dollars in thousands)</i>					
Changes in net assets without restrictions					
Revenues and support					
Registry	\$ 86,947	\$ -	\$ -	\$ -	\$ 86,947
Registrar	50,504	-	-	-	50,504
R.I.R.	823	-	650	(650) ⁽¹⁾	823
ccTLD contribution and fees	2,243	-	-	-	2,243
Contributions and other income	197	-	-	-	197
Revenue from New gTLD application fees	-	-	-	-	-
New gTLD application fees cumulative adjustment	-	(8,766)	-	-	(8,766)
Contributions to PTI from ICANN	-	-	6,578	(6,578) ⁽¹⁾	-
Total revenues and support without restrictions	140,714	(8,766)	7,228	(7,228)	131,948
Expenses					
Personnel	74,826	694	4,897	(4,897) ⁽²⁾	75,520
Travel and meetings	9,428	102	178	(178) ⁽²⁾	9,530
Professional services	18,109	6,266	906	(906) ⁽²⁾	24,375
Administration	19,967	131	1,247	(1,247) ⁽²⁾	20,098
Total expenses	122,330	7,193	7,228	(7,228)	129,523
Other income					
Investment gain	4,447	6,331	-	-	10,778
Total other income	4,447	6,331	-	-	10,778
Increase in net assets without restrictions	22,831	(9,628)	-	-	13,203
Net assets, beginning of year	199,635	270,147	-	-	469,782
Net assets, end of year	\$ 222,466	\$ 260,519	\$ -	\$ -	\$ 482,985

(1) - The segmented statement of activities for the year ended June 30, 2020 contained intercompany revenues and expenses between ICANN and PTI. The \$650,000 is derived from a portion of the contribution made by the NRO for the IANA Numbering Services pursuant to section 5.2 of the Service Level Agreement (SLA), whereby ICANN in turn contributed the total amount of this restricted contribution of \$650,000 related to the IANA functions to PTI as part of ICANN's total funding contribution to PTI. The additional funding of \$6,578,000 was contributed to PTI by ICANN. The funding contribution from ICANN to PTI was eliminated prior to consolidation of the financial statements.

(2) - For the year ended June 30, 2020, ICANN transferred \$4,897,000 in personnel expenses, \$178,000 in travel and meetings expenses, \$906,000 in professional services expense and \$1,247,000 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

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

<i>Year ended June 30, 2021</i>	ICANN				Total
	Operations	New gTLD	PTI	Elimination	
	<i>(US 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	L -	-	-	3,705
Bad debt (recovery)	(452)	-	-	-	(452)
Investment gains	(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
Net cash provided by (used in) operating activities	32,517	(9,454)	-	-	23,063
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)
Net cash provided by (used in) investing activities	(14,470)	9,279	-	-	(5,191)
Net decrease 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	\$ 77,430	\$ 1,438	\$ -	\$ -	\$ 78,868

- (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.

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Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The segmented statement of cash flows for the year ended June 30, 2020:

<i>Year ended June 30, 2020</i>	ICANN				
	Operations	New gTLD	PTI	Elimination	Total
	<i>(US dollars in thousands)</i>				
Cash flows from operating activities					
Change in net assets	\$ 22,831	\$ (9,628)	\$ -	\$ -	\$ 13,203
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:					
Depreciation expense	3,802	-	-	-	3,802
Bad debt expense	449	-	-	-	449
Investment gains	(4,447)	(6,331)	-	-	(10,778)
Loss on disposal of capital assets	3	-	-	-	3
Changes in operating assets and liabilities:					
Accounts receivable	173	228	-	-	401
Prepaid expenses	463	-	-	-	463
Other assets	(391)	-	-	-	(391)
Accounts payable and accrued liabilities	(1,515)	(392)	(42) ⁽³⁾	-	(1,949)
Intercompany	14,245	(14,287)	42 ⁽³⁾	-	-
Deferred revenue	57	8,078	-	-	8,135
Net cash provided by (used in) operating activities	35,670	(22,332)	-	-	13,338
Cash flows from investing activities					
Purchases of capital assets	(8,260)	-	-	-	(8,260)
Proceeds from sale of investments	-	20,500	-	-	20,500
Purchases of investments	(3,000)	-	-	-	(3,000)
Net cash provided by (used in) investing activities	(11,260)	20,500	-	-	9,240
Net decrease in cash and cash equivalents	24,410	(1,832)	-	-	22,578
Cash and cash equivalents, beginning of year	34,974	3,444	-	-	38,418
Cash and cash equivalents, end of year	\$ 59,384	\$ 1,612	\$ -	\$ -	\$ 60,996

(3) - The segmented statement of cash flow for the year ended June 30, 2020 contained intercompany accounts receivables and intercompany accounts payable between ICANN and PTI for \$42,000. These balances were eliminated prior to consolidation of the financial statements.

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Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 US 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.

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 those changes could materially affect the amounts reported in the consolidated statements of financial position.

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. ICANN was contracted with one registry and one registrar to which it invoices a total of approximately \$56,787,000 or 43% of the total support and revenue for the year ended June 30, 2020.

5. Accounts Receivable

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

	2021	2020
	<i>(US dollars in thousands)</i>	
gTLD registries and registrars	\$ 36,084	\$ 34,254
Regional Internet Registries (RIRs)	-	-
ccTLD and IDN Fast Track	1	4
Other	69	518
Total accounts receivable	36,154	34,776
Less: allowance for doubtful accounts	(400)	(1,044)
Total accounts receivable, net	\$ 35,754	\$ 33,732

ICANN had bad debt expense of \$452,000 and \$449,500 during the years ended June 30, 2021 and 2020, respectively.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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, 2021:

2021	Total	Level 1	Level 2	Level 3	NAV
<i>(US 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	-	-
Total investments	\$ 441,601	\$ 16,296	\$ 271,033	\$ -	\$ 154,272

Investments consist of the following as of June 30, 2020:

2020	Total	Level 1	Level 2	Level 3	NAV
<i>(US dollars in thousands)</i>					
Corporate bonds	\$ 82,332	\$ -	\$ 82,332	\$ -	\$ -
Government agencies bonds	107,648	-	107,648	-	-
Collective trusts	122,973	-	-	-	122,973
U.S. government bonds	51,994	-	51,994	-	-
Asset backed bonds	13,386	-	13,386	-	-
Money market funds	32,778	32,778	-	-	-
International bonds	8,001	-	8,001	-	-
Total investments	\$ 419,112	\$ 32,778	\$ 263,361	\$ -	\$ 122,973

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

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

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

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The following table sets forth a summary of investments with a reported NAV as of June 30, 2020:

2020	<i>Fair Value Estimated Using NAV per Share</i>			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trusts (a)	\$ 122,973	N/A	One and ten days	One and two days

(a) The collective trusts investments include holdings in US bonds, international bonds, US 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:

	2021	2020
	<i>(US dollars in thousands)</i>	
Dividend and interest income	\$ 2,281	\$ 6,092
Realized (losses)/gains	12,661	4,326
Unrealized (losses)/gains	7,541	1,043
Management fees and other	(715)	(683)
Total net investment gain	\$ 21,768	\$ 10,778

7. Capital Assets

Capital assets consist of the following as of June 30:

	2021	2020
	<i>(US dollars in thousands)</i>	
Computer equipment	\$ 13,268	\$ 12,097
Computer software	39,828	30,085
Furniture and fixtures	371	371
Leasehold improvements	6,143	6,143
Construction in progress	1,313	7,808
Gross capital assets	60,923	56,504
Less: accumulated depreciation	(45,692)	(42,032)
Net capital assets	\$ 15,231	\$ 14,472

Depreciation expense for the years ended June 30, 2021 and 2020 was \$3,705,397 and \$3,802,185, respectively. For the year ended June 30, 2021, ICANN retired of capital assets \$6,018

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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.

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		ICANN/PTI	September 30, 2016	Agreement in force until terminated under a notice period
IANA Naming Function Contract (amended May 7, 2019)	Names	ICANN/PTI	September 30, 2021	Five Years with automatic renewal pending certain requirements
Subcontract of Responsibilities under MoU/Supplemental Agreement	Protocol Parameters (IETF)	ICANN/PTI	September 30, 2016	Agreement in place until Revoked
Subcontract of Responsibilities under SLA	Numbers (RIRs)	ICANN/PTI	September 30, 2016	Agreement in place until Revoked
Subcontract of Responsibilities under RZMA	Names	ICANN/PTI	September 30, 2016	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 \$7,444,323 and \$7,227,880 for the years ended June 30, 2021 and 2020, respectively.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 \$795,000 and \$780,000 was paid for the years ended June 30, 2021 and 2020, respectively.

Rafael Lito Ibarra is a voting member of the ICANN Board of Directors. Mr. Ibarra, who became an ICANN Director in October 2015, manages and administrates the .SV country code top level domain (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 approximately \$1,000 and \$1,000 for the years ended June 30, 2021 and 2020, respectively. To avoid any conflict of interest between ICANN and SVNet, Mr. Ibarra 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 is a voting member of the ICANN Board of Directors. 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 \$0 and \$1,000 for the years ended June 30, 2021 and 2020, respectively. To avoid any conflict of interest between ICANN and Island Networks Ltd. and Island Networks (Jersey) Ltd., Mr. Roberts abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Lise Fuhr is a voting member of the PTI Board of Directors with a term through September 2022 and also serves 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 Board of Directors for a three-year term starting in July 2016 and was reappointed in 2019 for another three-year term. Revenue to ICANN from the Internet Society Public Interest Registry (PIR) amounted to approximately \$2,755,000 and \$2,717,000 for the years ended June 30, 2021 and 2020, respectively, under the fee structure of its Registry Agreement with ICANN. In accordance with the PTI Conflicts of Interest Policy, Ms. Fuhr considers whether each item that comes before the PTI Board for decision poses an actual, potential, or perceived conflict of interest and is required to disclose any such conflict of interest, if one arises.

Mr. Wei Wang was a voting member of the PTI Board of Directors through October 2020. PTI is a controlled affiliate of ICANN, which commenced operations on October 1, 2016. Until 10 April 2020, Mr. Wang served as the Technical Partnership Manager at Google China. Revenue to ICANN from Google amounted to \$2,241,000 for the year ended June 30, 2020 and no revenue is disclosed for the fiscal year ending 2021 since Wei did not serve during this period. In accordance with the PTI Conflicts of Interest Policy, Mr. Wang considered throughout his term on the PTI Board of Directors 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

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 approximately \$25,000, for the year ended June 30, 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.

10. Commitments

ICANN leases its offices and certain other facilities under operating lease agreements that expire at various dates through May 2027. The lease agreements have various termination clauses requiring three to sixty 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:

<i>Years ending June 30,</i>	<i>Amount</i>
	<i>(US dollars in thousands)</i>
2022	\$ 4,410
2023	4,763
2024	4,274
2025	4,395
2026	4,516
Thereafter	30,068
	<hr/> \$ 52,426

Rent expense amounted to approximately \$4,100,000 and \$4,041,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020.

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. This contribution is 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 annual installment of \$4,000,000 in January 2021.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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, 2021, Mr. Marby was entitled to an annual base salary of approximately \$707,000 and at-risk compensation of up to \$212,000 - not to exceed a total of \$919,275. For the year ended June 30, 2020 Mr. Marby was entitled to an annual base salary of approximately \$674,000 and at-risk compensation of up to \$202,000.

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, 2021, assuming that they each will continue to elect to receive compensation for the remainder of their terms, are \$750,000 and \$435,000 for the fiscal years ending June 30, 2022 and 2023, respectively.

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 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 chosen contribution levels. Employer contributions recognized for the years ended June 30, 2021 and 2020 amounted to approximately \$6,174,000 and \$5,742,000, respectively. At June 30, 2021 and 2020, the 401(k) Plan contributions payable were approximately \$1,106,000 and \$995,400, respectively.