



Report of Independent Auditors and Consolidated Financial
Statements

Internet Corporation for Assigned Names and Numbers

For the fiscal years ended June 30, 2023 and 2022

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Report of Independent Auditors

The Board of Directors
Internet Corporation for Assigned Names and Numbers

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Internet Corporation for Assigned Names and Numbers, which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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 as of June 30, 2023 and 2022, and the changes in their net assets and their 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 audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Internet Corporation for Assigned Names and Numbers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, for the year ended June 30, 2023, the Company adopted Accounting Standards Update 2016-02, *Leases (Topic 842)* with an effective date of July 1, 2022. The adoption of this standard resulted in additional footnote disclosures and had a significant impact on the statement of financial position through the recognition of right-of-use (ROU) assets and lease liabilities. Our opinion has not been modified in 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Internet Corporation for Assigned Names and Numbers' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Internet Corporation for Assigned Names and Numbers' ability to continue as a going concern for a reasonable period of time.

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



Los Angeles, California
September 28, 2023

Consolidated Financial Statements

Internet Corporation for Assigned Names and Numbers
Consolidated Statements of Financial Position
(U.S. dollar amounts in thousands)
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes 2, 3, and 4)	\$ 76,091	\$ 84,025
Accounts receivable, net (Notes 2, 3, and 5)	34,978	35,407
Investments (Notes 2, 3, 4, and 6)	441,750	421,537
Prepaid expenses (Notes 2 and 3)	4,396	4,050
Other assets (Note 3)	2,153	2,150
Capital assets, net (Notes 2, 3, and 7)	9,779	11,211
Operating right-of-use asset, net (Notes 2, 3, and 10)	36,468	-
	<u>\$ 605,615</u>	<u>\$ 558,380</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities (Notes 2 and 3)	\$ 15,239	\$ 14,519
Operating lease liabilities (Notes 2, 3, and 10)	40,305	-
Deferred revenue (Notes 2 and 3)	4,035	3,997
	<u>59,579</u>	<u>18,516</u>
NET ASSETS – without restrictions	<u>546,036</u>	<u>539,864</u>
	<u>\$ 605,615</u>	<u>\$ 558,380</u>

See accompanying notes.

Internet Corporation for Assigned Names and Numbers
Consolidated Statements of Activities
(U.S. dollar amounts in thousands)
Years Ended June 30, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT RESTRICTIONS		
Revenues and support		
Registry (Notes 2 and 3)	\$ 88,880	\$ 88,103
Registrar (Notes 2 and 3)	53,763	52,690
Regional Internet Registries (RIR) (Notes 2 and 3)	823	823
Country code Top Level Domain (ccTLD) contribution and fees (Notes 2 and 3)	2,214	2,383
Contributions and other income (Notes 2 and 3)	228	-
Other income (Notes 2 and 3)	4,042	5,529
Loss from New gTLD application fees (Notes 2 and 3)	(37)	(23)
	<u>149,913</u>	<u>149,505</u>
EXPENSES		
Personnel (Notes 2 and 3)	89,535	79,452
Travel and meetings (Notes 2 and 3)	16,138	3,463
Professional services (Notes 2 and 3)	32,032	31,089
Administration (Notes 2 and 3)	25,128	22,571
	<u>162,833</u>	<u>136,575</u>
OTHER INCOME (LOSS)		
Investment gain (loss) (Notes 2 and 3)	19,092	(28,870)
	<u>19,092</u>	<u>(28,870)</u>
CHANGE IN NET ASSETS WITHOUT RESTRICTIONS	6,172	(15,940)
NET ASSETS, beginning of year	<u>539,864</u>	<u>555,804</u>
NET ASSETS, end of year	<u>\$ 546,036</u>	<u>\$ 539,864</u>

See accompanying notes.

Internet Corporation for Assigned Names and Numbers
Consolidated Statements of Cash Flows
(U.S. dollar amounts in thousands)
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,172	\$ (15,940)
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities		
Depreciation expense	4,302	5,018
Bad debt expense (recovery)	508	82
Investment (gain) loss, net	(18,342)	28,870
Loss on disposal of capital assets	1	1
Reduction of operating lease right-of-use asset	3,409	-
Changes in operating assets and liabilities		
Accounts receivable	(79)	265
Prepaid expenses	(346)	(594)
Other assets	(3)	(654)
Right-of-use asset and lease liability	428	-
Accounts payable and accrued liabilities	604	(443)
Deferred revenue	38	(1,434)
	<u>(3,308)</u>	<u>15,171</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(2,871)	(1,343)
Proceeds from sale of investments	17,245	6,329
Purchases of investments	(19,000)	(15,000)
	<u>(4,626)</u>	<u>(10,014)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(7,934)	5,157
CASH AND CASH EQUIVALENTS, beginning of year	<u>84,025</u>	<u>78,868</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 76,091</u>	<u>\$ 84,025</u>

See accompanying notes.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

Note 1 – Organization

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

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

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

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

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

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

Registry fees – As of June 30, 2023 and 2022, ICANN had contracts with registry operators of 1,156 and 1,173 gTLDs, respectively. Registry fees are described in the respective registry agreements. Based on those agreements, registries pay to ICANN a fixed fee, a transaction-based fee, or both.

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

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

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

- Transaction-based fees based on each add, transfer, or renewal domain name registration.
- Add grace period deletion fees are charged to registrars that delete added names within the grace period in excess of a threshold.

As of June 30, 2023 and 2022, ICANN had 2,656 and 2,552 RAAs in place, respectively.

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

Application fees

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

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

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

Contributions and other income – ICANN receives sponsorships from parties in return for providing exhibition space and advertisements during ICANN Public meetings and also receives contribution revenue from the Number Resource Organization (NRO), which is described in Note 2. In addition, ICANN receives contribution revenue from Verisign which is described in Note 11.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

Note 2 – Significant Accounting Policies

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

Net assets – without restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of ICANN. ICANN’s Board adopted the ICANN Investment Policy in November 2007, which was most recently updated in July 2022. This investment policy established a Board-designated Reserve Fund that limits use of the Reserve Fund based upon specific Board actions. All investments that are designated under the Reserve Fund and considered net assets without restrictions. The balance of the Reserve Fund was approximately \$169,966,000 and \$142,903,000 as of June 30, 2023 and 2022, respectively. The Board approved transfers to the Reserve Fund from the Operating Fund of \$19,000,000 in fiscal year 2023 and \$15,000,000 in fiscal year 2022.

The ICANN Board adopted a separate investment policy, the New gTLD and Auction Proceeds Investment Policy, to govern new gTLD application fees and auction proceeds that are also considered net assets without restrictions. The balance of the new gTLD funds was approximately \$271,784,000 and \$278,633,000 as of June 30, 2023 and 2022, respectively.

Net assets – with restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of ICANN. Net assets for which the donor has stipulated that the principal be maintained in perpetuity, but permits ICANN to use, or expend, all or part of the income derived from the donated assets for general or specific purposes, are subject to statutory regulations. As of the years ended June 30, 2023 and 2022, ICANN did not have any net assets with restrictions as any restrictions were satisfied prior to year-end.

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

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.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

- New gTLD application fees are recognized as the application moves through the delegation process and the potential refund amount changes.
- 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.

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

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

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

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

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

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

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

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

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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

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

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

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

Lease accounting – For the year ended June 30, 2022, ICANN followed Financial Accounting Standards Board ASC 840, *Leases*. Under that guidance, ICANN classified leases as either operating or capital. Capital leases resulted in the recognition of the assets and liabilities, whereas operating leases did not.

Effective July 1, 2022, ICANN adopted the requirements of Accounting Standards Update 2016-02, *Leases (Topic 842)* (ASC 842), using the modified retrospective approach. ICANN also applied the option practical expedients related to the transition, which permits ICANN to retain prior conclusions about lease identification, lease classification and indirect costs for leases that commenced before July 1, 2022. The adoption of the standard on July 1, 2022, resulted in recognition of additional lease liabilities of approximately \$39,877,000 and right-of-use (ROU) assets of approximately \$39,877,000.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

ICANN's lease liabilities are recognized at the applicable lease commencement date based on the present value of the lease payments required to be paid over the lease term. As not all of ICANN's leases can provide an implicit rate, ICANN uses the risk-free rate to discount the lease commencement date. The ROU asset equals the carrying amount of the related lease liability, adjusted for any lease payments made prior to lease commencement and lease incentives provided by the lessor. Variable lease payments are expensed as incurred and do not factor into the measurement of the applicable ROU asset or lease liability.

The term of ICANN's leases equals the non-cancellable period of the leases and also includes options to renew or extend the leases (including but not terminating the leases) that ICANN is reasonably certain to exercise. ICANN establishes the term of each lease at lease commencement and reassesses that term in subsequent periods when one of the triggering events outlined in ASC 842 occurs. Operating lease costs for lease payments are recognized on a straight-line basis over the lease term.

ICANN elected the package of practical expedients permitted under the transition guidance, which allows ICANN to carry forward its historical lease classification, its assessment on whether a contract is or contains a lease, and its initial direct costs for any leases that existed prior to adoption of the new standard. ICANN has elected, for all classes of underlying assets, not to recognize ROU assets and lease liabilities with a term of 12 months or less. Lease cost for short-term leases is recognized on a straight-line basis over the lease term.

Deferred revenue – Deferred revenue is recorded when fees are not yet earned. Deferred revenue primarily consisted of Verisign contributions of \$2,000,000 and \$2,042,403 as of June 30, 2023 and 2022, respectively, as described in Note 11. In addition, deferred revenue included new gTLD application fees of \$389,000 as of June 30, 2023 and 2022, respectively, as well as deferred registrar accreditation income of \$1,646,000 and \$1,565,000 as of June 30, 2023 and 2022, 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 23701d 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.

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, 2023 and 2022, respectively, no liabilities are required to be recorded in connection with such tax positions in ICANN's 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.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

As of June 30, 2023 and 2022, respectively, financial assets available to meet cash needs were as follows:

	2023	2022
	<i>(U.S. dollars in thousands)</i>	
Total financial assets at year-end		
Cash and cash equivalents	\$ 76,091	\$ 84,025
Investments at fair value	441,750	421,537
Accounts receivable	34,978	35,407
Total financial assets at year-end	552,819	540,969
Less: amounts not available to be used within one year		
Estimated New gTLD application fees refund	97	162
Total amounts not available to be used within one year	97	162
Financial assets available to meet cash needs for general expenditures within one year	\$ 552,722	\$ 540,807

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 DNS to be program expenses. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management on a reasonable basis that is consistently being applied.

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

	Program Services				Support Services				Total Expenses
	ICANN Ops	Net gTLD	PTI	Total Program Expenses	ICANN Ops	New gTLD	PTI	Total Support Services	
Year Ended June 30, 2023									
Personnel	\$ 52,100	\$ 5,323	\$ 4,545	\$ 61,968	\$ 23,407	\$ 2,391	\$ 1,769	\$ 27,567	\$ 89,535
Travel and meetings	11,348	575	403	12,326	3,539	191	82	3,812	16,138
Professional services	18,522	6,124	721	25,367	5,405	962	298	6,665	32,032
Administration	15,434	938	735	17,107	7,288	368	365	8,021	25,128
Total expenses	\$ 97,404	\$ 12,960	\$ 6,404	\$ 116,768	\$ 39,639	\$ 3,912	\$ 2,514	\$ 46,065	\$ 162,833
Year Ended June 30, 2022									
Personnel	\$ 51,281	\$ 1,387	\$ 4,593	\$ 57,261	\$ 19,942	\$ 539	\$ 1,710	\$ 22,191	\$ 79,452
Travel and meetings	2,559	25	65	2,649	788	8	18	814	3,463
Professional services	19,267	4,069	608	23,944	6,459	382	304	7,145	31,089
Administration	15,393	418	533	16,344	5,803	165	259	6,227	22,571
Total expenses	\$ 88,500	\$ 5,899	\$ 5,799	\$ 100,198	\$ 32,992	\$ 1,094	\$ 2,291	\$ 36,377	\$ 136,575

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

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

Subsequent events – ICANN evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. ICANN evaluated subsequent events through September 28, 2023, 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.

Note 3 – Segment and Affiliate Reporting

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

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

PTI – PTI is an affiliate of ICANN that is responsible for performing the IANA functions, on behalf of ICANN. ICANN contracts with PTI for the performance of the IANA naming function (through the IANA Naming Function Contract), and subcontracts with PTI for the performance of the protocol parameters (ICANN-PTI Subcontract Agreement for obligations under the Internet Engineering Task Force (IETF) Memorandum of Understanding (MoU) and Supplemental Agreement) and numbers (ICANN-PTI Subcontract Agreement for obligations under the Service Level Agreement (SLA) for IANA Numbering Services) functions. As a result, PTI is responsible for performing all three IANA functions. Included in these contracts and subcontracts is the sub-licensing of the use of the IANA trademarks and registrations from ICANN to PTI for use in connection with performing the IANA functions (see Note 9).

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

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

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

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 (New gTLD Program) – ICANN, through the New gTLD Program, is responsible for the introductions of new gTLDs that have resulted in the expansion of the DNS. Under this program, the last time ICANN received applications for new gTLDs occurred in 2012 which resulted in 1,930 applications. New gTLDs are introduced with the primary goals of introducing and promoting competition, innovation and choice in the DNS, and providing a wider variety of organizations, communities and brand new ways to communicate with their audiences. All registry operators 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.

During the years ended June 30, 2023 and 2022, 0 new gTLDs and two new gTLDs were delegated in the root zone, respectively. As of June 30, 2023 and 2022, there were 1,156 and 1,173 new gTLDs delegated in the root zone, respectively.

As the New gTLD Program and its funding through application fees has been designed on a cost recovery basis, and to enhance accountability and transparency, ICANN has fully segregated from its ongoing operations the New gTLD 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 Program statements of financial positions for June 30, 2023 and 2022, include auction proceeds classified as either cash and cash equivalents or investments.

The auction proceeds are comprised of the following as of June 30, 2023 and 2022:

	<u>Auction Proceeds</u>	<u>New gTLD Program Funds</u>	<u>Total</u>
June 30, 2023			
Cash and cash equivalents	\$ -	\$ 546	\$ 546
Investments	<u>217,293</u>	<u>54,491</u>	<u>271,784</u>
Total	<u>\$ 217,293</u>	<u>\$ 55,037</u>	<u>\$ 272,330</u>
June 30, 2022			
Cash and cash equivalents	\$ -	\$ 1,217	\$ 1,217
Investments	<u>210,293</u>	<u>68,340</u>	<u>278,633</u>
Total	<u>\$ 210,293</u>	<u>\$ 69,557</u>	<u>\$ 279,850</u>

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

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

The segmented statement of financial position at June 30, 2023:

June 30, 2023	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Assets					
Cash and cash equivalents	\$ 75,545	\$ 546	\$ -	\$ -	\$ 76,091
Accounts receivable, net	34,978	-	-	-	34,978
Investments	169,966	271,784	-	-	441,750
Prepaid expenses	4,352	44	-	-	4,396
Other assets	2,153	-	-	-	2,153
Intra-company asset	1,256	11,729	290	(13,275)	-
Capital assets, net	9,779	-	-	-	9,779
Operating right-of-use asset	36,468	-	-	-	36,468
Total assets	\$ 334,497	\$ 284,103	\$ 290	\$ (13,275)	\$ 605,615
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued liabilities	\$ 12,826	\$ 2,123	\$ 290	\$ -	\$ 15,239
Intra-company liability	289	12,986	-	(13,275)	-
Operating lease liabilities	40,305	-	-	-	40,305
Deferred revenue	3,646	389	-	-	4,035
Total liabilities	57,066	15,498	290	(13,275)	59,579
Net assets without restrictions	277,431	268,605	-	-	546,036
Total liabilities and net assets	\$ 334,497	\$ 284,103	\$ 290	\$ (13,275)	\$ 605,615

(1) The segmented statement of financial position at June 30, 2023, contained unsettled intercompany receivables and/or payables between ICANN, the New gTLD Program and/or PTI. The unsettled intercompany balances of \$13,275,000 at June 30, 2023, are eliminated prior to consolidation of the financial statements.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

June 30, 2022	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Assets					
Cash and cash equivalents	\$ 82,808	\$ 1,217	\$ -	\$ -	\$ 84,025
Accounts receivable, net	35,407	-	-	-	35,407
Investments	142,904	278,633	-	-	421,537
Prepaid expenses	3,969	81	-	-	4,050
Other assets	2,150	-	-	-	2,150
Intra-company asset	1,704	54	292	(2,050)	-
Capital assets, net	11,211	-	-	-	11,211
Total assets	\$ 280,153	\$ 279,985	\$ 292	\$ (2,050)	\$ 558,380
Liabilities and Net Assets					
Liabilities					
Accounts payable and accrued liabilities	\$ 12,675	\$ 1,552	\$ 292	\$ -	\$ 14,519
Intra-company liability	293	1,757	-	(2,050)	-
Deferred revenue	3,608	389	-	-	3,997
Total liabilities	16,576	3,698	292	(2,050)	18,516
Net assets without restrictions	263,578	276,286	-	-	539,864
Total liabilities and net assets	\$ 280,154	\$ 279,984	\$ 292	\$ (2,050)	\$ 558,380

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

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Notes to Consolidated Financial Statements

The segmented statement of activities for the year ended June 30, 2023:

Year Ended June 30, 2023	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Changes in net assets without restrictions					
Revenues and support					
Registry	\$ 88,880	\$ -	\$ -	\$ -	\$ 88,880
Registrar	53,763	-	-	-	53,763
RIR	823	-	650	(650)	823
ccTLD contribution and fees	2,214	-	-	-	2,214
Contributions and other income	228	-	-	-	228
Funding for SSR activity	4,042	-	-	-	4,042
Loss from New gTLD application fees	-	(37)	-	-	(37)
Contributions to PTI from ICANN	-	-	8,269	(8,269)	-
Total revenues and support without restrictions	<u>149,950</u>	<u>(37)</u>	<u>8,919</u>	<u>(8,919)</u>	<u>149,913</u>
Expenses					
Personnel	81,822	7,713	6,315	(6,315)	89,535
Travel and meetings	15,373	765	485	(485)	16,138
Professional services	24,946	7,086	1,019	(1,019)	32,032
Administration	23,820	1,308	1,100	(1,100)	25,128
Total expenses	<u>145,961</u>	<u>16,872</u>	<u>8,919</u>	<u>(8,919)</u>	<u>162,833</u>
Other income					
Investment gain	9,864	9,228	-	-	19,092
Total other income	<u>9,864</u>	<u>9,228</u>	<u>-</u>	<u>-</u>	<u>19,092</u>
Increase in net assets without restrictions	13,853	(7,681)	-	-	6,172
Net assets, beginning of year	263,577	276,287	-	-	539,864
Net assets, end of year	<u>\$ 277,430</u>	<u>\$ 268,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 546,036</u>

(1) The segmented statement of activities for the year ended June 30, 2023, contained intercompany revenues and expenses between ICANN and PTI. The \$650,000 is derived from a portion of the contribution made by the NRO to ICANN for the IANA Numbering Services pursuant to section 5.2 of the SLA, whereby ICANN in turn provided the total amount of this restricted contribution of \$650,000 related to the IANA functions to PTI as part of ICANN's total funding to PTI. The funding of \$8,919,000 was provided to PTI by ICANN. The total funding from ICANN to PTI was eliminated prior to consolidation of the financial statements.

(2) For the year ended June 30, 2023, ICANN transferred \$6,315,000 in personnel expenses, \$485,000 in travel and meetings expenses, \$1,019,000 in professional services expenses, and \$1,100,000 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.

(3) For the year ended June 30, 2023, the following expenses associated with the next round of the New gTLD Program were included within the new gTLD segment amounts: \$6,884,000 in personnel expenses, \$647,000 in travel and meetings expenses, \$2,893,000 in professional services expenses, and \$879,000 in administration expenses.

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

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

Year Ended June 30, 2022	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Changes in net assets without restrictions					
Revenues and support					
Registry	\$ 88,103	\$ -	\$ -	\$ -	\$ 88,103
Registrar	52,690	-	-	-	52,690
RIR	823	-	650	(650)	823
ccTLD contribution and fees	2,383	-	-	-	2,383
Contributions and other income	5,529	-	-	-	5,529
Loss from New gTLD application fees	-	(23)	-	-	(23)
Contributions to PTI from ICANN	-	-	7,439	(7,439)	-
Total revenues and support without restrictions	<u>149,528</u>	<u>(23)</u>	<u>8,089</u>	<u>(8,089)</u>	<u>149,505</u>
Expenses					
Personnel	77,526	1,926	6,302	(6,302)	79,452
Travel and meetings	3,430	33	83	(83)	3,463
Professional services	26,639	4,450	912	(912)	31,089
Administration	21,988	583	792	(792)	22,571
Total expenses	<u>129,583</u>	<u>6,992</u>	<u>8,089</u>	<u>(8,089)</u>	<u>136,575</u>
Other loss					
Investment loss	(26,381)	(2,489)	-	-	(28,870)
Total other loss	<u>(26,381)</u>	<u>(2,489)</u>	<u>-</u>	<u>-</u>	<u>(28,870)</u>
Decrease in net assets without restrictions	(6,436)	(9,504)	-	-	(15,940)
Net assets, beginning of year	270,014	285,790	-	-	555,804
Net assets, end of year	<u>\$ 263,578</u>	<u>\$ 276,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 539,864</u>

(1) The segmented statement of activities for the year ended June 30, 2022, contained intercompany revenues and expenses between ICANN and PTI. The \$650,000 is derived from a portion of the contribution made by the NRO to ICANN for the IANA Numbering Services pursuant to section 5.2 of the SLA, whereby ICANN in turn provided the total amount of this restricted contribution of \$650,000 related to the IANA functions to PTI as part of ICANN's total funding to PTI. The funding of \$8,089,000 was provided to PTI by ICANN. The total funding from ICANN to PTI was eliminated prior to consolidation of the financial statements.

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

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

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

The segmented statement of cash flows for the year ended June 30, 2023:

Year Ended June 30, 2023	ICANN Operations	New gTLD	PTI	Elimination	Total
	<i>(U.S. dollars in thousands)</i>				
Cash flows from operating activities					
Change in net assets	\$ 13,854	\$ (7,682)	\$ -	\$ -	\$ 6,172
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities					
Depreciation expense	4,302	-	-	-	4,302
Bad debt expense	508	-	-	-	508
Investment gain	(9,114)	(9,228)	-	-	(18,342)
Gain on disposal of capital assets	1	-	-	-	1
Reduction of operating lease right-of-use asset	3,409				3,409
Changes in operating assets and liabilities					
Accounts receivable	(79)	-	-	-	(79)
Prepaid expenses	(384)	38	-	-	(346)
Other assets	(3)	-	-	-	(3)
Right-of-use asset and lease liability	428				428
Accounts payable and accrued liabilities	151	455	(2)	-	604
Intercompany	444	(446)	2	-	-
Deferred revenue	38	-	-	-	38
	<u>13,555</u>	<u>(16,863)</u>	<u>-</u>	<u>-</u>	<u>(3,308)</u>
Cash flows from investing activities					
Purchases of capital assets	(2,871)	-	-	-	(2,871)
Proceeds from sale of investments	1,053	16,192	-	-	17,245
Purchases of investments	(19,000)	-	-	-	(19,000)
	<u>(20,818)</u>	<u>16,192</u>	<u>-</u>	<u>-</u>	<u>(4,626)</u>
Net decrease in cash and cash equivalents	(7,263)	(671)	-	-	(7,934)
Cash and cash equivalents, beginning of year	82,808	1,217	-	-	84,025
Cash and cash equivalents, end of year	<u>\$ 75,545</u>	<u>\$ 546</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,091</u>

(3) The segmented statement of cash flow for the year ended June 30, 2023, contained intercompany accounts receivables and intercompany accounts payable between ICANN and PTI for \$2,000. These balances were eliminated prior to consolidation of the financial statements.

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Notes to Consolidated Financial Statements

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

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

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

Note 4 – Concentration of Credit Risk

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

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

ICANN is contracted with one registry and one registrar to which it invoiced a total of approximately \$65,975,000 or 44% of the total support and revenue for the year ended June 30, 2023. ICANN is contracted with one registry and one registrar to which it invoiced a total of approximately \$66,810,000 or 45% of the total support and revenue for the year ended June 30, 2022.

Note 5 – Accounts Receivable

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

	2023	2022
	<i>(U.S. dollars in thousands)</i>	
gTLD registries and registrars	\$ 35,038	\$ 35,787
Other	840	70
Total accounts receivable	35,878	35,857
Less: allowance for doubtful accounts	(900)	(450)
Total accounts receivable, net	\$ 34,978	\$ 35,407

ICANN had bad debt expense of approximately \$508,000 and \$82,000 in June 30, 2023 and 2022, respectively.

Note 6 – Investments

The guidance requires fair value measurements to be separately disclosed by level within the fair value hierarchy and requires a separate reconciliation of fair value measurements categorized as Level 3. Certain investments that are measured at fair value using the 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.

Internet Corporation for Assigned Names and Numbers

Notes to Consolidated Financial Statements

Investments consist of the following as of June 30, 2023:

<u>2023</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
	<i>(U.S. dollars in thousands)</i>				
Cash and cash equivalents	\$ 28,926	\$ 28,926	\$ -	\$ -	\$ -
Corporate bonds	135,120	-	135,120	-	-
Government agencies bonds	21,470	-	21,470	-	-
Collective trusts	164,945	-	-	-	164,945
U.S. government bonds	52,002	-	52,002	-	-
Asset-backed bonds	554	-	554	-	-
Money market funds	5,789	5,789	-	-	-
International bonds	31,452	-	31,452	-	-
Municipal and principal bonds	1,492	-	1,492	-	-
	<u>\$ 441,750</u>	<u>\$ 34,715</u>	<u>\$ 242,090</u>	<u>\$ -</u>	<u>\$ 164,945</u>

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

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

The following table sets forth a summary of investments with a reported NAV as of June 30, 2023:

	<u>Fair Value Estimated Using NAV per Share</u>			
	<i>(U.S. dollars in thousands)</i>			
<u>2023</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Collective trusts (a)	\$ 164,945	N/A	One and ten days	One and two days

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

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Notes to Consolidated Financial Statements

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

2022	Fair Value Estimated Using NAV per Share			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective trusts (a)	\$ 137,199	N/A	One and ten days	One and two days

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

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

	2023	2022
	<i>(U.S. dollars in thousands)</i>	
Dividend and interest income	\$ 10,295	\$ 1,539
Realized (losses) gains	(5,592)	8,814
Unrealized gains (losses)	15,202	(38,390)
Management fees and other	(813)	(833)
Total net investment gain (losses)	\$ 19,092	\$ (28,870)

Note 7 – Capital Assets

Capital assets consist of the following as of June 30:

	2023	2022
	<i>(U.S. dollars in thousands)</i>	
Computer equipment	\$ 13,185	\$ 10,455
Computer software	41,335	40,423
Furniture and fixtures	371	371
Leasehold improvements	5,744	6,143
Construction in progress	11	809
Gross capital assets	60,646	58,201
Less: accumulated depreciation	(50,867)	(46,990)
Net capital assets	\$ 9,779	\$ 11,211

Depreciation expense for the years ended June 30, 2023 and 2022, was approximately \$4,302,000 and \$5,018,000, respectively. For the year ended June 30, 2023 and 2022, ICANN retired of capital assets of approximately \$426,000 and \$3,720,000, respectively.

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

Note 8 – Legal Matters

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

Note 9 – Related-Party Transactions

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

Subcontract Name	Community Served	Parties to the Agreement	Date in Effect	Term
Services Agreement	N/A	ICANN/PTI	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	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.

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

The expenses incurred in connection with the ICANN/PTI Service Agreement allocated by community group amounted to approximately \$8,919,000 and \$8,089,000 for the years ended June 30, 2023 and 2022, respectively.

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

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

Board of Directors – Board members are selected to provide services to ICANN. Total compensation for those who elected to receive compensation of approximately \$752,000 and \$765,000 was paid for the years ended June 30, 2023 and 2022, respectively.

Danko Jevtović is a voting member of the ICANN Board of Directors with a current term running from October 2021 through November 2024. Mr. Jevtović is a board member of the Serbian National Internet Domain Registry Foundation (RNIDS) serving a three year term beginning February 2022. RNIDS manages country code top level domains .rs and .cpБ. Revenue to ICANN from RNIDS amounted to approximately \$10,500, for the years ended June 30, 2023 and 2022, respectively. To avoid any conflict of interest between ICANN and the RNIDS, Mr. Jevtović abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Lise Fuhr was a voting member of the PTI Board of Directors until September 2022 and also served as Chair of the Board. PTI is a controlled affiliate of ICANN, which commenced operations on October 1, 2016. Ms. Fuhr was appointed to the Internet Society Public Interest Registry (PIR) Board of Directors for a three-year term starting in July 2016 and was reappointed in 2019 for another three-year term, with service on the PIR Board ending in June 2022. Revenue to ICANN from the PIR amounted to approximately \$2,791,000 for the year ended June 30, 2022 and no revenue is disclosed for the fiscal year ending in 2023 since Ms. Fuhr did not serve for the PIR Board during this period. In accordance with the PTI Conflicts of Interest Policy, Ms. Fuhr considered whether each item that came before the PTI Board for decision posed an actual, potential, or perceived conflict of interest and was required to disclose any such conflict of interest, if one arose.

Patricio Poblete is a voting member of the ICANN Board of Directors with a current term running from October 2020 through October 2023. Mr. Poblete leads NIC Chile, which manages the registry for .CL, the ccTLD for the Republic of Chile, under the University of Chile. Revenue to ICANN from the University of Chile amounted to \$25,000 in each of the years ended June 30, 2023 and 2022, respectively. To avoid any conflicts 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.

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Edmon Chung is a voting member of the ICANN Board of Directors with a current term running from October 2021 through November 2024. Mr. Chung is the CEO of Dot Asia Organisation. Revenue to ICANN from DotAsia Organisation amounted to approximately \$112,000 and \$72,000 for the years ended June 30, 2023 and 2022, respectively. DotAsia is the sole member of the DotKids Foundation Limited (DotKids), which operates .KIDS. Revenue to ICANN from DotKids amounted to approximately \$25,000 and \$6,000 for the years ended June 30, 2023 and 2022, respectively. To avoid any conflict of interest between ICANN and DotAsia Organisation, Mr. Chung abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Katrina Sataki is a voting member of the ICANN Board of Directors with a current term running from October 2021 through November 2024. Ms. Sataki is the CEO of the Network Solutions Department, of the Institute of Mathematics and Computer Science, University of Latvia, which is the ccTLD Manager of .LV. Revenue to ICANN from University of Latvia amounted to approximately \$10,000 for the years ended June 30, 2023 and 2022, respectively. To avoid any conflict of interest between ICANN and University of Latvia, Ms. Sataki abstains from voting on all matters she identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Christian Kauffman is a voting member of the ICANN Board or Directors with a term from September 2022 through October 2025. Mr. Kauffman is a Vice President of Technology at Akamai. Revenue to ICANN from Akamai Technologies amounted to approximately \$500 for the year ended June 30, 2023. To avoid any conflict of interest between ICANN and Akamai, Mr. Kaufmann abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Tobias Sattler is a voting member of the PTI Board or Directors with a term from September 2022 through October 2025. Mr. Sattler is an independent management consultant and Executive Board Member of neubau kompass AG. In his capacity as a management consultant, Mr. Sattler advised various companies including DomainsBot S.R.L. Revenue to ICANN from DomainsBot S.R.L. amounted to approximately \$4,500 for the year ended June 30, 2023. To avoid any conflict of interest between ICANN and DomainsBot S.R.L., Mr. Sattler abstains from voting on all matters he identifies as an actual, potential, or perceived conflict of interest that come before the Board for decision.

Note 10 – Leases

ICANN leases its offices and certain other facilities under operating lease agreements that expire at various dates through March 2035. The lease agreements have various termination clauses requiring three to 60 months' rent for early termination of which none have been terminated. The lease expense paid to unrelated parties was approximately \$4,879,000 for the year ended June 30, 2023.

The components of lease costs are as follows:

Operating leases right-of-use assets (<i>U.S. dollars in thousands</i>)	
Operating lease minimum rent payment	\$ 4,879
Total	<u>\$ 4,879</u>

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Other information related to leases is as follows:

Other information (<i>U.S. dollars in thousands</i>)	
Operating cash flows from operating leases	\$ 768
Weighted-average remaining lease term (in years)	
Operating leases	10.69
Weighted-average discount rate	
Operating leases	3.16%

To calculate the ROU assets and lease liabilities, ICANN uses the discount rate implicit in lease agreements when available. When the implicit discount rates are not readily determinable, ICANN has elected to use the risk-free rate for all asset classes.

Maturities of lease liabilities as of June 30, 2023, are as follows:

Years Ending June 30,	<i>(U.S. dollars in thousands)</i>
2024	\$ 2,601
2025	4,623
2026	4,982
2027	4,799
2028	4,666
Thereafter	<u>25,420</u>
Total	47,091
Less: amount representing interest	<u>(6,786)</u>
Lease liabilities less amount representing interest	40,305
Less: lease liabilities, current	<u>(1,350)</u>
Lease liabilities, net of current portion	<u><u>\$ 38,955</u></u>

For the year ended June 30, 2022, ICANN accounted for its leases under ASC 840. Under ASC 840, operating leases were not accounted for on the consolidated statement of financial position. Total rent expense for the year ended June 30, 2022, amounted to approximately \$3,946,000.

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

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

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, 2023 and 2022.

Note 11 – Commitments

ICANN and Verisign have signed an amendment to the registry agreement to operate the .com top level domain. 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 DNS. In accordance with the LOI, Verisign shall, for a period of five years, contribute \$4,000,000 to ICANN annually through year 2025 for a total contribution of \$20,000,000. These funds are to be applied to expenses that ICANN incurs in conducting, facilitating or supporting activities that preserve and enhance the SSR of the DNS infrastructure. In accordance with this LOI, Verisign paid to ICANN the third and second annual installments of \$4,000,000 in January 2023 and January 2022, respectively.

The ICANN Board members (voting directors and non-voting liaisons except for the Governmental Advisory Committee liaison and the President and CEO), 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, 2023, assuming that they each will continue to elect to receive compensation for the remainder of their terms, are approximately \$600,000 and \$403,000 for the fiscal years ending June 30, 2024 and 2025, respectively.

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Note 12 – Defined Contribution Plan

ICANN's 401(k) Plan (the "Plan") is available to all employees in the United States at the first of the month following hire date with ICANN. Subject to legal limitations, ICANN contributes 5% of each employee's salary to the Plan regardless of employee contributions. ICANN also matches employee contributions up to 10% of the employee's annual salary, subject to legal limitations, and depending on the employee's chosen contribution levels. Employer contributions recognized for the years ended June 30, 2023 and 2022, amounted to approximately \$7,221,000 and \$6,554,000, respectively. At June 30, 2023 and 2022, the 401(k) Plan contributions payable and receivable were approximately \$34,000 and \$(3,000), respectively.