



FY 2014 Financial Package

For the Nine Months Ending March 2014

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ICANN
Executive Summary
For the Nine Months Ending March 31, 2014

Overview

The ICANN change in net assets is \$1.8M lower than budget during the first nine months of FY14 mainly as a result of (i) delayed evaluation processing in the New gTLD program resulting in lower expenses and revenues recognized for the period (-\$11.3M) partially offset by (ii) underspend in planned operations (\$2.3M, see Operating Expenses below), and (iii) unbudgeted Reserve Fund and New gTLD investment income of (\$5.5M) and (\$1.7M), respectively.

The Funds under Management by ICANN decreased by \$39.9M during the first nine months to a total of \$319.8M, mainly as a result of the payment of evaluation expenses and general operating expenses for the New gTLD Program (\$38.5M) and general operating expenses for ICANN Ops (\$9.0M), partially offset by the appreciation of investments for ICANN Ops (\$5.5M) and the New gTLD Program (\$2.0M).

Financial Position

The Funds Under Management decreased by \$39.9M during the year as a result of the following:

- An increase of the ICANN Operations funds by \$32.2M due to:

- (i) the reimbursement from the New gTLD funds of the direct/allocated costs for \$31.2M,
- (ii) the reimbursement from the New gTLD program of the historical development costs for \$21.9M,
- (iii) appreciation of investments for \$5.5M
- (iv) partially offset by payments to vendors/ employees on behalf of the New gTLD Program for -\$17.4M and,
- (v) all other net operating variances for -\$9.0M.

- A decrease of the New gTLD funds by \$72.2M due to:

- (i) the reimbursement to ICANN Operations of the accumulated direct/allocated costs for \$31.2M,
- (ii) the reimbursement to ICANN Operations of the historical development costs for \$21.9M,
- (iii) net refunds to applicants for \$3.2M,
- (iv) payments to vendors/employees for \$17.9M,
- (v) partially offset by appreciation of the new gTLD investments for \$2.1M.

The decrease of the deferred revenues balance of \$62.1M corresponds to:

- (i) the amount of revenues recognized for the New gTLD program (\$59.0M),
- (ii) the refunds to New gTLD applicants (\$3.2M)
- (iii) partially offset by other \$0.2M.

Support and Revenue

Revenues for ICANN Ops were \$1.7M unfavorable to budget primarily due to lower Registry revenues due to the delay of New gTLDs delegated into the root offset by the timing of the non-contracted contribution from the ccTLDs for fiscal year 2013. Revenues for New gTLD program were \$31.4M unfavorable to budget primarily due to lower costs incurred in the first nine months of FY14, resulting in lower revenues recognized for the period.

Operating Expenses

Personnel costs for ICANN Ops were \$0.7M favorable to budget primarily due to delayed hires partially offset by unbudgeted positions. Personnel costs for the New gTLD program were \$1.9M favorable to budget primarily due to delayed hires.

Travel and Meetings costs for ICANN Ops were \$1.3M unfavorable to budget primarily due to higher than budgeted travel rates across the organization and unbudgeted travel primarily related to Internet Governance, partially offset by GDD Operations travel not taken due to delayed hiring and less travel than budgeted in Governmental Engagement in Q1/ Q2.

Professional Services costs for ICANN Ops were \$2.6M favorable to budget primarily due to over spend and the timing of Strategy Panels costs, security projects, IDN Variant projects, and signing of EBERO contracts. Professional Services costs for the New gTLD Program were \$18.5M favorable to budget due to lower costs incurred for Initial and Extended Evaluation and delayed Pre-delegation testing and contracting.

Administrative costs for ICANN Ops were \$0.4M favorable to budget primarily due to timing of sponsorships and IT costs, partially offset by unbudgeted rent and facilities costs. Administrative costs for the New gTLD Program were relatively flat to budget.

Bad debt expenses were \$0.1M unfavorable to budget due to the timing of the accrual.

Depreciation costs were \$0.7M unfavorable to budget primarily due to asset write-offs following office shut down.

Other Income /Expense

Investment Income was \$5.6M and \$1.7M favorable to budget for ICANN Ops and the New gTLD Program, respectively.

**Statement of Activity
FY14 Budget by Quarter
US dollars, in thousands**

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

*Includes Community Support Requests

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

Statement of Activity
FY14 Actuals by Quarter
For the Nine Months Ending March 31, 2014
US dollars, in thousands

	Quarter 1			Quarter 2			Quarter 3			Year to Date		
	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total
Support and Revenue												
Registry	\$10,499	\$0	10,499	\$9,890	\$0	9,890	\$10,663	\$0	10,663	\$31,052	\$0	31,052
Registrar	8,554	0	8,554	8,449	0	8,449	8,305	0	8,305	25,308	0	25,308
R.I.R.	206	0	206	206	0	206	206	0	206	617	0	617
ccTLD	1,137	0	1,137	244	0	244	(102)	0	(102)	1,279	0	1,279
ccTLD IDN	0	0	0	0	0	0	0	0	0	0	0	0
Contributions & Other Income	372	3	375	268	(0)	268	320	(0)	320	960	3	963
New gTLD Application Fees	0	25,731	25,731	0	19,725	19,725	0	13,573	13,573	0	59,029	59,029
Total Support and Revenue	20,767	25,735	46,502	19,056	19,725	38,782	19,393	13,572	32,965	59,216	59,032	118,249
Expenses												
Personnel	8,001	2,238	10,239	8,102	2,051	10,152	9,493	2,105	11,598	25,596	6,394	31,989
Travel & Meetings*	3,672	493	4,165	4,124	493	4,617	5,212	416	5,627	13,008	1,402	14,410
Professional Services	3,493	10,858	14,351	5,122	5,230	10,352	5,205	3,061	8,266	13,820	19,149	32,969
Administration	2,174	747	2,921	3,164	933	4,097	3,077	960	4,036	8,415	2,640	11,055
Bad Debt Expenses	209	0	209	191	0	191	75	0	75	474	0	474
Depreciation Expenses	736	0	736	882	0	882	979	0	979	2,597	0	2,597
Total Expenses	18,286	14,335	32,621	21,584	8,707	30,291	24,040	6,542	30,581	63,910	29,584	93,494
Contingency	0	0	0	250	0	250	47	0	47	297	0	297
Interest - General	0	0	0	0	0	0	0	0	0	0	0	0
FX Translation (Gain) / Loss	34	39	73	14	1	15	14	1	15	62	41	103
Investment (Income)/ Loss	(2,393)	(982)	(3,375)	(1,352)	(689)	(2,040)	(1,787)	(376)	(2,162)	(5,531)	(2,046)	(7,577)
Total Other (Income)/Expense	(2,359)	(943)	(3,302)	(1,088)	(688)	(1,776)	(1,726)	(375)	(2,100)	(5,172)	(2,005)	(7,178)
Change in Net Assets Before Historical Costs and Reserves	4,840	12,342	17,183	(1,440)	11,706	10,266	(2,921)	7,405	4,484	479	31,453	31,932
Support	0	0	0	0	0	0	0	0	0	0	0	0
Hist. Development Costs/ (Reimbursement)	(3,739)	3,739	0	(1,903)	1,903	0	(1,326)	1,326	0	(6,968)	6,968	0
Risk Costs	2	0	2	(2)	0	(2)	0	194	194	0	194	194
Exceptional Items**	0	0	0	0	0	0	0	0	0	0	0	0
Change In Net Assets	\$8,578	\$8,603	\$17,181	\$465	\$9,803	\$10,267	(\$1,595)	\$5,885	\$4,290	\$7,447	\$24,291	\$31,738

*Includes Community Support Requests

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

ICANN
Statement of Activity
Actual vs. Budget
For the Nine Months Ending March 31, 2014
US dollars, in thousands

	FY 14 Actuals			FY 14 Budget			Variance			
	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	ICANN Ops	NgTLD	Total	%
Total Support and Revenue	59,216	59,032	118,249	60,918	90,419	151,336	(1,701)	(31,386)	(33,088)	(21.9%)
Expenses										
Personnel	25,596	6,394	31,989	26,312	8,296	34,608	716	1,903	2,619	7.6%
Travel & Meetings	13,008	1,402	14,410	11,700	1,284	12,985	(1,307)	(117)	(1,425)	(11.0%)
Professional Services	13,820	19,149	32,969	16,438	37,611	54,049	2,619	18,462	21,081	39.0%
Administration	8,415	2,640	11,055	8,820	2,714	11,534	404	74	479	4.1%
Bad Debt Expenses	474	0	474	360	0	360	(114)	0	(114)	(31.7%)
Depreciation Expenses	2,597	0	2,597	1,863	0	1,863	(734)	0	(734)	(39.4%)
Total Expenses	63,910	29,584	93,494	65,493	49,906	115,399	1,583	20,321	21,905	19.0%
Contingency	297	0	297	2,775	0	2,775	2,478	0	2,478	89.3%
Interest - General	0	0	0	0	0	0	0	0	0	0.0%
FX Translation (Gain) / Loss	62	41	103	0	0	0	(62)	(41)	(103)	0.0%
Investment (Income)/ Loss	(5,531)	(2,046)	(7,577)	0	(376)	(376)	5,531	1,671	7,202	(1917.9%)
Total Other (Income)/Expense	(5,172)	(2,005)	(7,178)	2,775	(376)	2,399	7,947	1,630	9,577	399.1%
Change in Net Assets Before Historical Costs and Reserves	479	31,453	31,932	(7,350)	40,888	33,538	7,830	(9,435)	(1,606)	(4.8%)
Hist. Development Costs/ (Reimbursement)	(6,968)	6,968	0	(9,426)	9,426	(0)	(2,458)	2,458	(0)	100.0%
Risk Costs	0	194	194	0	0	0	0	(194)	(194)	0.0%
Change In Net Assets	\$7,447	\$24,291	\$31,738	\$2,075	\$31,462	\$33,538	\$5,372	(\$7,172)	(\$1,800)	(5.4%)

*Includes Community Support Requests

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

ICANN
Statement of Position
As of March 31, 2014
US dollars, in thousands

	03/31/14			06/30/13			Increase/ (Decrease)			Notes
	ICANN	New gTLD	Total	ICANN	New gTLD	Total	ICANN	New gTLD	Total	
ASSETS										
Cash & Cash Equivalents	\$22,994	\$5,328	\$28,322	\$17,340	\$47,547	\$64,887	\$5,654	(\$42,219)	(\$36,565)	(1)
Investments	82,255	209,235	291,490	55,685	239,189	294,874	26,570	(29,954)	(3,384)	(2)
Funds Under Management	105,248	214,563	319,811	73,025	286,736	359,761	32,223	(72,173)	(39,949)	
Receivables	19,977	2,715	22,692	22,866	1,290	24,156	(2,888)	1,425	(1,463)	
Prepaid Expenses	713	(1,397)	(684)	927	1,397	2,323	(214)	(2,793)	(3,007)	
Plant, Property & Equip - Net	13,977	0	13,977	8,518	0	8,518	5,459	0	5,459	
Other Assets	4,852	(2,109)	2,742	33,296	(30,880)	2,416	(28,445)	28,770	326	
TOTAL ASSETS	\$144,767	\$213,772	\$358,539	\$138,631	\$258,543	\$397,174	\$6,136	(\$44,771)	(\$38,635)	
LIABILITIES AND NET ASSETS										
Payables	7,917	7,471	15,388	10,855	13,320	24,175	(2,938)	(5,849)	(8,787)	(3)
Deferred Income	14,233	127,290	141,523	13,090	190,503	203,594	1,143	(63,213)	(62,071)	(4)
Other Liabilities	1,158	0	1,158	674	0	674	484	0	484	
TOTAL LIABILITIES	23,308	134,761	158,070	24,620	203,824	228,443	(1,312)	(69,062)	(70,374)	
UNRESTRICTED/RESTRICTED ASSETS	114,012	54,719	168,731	114,012	54,719	168,731	0	0	0	
CURRENT YEAR CHANGE IN NET ASSETS	7,447	24,291	31,738	0	0	0	7,447	24,291	31,738	
TOTAL NET ASSETS	121,459	79,010	200,469	114,012	54,719	168,731	7,447	24,291	31,738	
TOTAL LIABILITIES & NET ASSETS	\$144,767	\$213,772	\$358,539	\$138,631	\$258,543	\$397,174	\$6,137	(\$44,772)	(\$38,635)	

Note (1):

ICANN Operations cash increased \$5.7M as a result of the repayments received from the New gTLD program of \$21.9M of Historical Development costs (\$21.0M transferred to the Reserve Fund) and \$31.3M of accumulated direct and allocated costs incurred on behalf of the program offset by the net impact of cash received from contracted parties and paid to employees/ vendors of \$26.5M, \$17.4M of which was on behalf of the New gTLD Program.

New gTLD cash decreased mainly as a result of: 1) the repayment of \$21.9M of Historical Development costs and \$31.3M of accumulated direct allocated costs incurred on behalf of the program; and 2) \$21.1M for refunds to applicants and disbursements to vendors offset by 3) a \$32.0M transfer from New gTLD investments to the cash account for disbursement purposes .

Note (2):

The ICANN investment (Reserve Fund) increased as a result of the contribution of the \$21.0M repayment received from the New gTLD program for Historical Development costs and unrealized gains of \$5.5M during the period.

The New gTLD investments decreased mainly as a result of an \$32.0M transfer to the New gTLD cash account for disbursement purposes offset by unrealized gains of \$2.0M during the period.

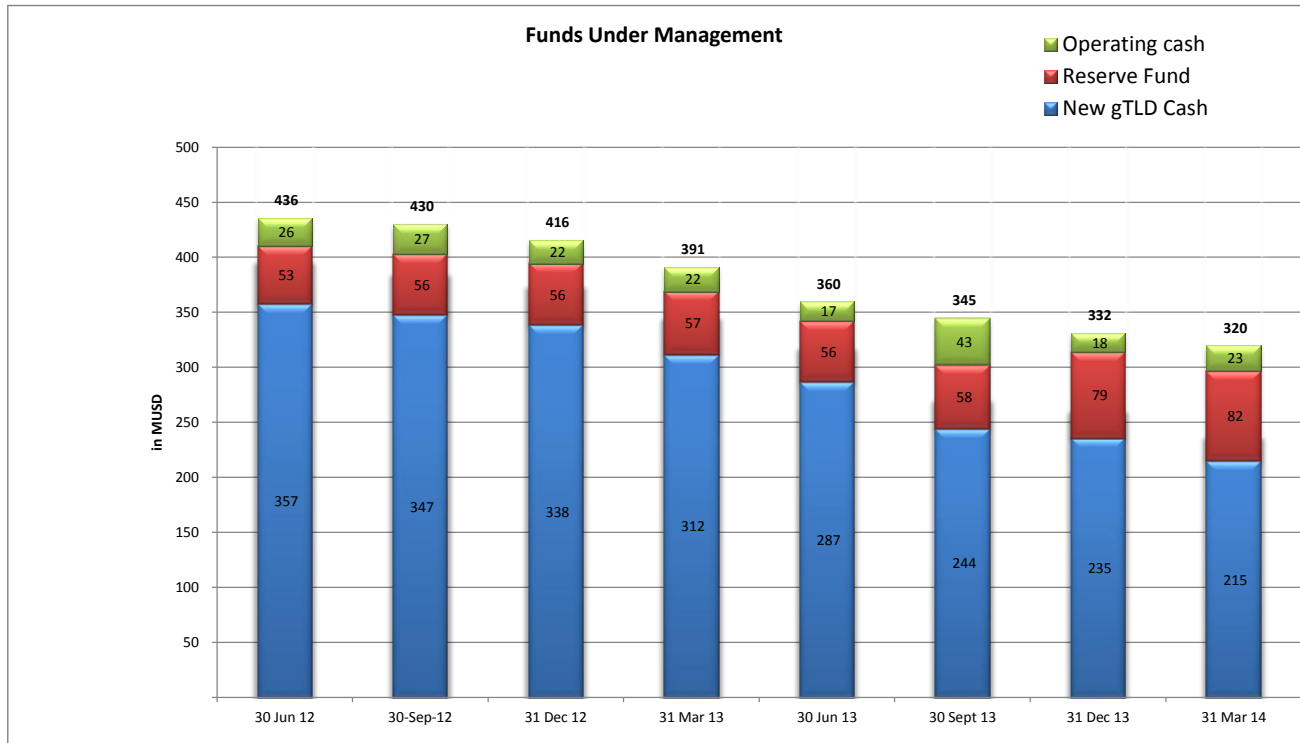
Note (3):

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

Note (4):

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

**ICANN
Funds Under Management
As of March 31, 2014
US dollars, in millions**



ICANN
Cash Flows Synopsis
For the Nine Months Ending March 31, 2014
US dollars, in thousands

	ICANN Ops	NgTLD	Total
Funds Under Management at Beginning of Period	\$73,025	\$286,736	\$359,761
Collected/ (refunded) from contributors/parties	62,849	(3,207)	59,642
Paid to vendors	(49,698)	(17,865)	(67,563)
Paid to employees	(30,774)	0	(30,774)
Reimbursement of payments to vendors and employees above, from New gTLD to ICANN Ops:			
Payments to vendors	4,513	(4,513)	0
NgTLD team costs (Paid to employees)	13,256	(13,256)	0
Overhead Allocations (Paid to vendors and employees)	13,551	(13,551)	0
Historical Development Costs	21,827	(21,827)	0
Capital expenditures	(8,833)	0	(8,833)
Change in investment value	5,531	2,046	7,577
Funds Under Management at End of Period	\$105,248	\$214,562	\$319,811

**ICANN
Operating Fund and New gTLD Cash
US dollars, in thousands**

ICANN Ops	As of Friday 6/28/2013	As of Friday 9/27/2013	As of Friday 12/27/2013	As of Friday 3/28/2014
Total	\$18,508	\$42,431	\$17,872	\$23,982
HSBC	15,917	42,425	17,872	23,982
Union Bank	2,473	-	-	-
NAB	117	6	-	-

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

New gTLD	As of Friday 6/28/2013	As of Friday 9/27/2013	As of Friday 12/27/2013	As of Friday 3/28/2014
Total	\$286,768	\$244,279	\$234,978	\$214,746
HSBC	47,579	15,108	5,119	5,511
Investments	239,189	229,171	229,859	209,235

**ICANN
Reserve Fund
As of March 31, 2014
US dollars, in millions**

Reserve Fund Activity	
Contributions	
Nov-07	25.0
Aug-08	8.0
Sep-09	11.0
Oct-13	19.1
Feb-14	<u>1.9</u>
Total Contributions	65.0
Balance at Beginning of Fiscal Year (01-Jul-2013)	55.7
Prior Fiscal Quarter Balance (31-Dec-2013)	78.6
Current Fiscal Quarter Balance (31-Mar-2013)	82.3

Notes:

Historical default = 12 months of operating expenses.

ICANN
New gTLD Financial Summary
As of March 31, 2014
US dollars, in thousands

	Program to date	Full Program		Program Balance	
	Actual (Mar 2014)	Current Estimate (Jan 2014)	Prior Estimate (June 2013)	Actual vs Current Estimate	Actual vs Prior Estimate
Fees					
Application Fees	(\$361,034) ⁽¹⁾	(\$361,034)	(\$359,554)	\$0	(\$1,480)
Other Fees	(2,098) ⁽²⁾	(138)	(3,788)	(1,960)	1,690
Total Fees	(363,132)	(361,172)	(363,342)	(1,960)	210
Refunds					
Withdrawal (Pre-reveal/Overpayment)	1,194	5,346	5,736	4,152	4,542
Withdrawal (@ 80%)	444	444	444	-	-
Withdrawal (@ 70%)	13,260	13,650	13,650	390	390
Withdrawal (@ 35%)	2,470	28,600	25,350	26,130	22,880
Withdrawal (@ 20%)	111	2,960	6,845	2,849	6,734
Total Refunds	17,479	51,000	52,025	33,521	34,546
Funds Net of Refunds	(345,652)	(310,172)	(311,317)		
Revenue					
Recognized Revenue	(204,947)	(310,172)	(303,741)		
Deferred Revenue	(140,705)	-	-		
Total Revenue	(345,652)	(310,172)	(303,741)	(35,480)	(41,911)
Expenses					
Evaluation Processing Costs	91,852	119,432	130,458	27,580	38,606
Overhead	20,288	35,263	41,371	14,976	21,083
NgTLD Team	5,282	11,554	12,415	6,272	7,133
ICANN Staff Allocation	14,341	22,416	22,769	8,075	8,428
Other Overhead	665	1,294	6,187	629	5,522
Total Operating Expenses	112,140	154,696	171,829	42,556	59,689
Historical Development Costs	22,365	32,454	32,454	10,089	10,089
Total Expenses	134,504	187,150	204,283	52,646	69,778
Net Remaining Funds	(\$211,148)	(\$123,022)	(\$107,035)	(\$88,126)	(\$104,114)
Remaining Funds	(211,148)	(123,022)	(107,035)	(88,126)	(104,114)
Risk Costs	1,957 ⁽³⁾	1,811	1,179		
Risk Reserve	108,143	108,289	108,921		
Net Remaining Funds	(101,048)	(12,922)	3,065	(88,126)	(104,114)

⁽¹⁾ Includes overpayments. There are also 8 applicants that have not paid any application fees.

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

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

ICANN
New gTLD Historical Development Costs
As of March 31, 2014
US dollars, in thousands

	Accrued	Transferred/ Paid
FY13 Actual	\$15,396	\$0
Q1 FY14 Actual	3,739	16,750
Q2 FY14 Actual	1,903	-
Q3 FY14 Actual	1,326	2,692
Q4 FY14 Forecast	(1,343)	
FY14 Total	<u>5,625</u>	<u>19,442</u>
FY14 (Program to date)	<u>21,022</u>	<u>19,442</u>
Q1 FY15 Forecast	1,298	
Q2 FY15 Forecast	1,391	
Q3 FY15 Forecast	1,460	
Q4 FY15 Forecast	1,688	
FY15 Total	<u>5,837</u>	
FY15 (Program to date)	<u>\$26,858</u>	<u>\$19,442</u>
Q1 FY16 Forecast	1,095	
Q2 FY16 Forecast	986	
Q3 FY16 Forecast	904	
Q4 FY16 Forecast	836	
FY16 Total	<u>3,821</u>	
FY16 (Program to date)	<u>\$30,679</u>	<u>\$19,442</u>
Q1 FY17 Forecast	535	
Q2 FY17 Forecast	537	
Q3 FY17 Forecast	356	
Q4 FY17 Forecast	347	
FY17 Total	<u>1,775</u>	
FY17 (Program to date)	<u>\$32,454</u>	<u>\$19,442</u>

NOTE: Forecast referenced above, as of April 2014.