

ICANN FY23 Quarterly Management Financials – Twelve Months Ending June 2023 (Unaudited)



Published August 2023

Background

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

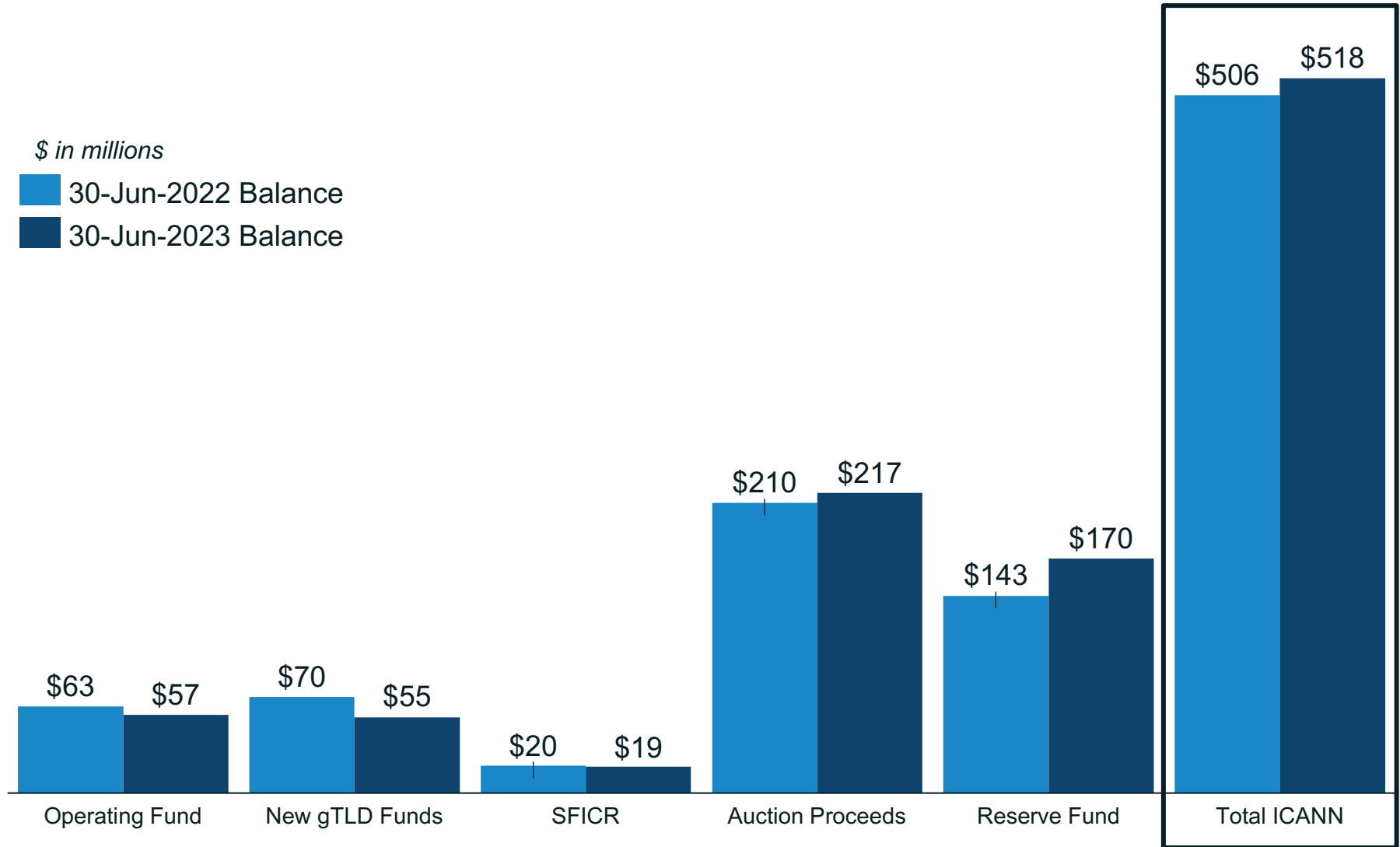
Total ICANN

Consists of ICANN Operations (including IANA), the New gTLD Program 2012 Round and Next Round, Review Prioritization Implementation, and the Grant Program, as well as ICANN's funds under management

Total ICANN – Funds Under Management (as of Jun 2023)

\$ in millions

30-Jun-2022 Balance
30-Jun-2023 Balance



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

Total ICANN – Financial Overview (Jul 22 – Jun 23)

ICANN Cash Flow		Segment Reporting for the Twelve Months Ending 30 Jun 2023					
In Millions, US dollars	ICANN Operations	New gTLD Program		SFICR Projects	Grant Program	Reserve Fund	Total
		2012 Round	Next Round				
Funds Under Management - 30 Jun 2022	62.8	62.3	7.3	20.0	210.3	142.9	505.6
Funding	150.0	(0.0)	-	-	-	-	149.9
Expenses	(142.0)	(5.6)	(11.3)	(1.6)	(0.5)	-	(161.0)
Board-Approved Transfers	(19.0)	(9.0)	9.0	-	-	19.0	-
Investment Income/(Declines)	1.1	2.2	-	0.7	7.0	8.1	19.1
Funds Under Management - 30 Jun 2023	56.5	50.0	5.1	19.1	217.3	170.0	517.8
End of Period FTEs	402	3	26	9	2	-	442
Total Average FTEs	399	3	18	6	1	-	427

- The table above is a financial summary of the segments of Total ICANN, each with its own source of funds, and the Reserve Fund.
- This information reflects Full Year financials, corresponding to twelve months beginning 1 July 2022 and ending 30 June 2023.
- Funds under management increased US\$12 million since the beginning of the fiscal year due to investment income and net excess, partially offset by segment operating expenses.

ICANN Operations

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

ICANN Operations – Financial Overview (Jul 22 – Jun 23)

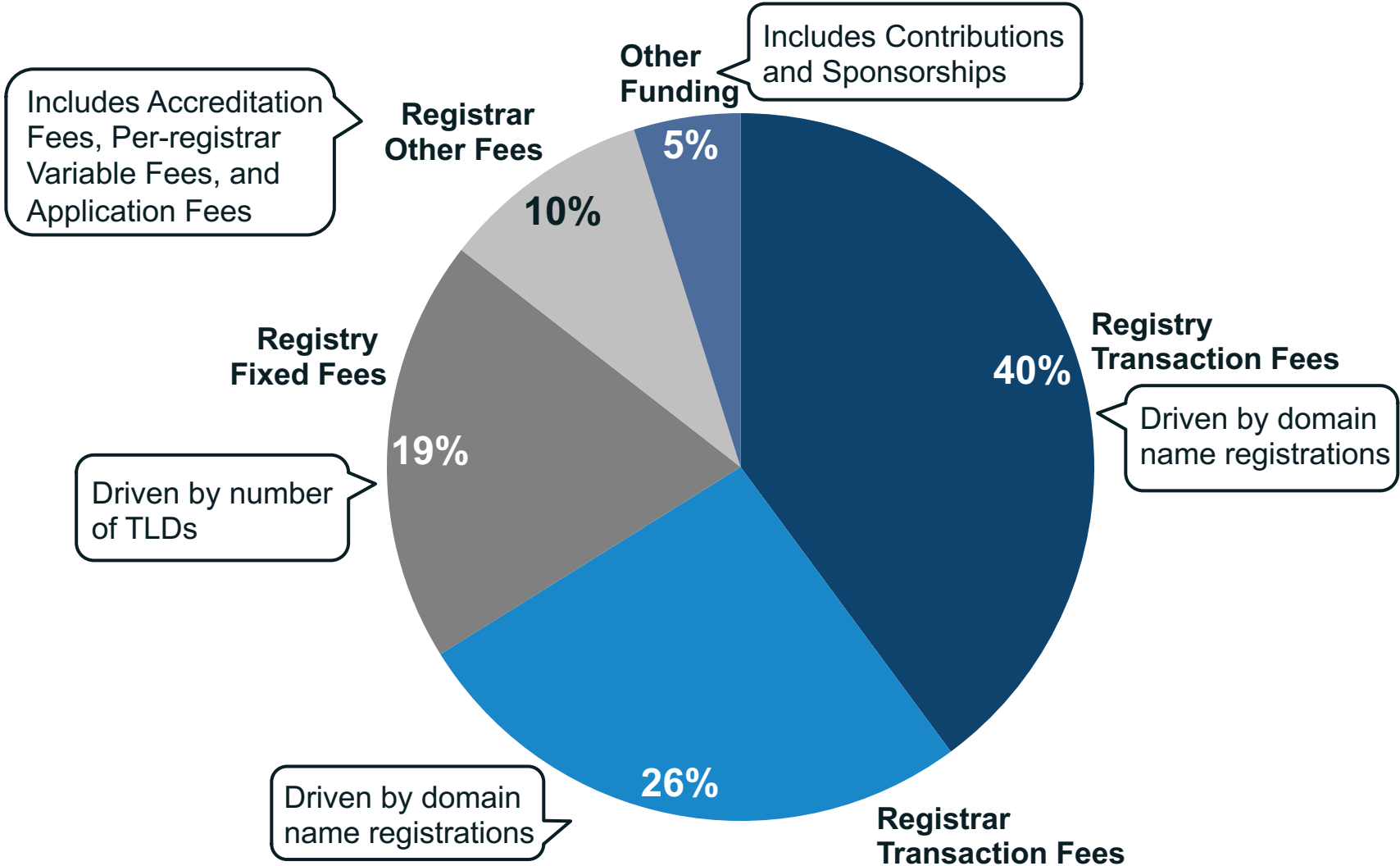
The statement of activity below provides a summary of ICANN Operations' Full Year financials, corresponding to twelve months beginning 1 July 2022 and ending 30 Jun 2023.

Where relevant, comparative information pertaining to the prior year (FY22) is provided, corresponding to twelve months beginning 1 July 2021 and ending 30 June 2022.

ICANN Operations	FY23 Actual	FY23 Budget	Var	% Var	FY22 Actual	Var
Funding	\$150	\$152	-\$2	-1%	\$150	\$0
Expenses	\$142	\$152	\$10	7%	\$125	(\$17)
Net Operating Excess/(Deficit)	\$8	\$0	\$8	n/a	\$24	(\$16)
End of Period Full-Time Equivalents	402	424	22	5%	409	7
Average Full-Time Equivalents	399	404	5	1%	394	(5)

ICANN Operations – Funding by Category (Jul 22 – Jun 23)

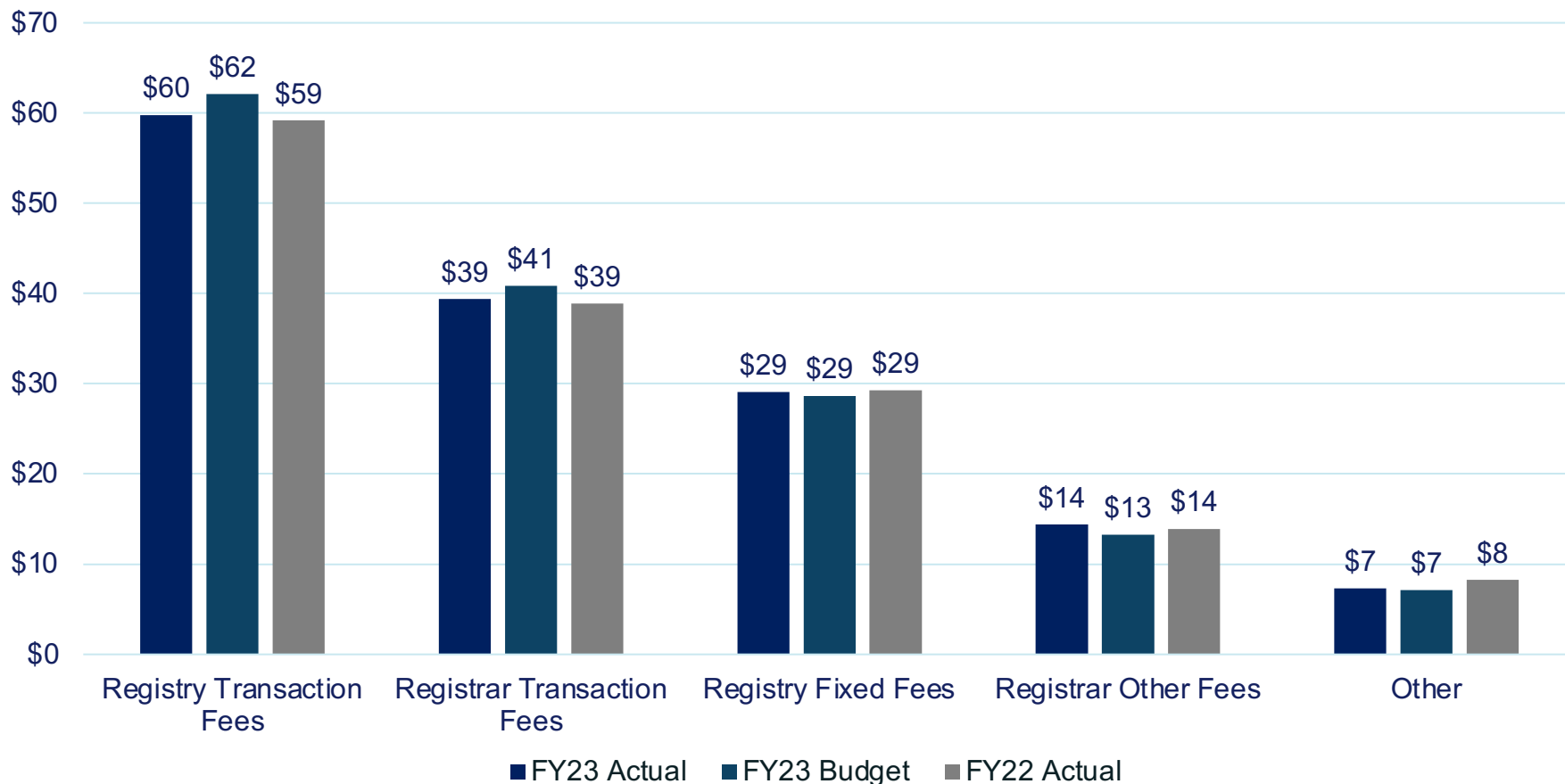
FY23 Full Year Funding- \$150M



ICANN Operations – Funding vs Budget and Prior Year

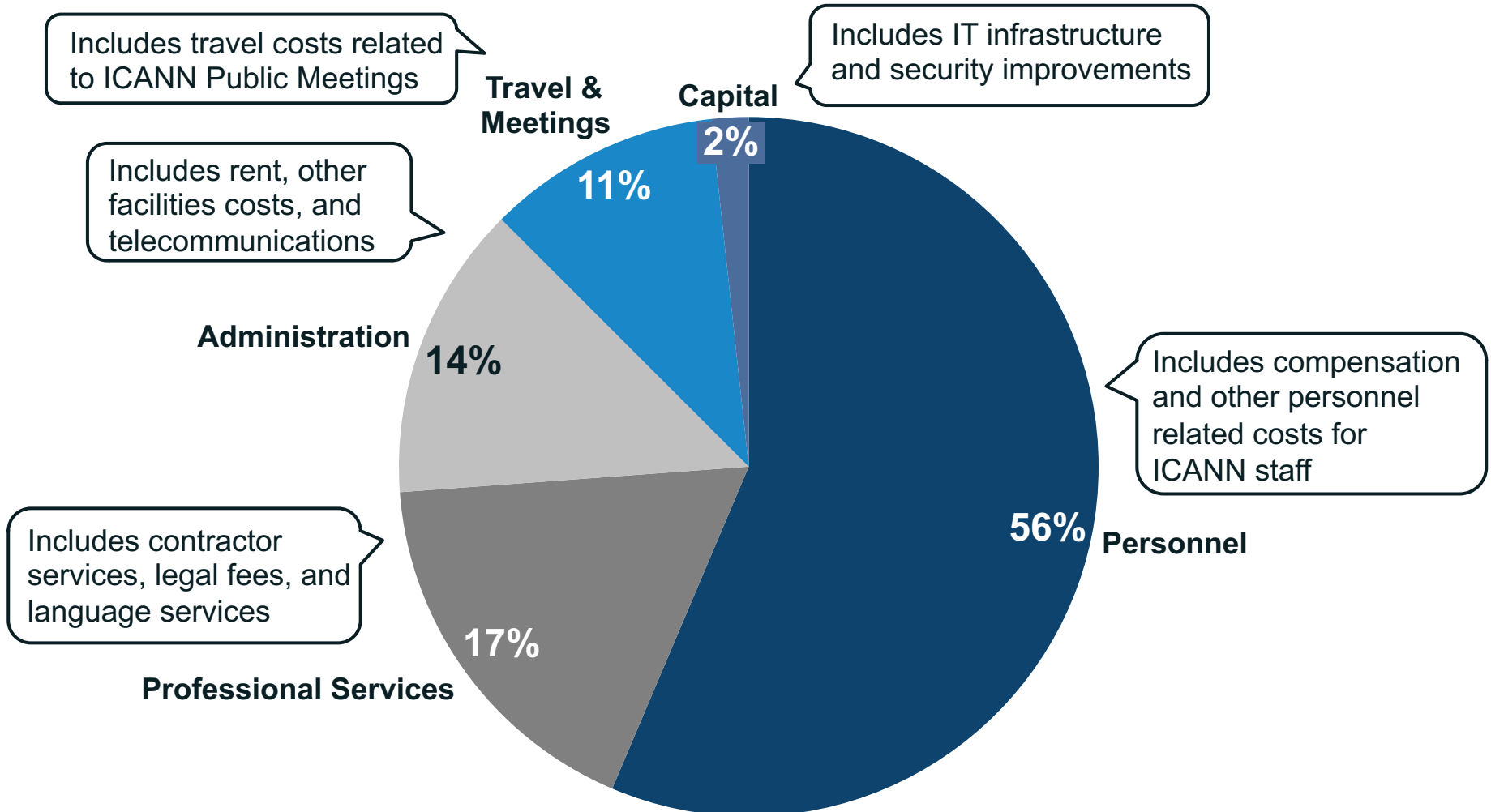
- Through 30 Jun 2023, funding is lower than FY23 Budget driven by lower than planned transaction fees

FY23 Actual: \$ 150M
FY23 Budget: \$ 152M
FY22 Actual: \$ 150M



ICANN Operations – Expenses by Category (Jul 22 – Jun 23)

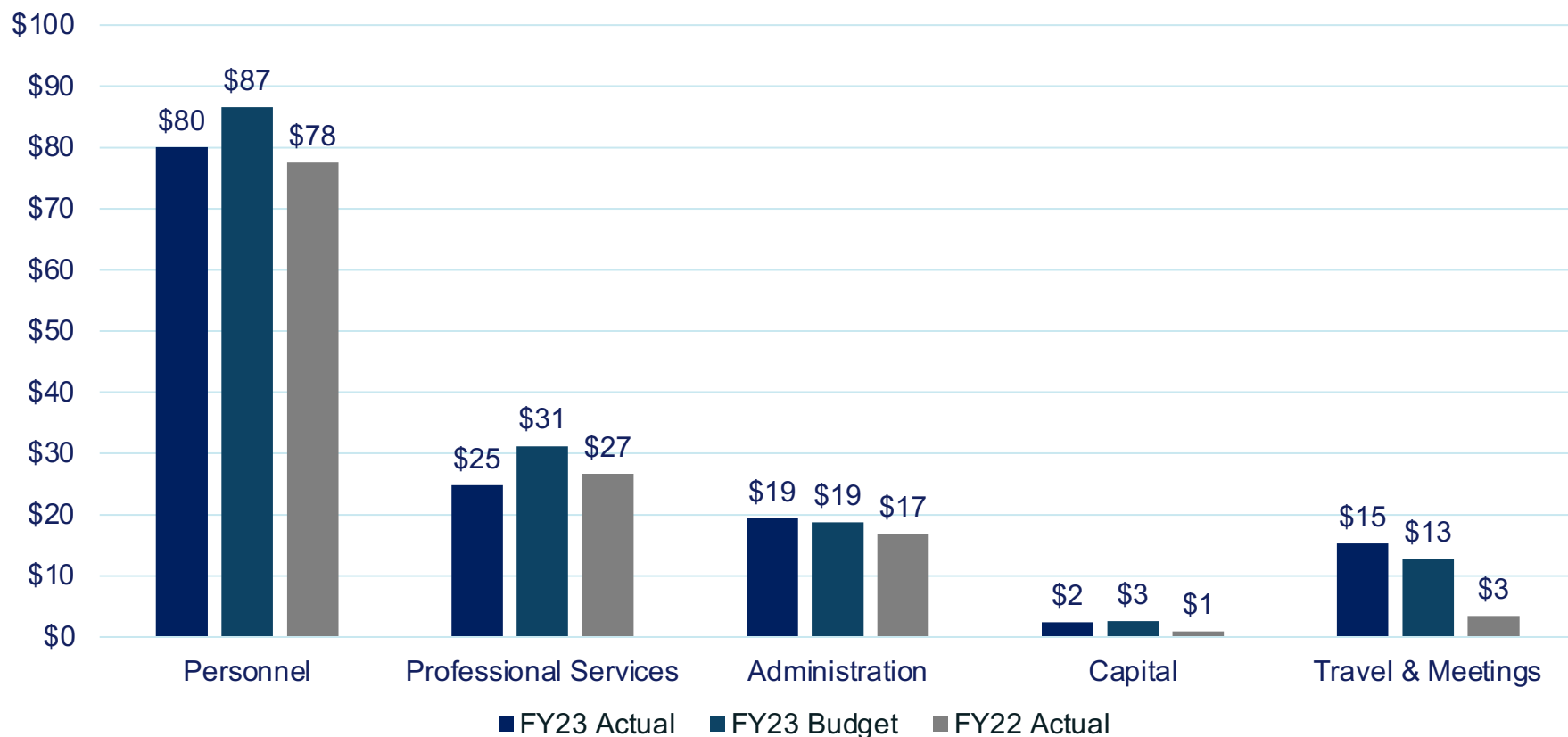
FY23 Full Year Expenses- \$142M



ICANN Operations – Expenses vs Budget and Prior Year

- Through 30 June 2023, expenses are lower than FY23 Budget driven by lower than planned professional services and personnel costs

FY23 Actual: \$ 142M
FY23 Budget: \$ 152M
FY22 Actual: \$ 125M



New gTLD Program 2012 Round

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

New gTLD 2012 Round – Multiyear Forecast (as of 30 Jun 2023)

Application Fees Collected: \$361M

- Projected Refunds: \$53M

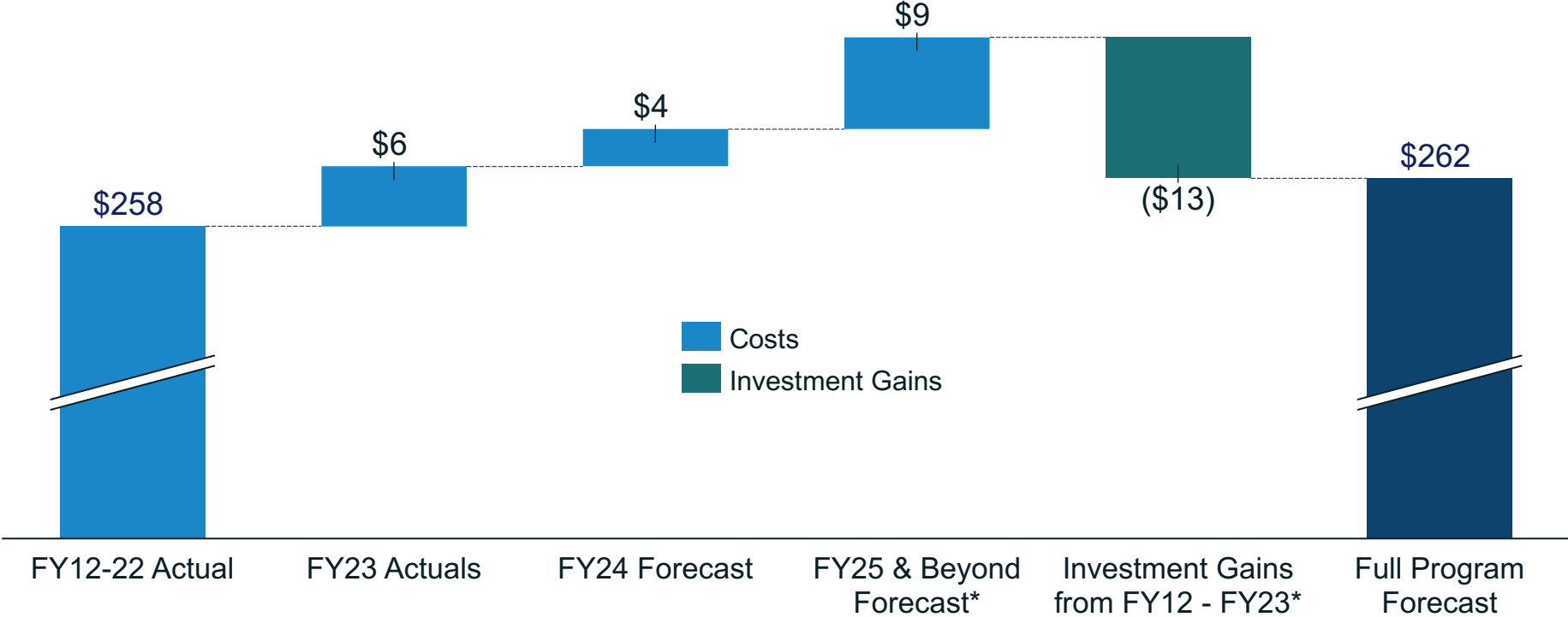
Applicant Fees Net of Refunds: \$308M

- Projected Program Costs: \$275M

+ Investment Gains from FY12 - FY23*: \$13M

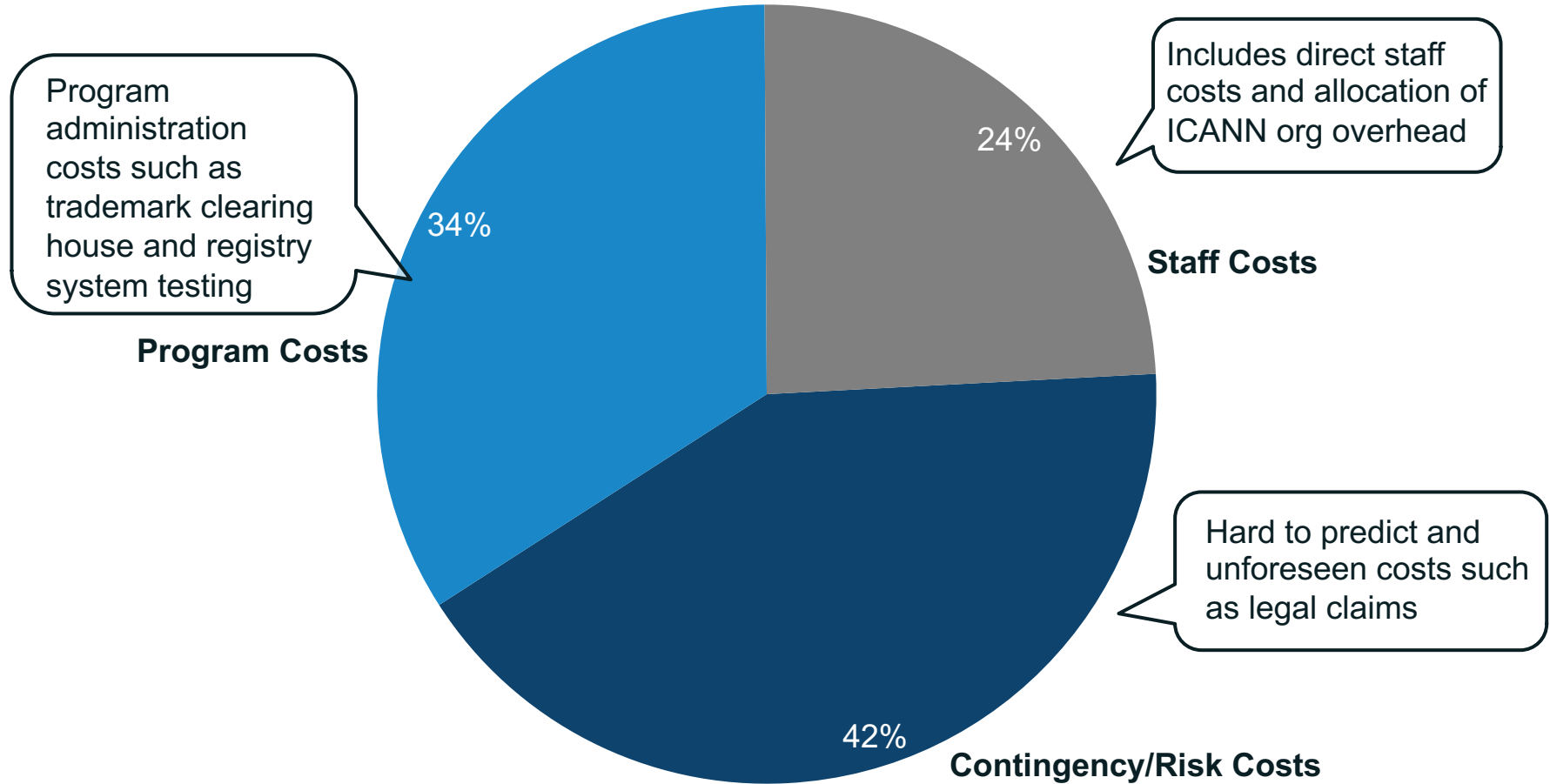
Projected Remaining Funds: \$46M

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



New gTLD 2012 Round – FY23 Expenses (Jul 22 – Jun 23)

FY23 Full Year Expenses- \$6M



New gTLD Next Round: Operational Design Phase (ODP) and Implementation

New gTLD Program Next Round Financials

- In December 2022, the ICANN org published its Operational Design Assessment (ODA) report to the ICANN Board for consideration in adopting the Final Report Outputs.
- On 16 March 2023, the ICANN Board-approved US\$9 million to cover implementation costs through 31 October 2023.
- ICANN org delivered a comprehensive implementation plan to the Board on 01 August 2023.
- The funding to pay for New gTLD Program Next Round development costs before program launch, including those of the ODP, will come from the New gTLD Program 2012 Round remaining application fees and available SFICR funds.

New gTLD Program - Next Round (USD in millions)	Approved ODP Funding (January 2022 through March 2023)	Approved Implementation Funding (April 2023 through October 2023)	Total Approved Funding (January 2022 through October 2023)
Personnel	\$5.8	\$4.9	\$10.7
Travel	\$0.4	\$0.3	\$0.7
Prof Svcs	\$2.1	\$2.2	\$4.3
Admin	\$0.7	\$0.6	\$1.3
Total	\$9.0	\$8.0	\$17.0
Contingency		\$1.0	\$1.0
Total Expenses	\$9.0	\$9.0	\$18.0
FTE Equivalent	15.9	26.3	19.2

Next Round – Expenses (Jan 22 – Jun 23)

- Expenses consisted primarily of personnel expenses for staff time efforts, external vendor support, and shared services for ICANN org support allocations

New gTLD Next Round - ODP & Preparatory Work	Actuals (January 2022 - March 2023)	
	Staff and Contractor FTE (avg)	Total Expenses*
Project Governance	3.3	\$1,111
Policy Development and Implementation Materials	2.8	\$659
Operational Readiness	0.9	\$378
Systems and Tools	2.3	\$651
Vendors	0.4	\$180
Communications and Outreach	1.5	\$649
Resources, Staffing, and Logistics	1.5	\$394
Finance	1.1	\$252
Overarching	2.1	\$494
Shared Services and Org Support**	0.0	\$4,232
Total	15.9	\$9,000

New gTLD Next Round - Implementation	FY23 Actuals April - June 2023	
	Staff and Contractor FTE (avg)	Total Expenses*
Policy Implementation	4.9	\$374
Program Design	5.1	\$371
Infrastructure Development	4.3	\$505
Operationalization	1.2	\$207
Overarching	9.7	\$922
RSP Program	0.5	\$30
Shared Services and Org Support**	0.0	\$1,604
Total	25.7	\$4,013

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

** Shared Services and Org Support is not a work track and represents allocated costs from ICANN org for general and administrative costs

Any arithmetic inconsistencies are due to rounding

Supplemental Fund for Implementation of Community Recommendations (SFICR)

The SFICR was created in FY21 to establish segregated resources to increase the capacity of the organization to address projects that are multi-year and focus on community recommendations that are approved by the Board but do not fit within the annual Budget. These projects are essential to ICANN organization and included within the org's strategic and operating plans.

Prioritized Review Recommendations (Jul 22 – Jun 23)

- In February 2022, ICANN org’s Planning team developed a planning prioritization framework to help the ICANN ecosystem prioritize its work within the planning cycle in a manner that is transparent, inclusive, and efficient
- ICANN org has identified 45 Board-approved recommendations that can be implemented in the next year with incremental funding outside of the annual plan and operating budget
- In November 2022, the ICANN Board resolved to use US\$5.8 million from the SFICR to fund one-time implementation efforts for Board-approved prioritized review implementations
- After implementation, all ongoing expenses of the identified recommendations will be part of the ICANN ongoing operations budget

Prioritized Reviews (July 2022 - Jun 2023)	% Complete	Personnel \$	Shared Services Support	Total \$
Accountability and Transparency Review 3 (ATRT3)	27%	\$330	\$158	\$488
Competition, Consumer Trust, and Consumer Choice (CCT)	35%	\$440	\$210	\$650
Security, Stability and Resiliency (SSR2)	17%	\$48	\$23	\$71
Registration Directory Service (formerly WHOIS)	45%	\$52	\$25	\$78
Grand Totals	30%	\$871	\$416	\$1,287

Grant Program

The ICANN Grant Program is based on the recommendations from the Cross-Community Working Group on New gTLD Auction Proceeds. The community's recommendations were adopted by the ICANN Board in its 12 June 2022 resolutions. ICANN org presented the Preliminary Design and Implementation Plan to the Board in October 2022 and is in the process of implementation..

The Grant Program will distribute the proceeds from auctions of last resort in the New gTLD Program 2012 Round. The program will be open to applications that are supportive of ICANN's mission.

Grant Program (Jul 22 – Jun 23)

- Applications will be accepted and processed in cycles. Up to US\$10M is projected to be distributed in the first cycle.
- One-time implementation costs include creating the Grant Program department, applicant helpdesk, program website, program literature and documentation.
- The recurring program operational costs include ICANN staff, awareness and outreach communication campaigns, and outsourced services for an independent evaluation panel.
- The program implementation costs will be incurred primarily in FY23 and the beginning of FY24, and the operational costs will be incurred during FY24 and finishing in early FY25.

Grant Program USD in Thousands	FY23 Actuals
Personnel	\$272
T&M	\$18
Prof Svcs	\$77
Admin	\$0
Shared Services Support	\$109
Total	\$476
# of Hours	2,340
FTE Equivalent	1.3

*** Shared Services Support represents allocated costs from ICANN org for general and administrative costs.*

Any arithmetic inconsistencies are due to rounding

Appendix

Supplemental Financials

ICANN77 – Expense by Category

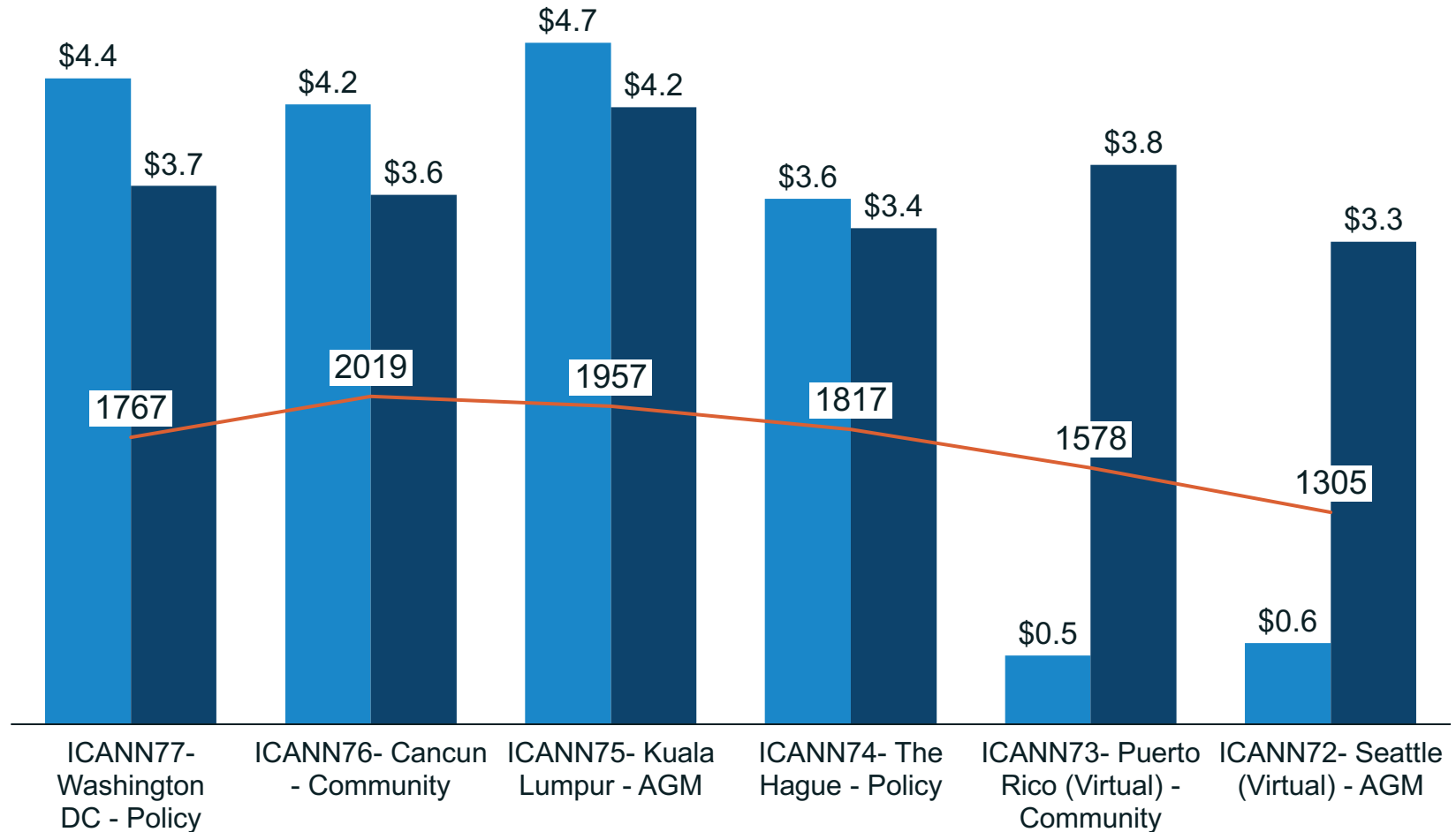
ICANN77 Washington DC	Actual	Budget	(Higher)/ Lower
Airfare	0.7	1.0	0.3
Hotel & Meeting Space	1.3	1.1	(0.2)
Audio/Visual	0.7	0.7	0.1
Catering	0.8	0.3	(0.6)
Language Services	0.7	0.6	(0.1)
Other	0.2	0.0	(0.2)
Total Expenses	4.4	3.7	(0.7)

ICANN77 took place in June 2023 in Washington DC. Overall, the meeting was (\$0.7M) higher than planned driven by:

- Catering (\$0.6M) higher than planned due to higher rates than budgeted.
- Hotels (\$0.2M) higher than planned due to higher rates and more travelers than budgeted.
- Other (\$0.2M) higher than planned due to Per Diem/Stipends not budgeted.
 - Partially offset by Airfare \$0.3M lower than planned due to lower rates than budgeted.

ICANN Meeting Trends

Actual Budget Attendance



FY23 Statement of Position (as of 30 Jun 2022)

USD in millions Unaudited	30 Jun 2023				30 Jun 2022				Increase/ (Decrease)			
	ICANN	New gTLD 2012	New gTLD Sub Pro	Total	ICANN	New gTLD 2012	New gTLD Sub Pro	Total	ICANN Ops	New gTLD 2012	New gTLD Sub Pro	Total
ASSETS												
Total Cash & Cash Equivalents	75.5	0.5	0.0	76.1	82.8	1.2	0.0	84.0	(7.3)	(0.7)	0.0	(7.9)
Investments	170.0	271.8	0.0	441.8	142.9	278.6	0.0	421.5	27.1	(6.8)	0.0	20.2
Funds Under Management	245.5	272.3	0.0	517.8	225.7	279.8	0.0	505.6	19.8	(7.5)	0.0	12.3
Receivables	35.0	0.0	0.0	35.0	35.4	0.0	0.0	35.4	(0.4)	0.0	0.0	(0.4)
Prepaid Expenses	4.4	0.0	0.0	4.4	4.0	0.0	0.1	4.1	0.4	0.0	(0.0)	0.3
Plant, Property & Equipment - Net	9.8	0.0	0.0	9.8	11.2	0.0	0.0	11.2	(1.4)	0.0	0.0	(1.4)
Operating Lease ROU Asset	36.5	0.0	0.0	36.5								
Other Assets	3.4	11.7	(13.0)	2.2	3.9	0.1	(1.8)	2.2	(0.4)	11.7	(11.2)	0.0
TOTAL ASSETS	334.5	284.1	(12.9)	605.6	280.2	279.9	(1.7)	558.4	17.9	4.2	(11.3)	10.8
LIABILITIES AND NET ASSETS												
Accounts Payable & Accrued Liabilities	13.1	2.1	0.1	15.2	13.0	1.5	0.0	14.5	0.1	0.5	0.0	0.7
Operating Lease Liability	40.3	0.0	0.0	40.3	0.0	0.0	0.0	0.0	40.3	0.0	0.0	40.3
Deferred Funding	3.6	0.4	0.0	4.0	3.6	0.4	0.0	4.0	0.0	0.0	0.0	0.0
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL LIABILITIES	57.1	2.5	0.1	59.6	16.6	1.9	0.0	18.5	40.5	0.5	0.0	41.1
UNRESTRICTED/RESTRICTED ASSETS	263.6	278.0	(1.7)	539.9	270.0	285.8	0.0	555.8	(6.4)	(7.8)	(1.7)	(15.9)
CURRENT YEAR CHANGE IN NET ASSETS	13.9	3.6	(11.3)	6.2	(6.4)	(7.8)	(1.7)	(15.9)	20.3	11.4	(9.6)	22.1
TOTAL NET ASSETS	277.4	281.6	(13.0)	546.0	263.6	278.0	(1.7)	539.9	13.9	3.6	(11.3)	6.2
TOTAL LIABILITIES & NET ASSETS	334.5	284.1	(12.9)	605.6	280.2	279.9	(1.7)	558.4	54.3	4.2	(11.3)	47.2

FY23 Cash Flow Synopsis (as of 30 Jun 2022)

Cash Flow Statement Unaudited	FY23		
	ICANN Operations	New gTLD Program	Total
Operating Activities			
Change in net assets	13.9	(7.7)	6.2
<i>Adjustments to reconcile:</i>			
Depreciation expense	4.3	0.0	4.3
Bad debt expense	0.5	0.0	0.5
Investment gains	(9.1)	(9.2)	(18.3)
Reduction of operating lease right-of-use	3.4	0.0	3.4
Gain/Loss on Disposal of Asset	0.0	0.0	0.0
<i>Changes in operating assets and liabilities:</i>			
Accounts receivable	(0.1)	0.0	(0.1)
Prepaid expenses	(0.4)	0.0	(0.3)
Other assets	(0.0)	0.0	(0.0)
Right-of-use asset and lease liability	0.4	0.0	0.4
Accounts payable and accrued liabilities	0.2	0.5	0.6
Intercompany clearing	0.4	(0.4)	(0.0)
Deferred revenue	0.0	0.0	0.0
Total Cash from Operating Activities	13.6	(16.9)	(3.3)
Investing Activities			
Purchases of capital assets	(2.9)	0.0	(2.9)
Proceeds from sale of investments	1.1	16.2	17.2
Purchases of investments	(19.0)	0.0	(19.0)
Total Cash from Investing Activities	(20.8)	16.2	(4.6)
Net Change in Cash Flow	(7.3)	(0.7)	(7.9)
Cash and cash equivalents, beginning	82.8	1.2	84.0
Cash and cash equivalents, end of yea	75.5	0.5	76.1

New gTLD 2012 Round – Multiyear Details (as of 30 Jun 2023)

New gTLD Program 2012 Round	Statement of Activities by Fiscal Year					Statement of Activities for Full Program (June 2023) Current Estimate
	FY12 - FY20 Actual	FY21 Actual	FY22 Actuals	FY23 Actuals	FY24 & Beyond Forecast	
New gTLD Applicant Fees	360	0	(0)	-	1	361
Refunds	(52)	-	0	0	(1)	(53)
Applicant Fees (Net of Refunds)	\$ 308	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308
Initial and Extended Evaluation	(68)	-	-	-	-	(68)
Quality Control and Objection Processes	(11)	-	-	-	-	(11)
Pre-delegation	(12)	-	-	-	-	(12)
Program Costs	(38)	(2)	(1)	(1)	(10)	(52)
Staff Costs	(56)	(1)	(2)	(2)	(2)	(63)
Operating Expenses	\$ (185)	\$ (4)	\$ (3)	\$ (3)	\$ (12)	\$ (206)
Historical Development Costs	(32)	-	-	-	-	(32)
Contingency Costs	(25)	(4)	(3)	(2)	-	(35)
Non Operating Expenses	\$ (58)	\$ (4)	\$ (3)	\$ (2)	\$ -	\$ (67)
Other Income/(Expense)	\$ (2)	\$ -	\$ -	\$ (0)	\$ -	\$ (2)
Investment Income/(Expense)	\$ 11	\$ 0	\$ (0)	\$ 2	\$ -	\$ 13
Total Expenses	\$ (234)	\$ (8)	\$ (6)	\$ (3)	\$ (12)	\$ (262)
Net Remaining New gTLD Funds	\$ 74	\$ (8)	\$ (6)	\$ (3)	\$ (11)	\$ 46