

**ICANN**  
**Statements of Financial Position - Variance Analysis**  
**30 June 2005 vs. 30 June 2004**

		30-Jun 2005	30-Jun 2004	Variance	
				Amount	%
<b>ASSETS</b>					
Cash & cash equivalents	(A)	1,910,069	2,539,344	(629,275)	-24.8%
Accounts receivable, net	(B)	9,372,070	2,872,268	6,499,802	226.3%
Prepaid & deferred expenses		13,438	-	13,438	0.0%
Property & equipment, net	(C)	350,604	250,032	100,572	40.2%
Other assets		15,243	35,625	(20,382)	-57.2%
Total assets		<u>11,661,424</u>	<u>5,697,269</u>	<u>5,964,155</u>	<u>104.7%</u>
<b>LIABILITIES</b>					
Accounts payable & accrued liabilities	(D)	1,707,397	901,744	805,653	89.3%
Deferred revenue	(E)	1,722,026	655,632	1,066,394	162.7%
Total liabilities		<u>3,429,423</u>	<u>1,557,376</u>	<u>1,872,047</u>	<u>120.2%</u>
<b>NET ASSETS</b>					
Unrestricted	(F)	<u>8,232,001</u>	<u>4,139,893</u>	<u>4,092,108</u>	<u>98.8%</u>
Total liabilities and net assets		<u>11,661,424</u>	<u>5,697,269</u>	<u>5,964,155</u>	<u>104.7%</u>

**EXPLANATION OF MATERIAL VARIANCES -- JUNE 2005 VS. JUNE 2004:**

- (A) Cash & cash equivalents decreased primarily due to the decrease in accounts receivable collections during the quarter ended June 2005 as explained in (B) below.
- (B) Two factors contributed to the increase in accounts receivable. First, total budgeted revenues nearly doubled for the same period, from \$8.6 million to \$16.0 million, primarily due to increased contributions from gTLD registrars. Second, the increase in gTLD registrar contributions was introduced in the 2004-05 year through a new transaction-based fee structure. The new methodology required implementation of a new invoicing system, reliance on gTLD registries to provide complex data in a timely and accurate manner, and an education program for gTLD registries and registrars. This resulted in some initial delays in invoice generation and payment. Registrar invoices for quarters ended March and June 2005, totalling \$8.2 million, were issued near the end of fiscal year 2004-05, but carried due dates after the close of the fiscal year.
- (C) Net property & equipment increased due to an increase in computer equipment of \$116K, an increase in furniture & fixtures of \$97K, which were partially offset by an increase of \$112K in accumulated depreciation.
- (D) Accounts payable & accrued liabilities increased due to accounts payable increase of \$637K, and accrued vacation increase of \$82K.
- (E) Deferred revenues result from revenues invoiced in the current fiscal year, but are attributable to future periods beyond the end of the current fiscal year. Through June 2004 only accreditation fees were included in deferred revenues. With the introduction of the new transaction-based fee structure during fiscal year 2004-05, transaction-based fees of \$894K were added to deferred revenue. In addition, deferred accreditation revenues increased by \$172K primarily due to the increase in the number of accredited registrars.
- (F) Unrestricted net assets increased by \$4.1 million, which represents the increase in net assets due to operations for fiscal year 2004-05 as reported on the Statement of Activities.

**ICANN**  
**Statements of Activities - Variance Analysis**  
**Year Ended 30 June 2005 vs. Year Ended 30 June 2004**

		30-Jun	30-Jun	Variance	
		2005	2004	Amount	%
<b>SUPPORT &amp; REVENUE</b>					
Domain name registry & registrar fees	(G)	14,136,273	7,280,463	6,855,810	94.2%
Address registry fees	(H)	823,000	535,000	288,000	53.8%
Accreditation fees	(I)	1,992,893	1,176,147	816,746	69.4%
Application fees	(J)	791,500	947,500	(156,000)	-16.5%
Contributed goods & services		5,999	6,370	(371)	-5.8%
Interest income & other income		57,646	12,408	45,238	364.6%
Net assets released from restrictions		-	15,000	(15,000)	-100.0%
Total support & revenue		<u>17,807,311</u>	<u>9,972,888</u>	<u>7,834,423</u>	<u>78.6%</u>
<b>EXPENSES</b>					
Personnel	(K)	4,218,971	3,065,888	1,153,083	37.6%
Board & public meetings	(L)	1,510,299	775,688	734,611	94.7%
Other meetings & travel	(M)	1,121,398	617,467	503,931	81.6%
Professional services	(N)	3,898,490	3,329,095	569,395	17.1%
Administration	(O)	2,966,045	1,780,719	1,185,326	66.6%
Total expenses		<u>13,715,203</u>	<u>9,568,857</u>	<u>4,146,346</u>	<u>43.3%</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>		<u>4,092,108</u>	<u>404,031</u>	<u>3,688,077</u>	<u>912.8%</u>

**EXPLANATION OF MATERIAL VARIANCES -- JUNE 2005 VS. JUNE 2004:**

- (G) Domain name registry & registrar fees increased by \$6.9 million. Registrar revenues increased by \$6.5 million, due to the fee increase, increase in number of name registrations, and introduction of transaction-based fees in fiscal year 2004-05. Total ccTLD revenues increased by \$253K, and TLD registry revenues increased by \$116K.
- (H) Address registry fees increased by \$288K in accordance with discussions held with the address registries and the approved budget increase for fiscal year 2004-05.
- (I) Accreditation fees increased by \$817K due to annual accreditation fees from an increased number of registrars versus fiscal year 2003-04.
- (J) Application fees decreased by \$156K due primarily to the large number of new registrar applications received during fiscal year 2003-04 that did not continue into fiscal year 2004-05.
- (K) Personnel expenses increased primarily due to increased staffing from 27 at June 2004 to 36 at June 2005. The personnel category reflects costs associated with full-time staff positions. To maximize the value, some staff positions are employee hires while others are filled by consultants. Payroll and related expenses for employee benefits, payroll taxes and insurance increased by \$793K, and consulting fees increased \$286K.
- (L) Board & public meeting expenses increased \$735K due to a few primary factors. Due to the timing of meetings, in fiscal year 2004-05 ICANN recognized expenses for 3 and one-half meetings, while in fiscal year 2003-04 ICANN recognized expenses for 2 and one-half meetings. Higher travel costs were incurred due to locations of the Argentina and South Africa meetings. Additionally, staff and consultants traveling to meetings at ICANN's expense increased from 21 to 37 from fiscal year 2003-04 to 2004-05 in order to meet stakeholder requests for workshops and other activities at meetings. Major components were increased airfare of \$488K and increased hotel costs of \$147K.
- (M) Other meetings & travel increased due to additional staff (including those based outside of the US), and increased travel demands in support of the WSIS process, outreach activities, and global participation efforts. Airfare increased by \$342K and hotel costs increased by \$88K.
- (N) Professional services increased by \$569K which were incurred in lieu of additional salary expense for filling staff positions on a permanent basis. This increase is made up of increases in other consultants of \$311K (including human resources services, security, and various expert analyses such as sTLD evaluation), computer consultants of \$261K, public affairs of \$116K, and partially offset by a decrease in legal fees of \$163K.
- (O) Administration increased by \$1,185K. Bad debt expenses increased \$431K due to the significant increase in accounts receivable in addition to a 100% reserve recognized for invoiced address registry fees. Telephone/network expenses increased \$332K due to the additional staffing (including those based outside MDR) and increased conference calling expenditures. Contributions to outside entities increased \$125K due to increased WSIS and international outreach activities. Depreciation expense increased \$58K. Rent increased \$44K including rent for the Brussels office which began in January 2004.