



Report of Independent Auditors
and Financial Statements for



Internet Corporation
for Assigned Names and Numbers

June 30, 2013 and 2012

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors (Board)
Internet Corporation for Assigned Names and Numbers

Report on Financial Statements

We have audited the accompanying financial statements of Internet Corporation for Assigned Names and Numbers (“ICANN” or the “Organization”), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

MOSS ADAMS_{LLP}

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Internet Corporation for Assigned Names and Numbers as of June 30, 2013 and 2012, and the change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Los Angeles, California
October 7, 2013

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012
Amounts in the nearest thousand in US Dollars

		<u>2013</u>	<u>2012</u>
ASSETS	<u>Notes</u>		
Cash and cash equivalents	2, 3, 4	\$ 64,887	\$ 383,018
Accounts receivable, net	2, 4, 5	22,866	17,881
Investments	2, 4, 6	294,874	53,035
Prepaid expenses	3	3,614	3,288
Other assets	3	2,416	3,367
Capital assets, net	2, 7	8,518	5,787
		<u>397,175</u>	<u>466,376</u>
Total assets		<u>\$ 397,175</u>	<u>\$ 466,376</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued liabilities	3	\$ 24,849	\$ 12,851
Deferred revenue	2, 3	203,592	369,933
		<u>228,441</u>	<u>382,784</u>
Total liabilities		<u>228,441</u>	<u>382,784</u>
Unrestricted net assets	2	168,734	83,592
		<u>168,734</u>	<u>83,592</u>
Total liabilities and net assets		<u>\$ 397,175</u>	<u>\$ 466,376</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012
Amounts in the nearest thousand in US Dollars

	<u>2013</u>	<u>2012</u>
UNRESTRICTED SUPPORT AND REVENUE		
Registry	\$ 39,002	\$ 35,202
Registrar	33,983	33,133
R.I.R.	823	823
ccTLD	657	1,798
IDN ccTLD Fast track request fees	-	52
Contributions	1,235	1,405
Revenue from New gTLD application fees	158,072	-
	<u>233,772</u>	<u>72,413</u>
EXPENSES		
Personnel	31,457	27,780
Travel and meetings	12,240	12,553
Professional services	93,185	19,462
Administration	13,480	10,582
	<u>150,362</u>	<u>70,377</u>
OTHER INCOME		
Interest income	5	87
Investment gain	1,727	1,319
	<u>1,732</u>	<u>1,406</u>
Change in net assets	<u>85,142</u>	<u>3,442</u>
UNRESTRICTED NET ASSETS		
Beginning of year	<u>83,592</u>	<u>80,150</u>
End of year	<u>\$ 168,734</u>	<u>\$ 83,592</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
STATEMENTS OF CASH FLOWS
JUNE 30, 2013 AND 2012
Amounts in the nearest thousand in US Dollars

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 85,142	\$ 3,442
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	2,140	1,868
Bad debt expense	1,052	173
Investment gains, net	(1,727)	(1,319)
Changes in operating assets and liabilities		
Accounts receivable	(6,037)	(2,985)
Prepaid expenses	(327)	(3,080)
Other assets	951	(3,263)
Accounts payable and accrued liabilities	11,998	4,657
Deferred revenue	(166,340)	358,457
	(73,148)	357,950
Net cash (used in) provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(4,871)	(4,005)
Proceeds from sale of investments	53,035	48,516
Purchases of investments	(293,147)	(48,516)
	(244,983)	(4,005)
Net cash used in investing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(318,131)	353,945
CASH AND CASH EQUIVALENTS		
Beginning of year	383,018	29,073
End of year	\$ 64,887	\$ 383,018

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS

NOTES TO FINANCIAL STATEMENTS

Amounts in the nearest thousand in US Dollars

Note 1 - Organization

The Internet Corporation for Assigned Names and Numbers (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 management functions, such as the assignment of protocol parameters, the management of the domain name system, 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*, *.org*, and *.edu* domains, Country Code Top Level Domains (ccTLDs), examples of which are *.us*, *.uk*, *.de* and *.fr*, and Internationalized Domain Name (IDN) ccTLDs for countries that use non-Latin based languages.

ICANN's primary sources of revenue are generated from domain name registration activities and DNS service providers as follows:

Registry fees - During the relevant time period, ICANN had contracts with registry operators of eighteen generic top-level domains (gTLDs) such as dot-asia, dot-com and dot-post. Registry fees are described in the respective registry agreements. Based on those agreements, registries pay to ICANN registrant fees via a fixed fee, transaction-based fee, or both.

Registrar fees - ICANN accredits registrars in accordance with the Registrar Accreditation Agreement (RAA). The RAA provides for the following types of fees:

- Application fees are paid one time by prospective registrars at the time of the application.
- Annual accreditation fees are fees that all registrars are required to pay annually to maintain accreditation.
- Per-registrar variable fees are based upon a set amount divided by the number of accredited registrars and is based on a validated concept that ICANN often expends the same quantum of effort in providing services to a registrar regardless of size. However, some registrars may qualify for "forgiveness" of two-thirds of the standard per-registrar variable fee.
- Transaction-based fees from registrants via registrars are assessed on each annual increment of an add, transfer, or renewal domain name registration transaction.
- Add Grace Period (AGP) deletion fees are charged to registrars that delete added names within the grace period in excess of a threshold.

Address registry fees - ICANN coordinates with organizations responsible for the assignment and administration of Internet addresses (RIRs). RIR's contribute annually to ICANN.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 1 - Organization (continued)

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

Application fees - New generic Top Level Domain (gTLD) - The application fees are paid during the application window by applicants seeking to become a New gTLD registry operator for a particular registry. Application fees are refundable at a diminishing rate according to the processing phase in which the request for refund occurs.

ICANN recognizes revenue as follows:

- Transaction fees are determined based upon an established rate per registration times the volume and number of contract years of the underlying domain registration. Transaction fees are earned and recognized in the year the billed fee applies (e.g., 1/10th of a registration transaction fee will be recognized in each year of a ten year domain name registration).
- 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 fees are received.
- New gTLD application fees are recognizable ratably as direct application processing costs are incurred. The rate of recognition of the fees is determined by the proportion of the direct costs incurred versus the total costs. The New gTLD application fees are refundable at a diminishing rate according to the processing phase in which the request for refund occurs.
- Accreditation fee amounts and timing are due in accordance with agreements, are not event dependent, and are recognized ratably monthly over the term of the accreditation.

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 domain name system. 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 provides accounting support to the Registrar Constituency, a constituency within the ICANN community that serves as the representative for registrars and their customers. The accompanying financial statements do not reflect the financial results of the Registrar Constituency.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 2 - Significant Accounting Policies

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

- ***Unrestricted net assets*** - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of ICANN. ICANN's Board adopted an investment policy in September 2011. This investment policy established a Board designated Reserve Fund that limits use of the Reserve Fund based upon specific Board actions. All investments are designated under the Reserve Fund. The Board has also designated a two million dollar fund to be used to support financially needy applicants in the New gTLD Program. \$138 thousand has been spent in August 2013.
- ***Temporarily restricted assets*** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of ICANN and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.
- ***Permanently restricted net assets*** - Net assets for which the donor has stipulated that the principal be maintained in perpetuity, but permits ICANN to use, or expend, all or part of the income derived from the donated assets for general or specific purposes, subject to statutory regulations.

As of June 30, 2013 and 2012, ICANN had no permanently or temporarily restricted net assets.

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.

Accounts receivable, net - Accounts receivable net of allowances for doubtful accounts are approximately \$22,866 thousand and \$17,881 thousand as of June 30, 2013 and 2012, respectively. 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.

ICANN had bad debt expense of approximately \$1,052 thousand and \$173 thousand during the years ended June 30, 2013 and 2012, respectively.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 2 - Significant Accounting Policies (continued)

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 unrestricted net assets, or as changes in temporarily or permanently restricted net assets, if so stipulated by the donor of such assets.

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 changes could materially affect the amounts reported in the statement of financial position.

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

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

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

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

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include money markets funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Investments that are valued based on quoted market prices of comparable assets and investments reported at net asset value or its equivalent which are redeemable in the near term are typically classified within Level 2.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 2 - Significant Accounting Policies (continued)

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 are 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 thousand and one year useful life as well as laptop computers are capitalized.

Deferred revenue - Deferred revenue is recorded when fees are not yet earned. Deferred revenue consists of the following as of June 30:

	2013	2012
Deferred registrar income - transactions	\$ 4,806	\$ 4,684
Deferred registrar income - unbilled	1,957	2,119
Deferred registry income - transactions	5,728	4,039
Deferred registrar income - accreditation	599	606
Deferred income - gTLD	190,502	358,485
Total deferred revenue	<u>\$ 203,592</u>	<u>\$ 369,933</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 2 - Significant Accounting Policies (continued)

Income taxes - ICANN is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. However, ICANN is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the basic financial statements taken as a whole.

ICANN, under the provisions of ASC 740, *Income Taxes*, had no uncertain tax positions requiring accrual as of June 30, 2013 and 2012. ICANN is no longer subject to income tax examinations by taxing authorities for years before 2010 for its federal filings and for years before 2009 for its state filings.

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. Expenses that are associated with more than one program or supporting service are allocated based on methods determined by management. ICANN's expenses are classified approximately as follows for the fiscal years ended June 30:

	2013	2012
Program services	\$ 126,532	\$ 47,187
Support services: management and general	23,830	23,190
Total expenses	\$ 150,362	\$ 70,377

Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain 2012 amounts have been reclassified in the financial statements to conform to the 2013 presentation. These reclassifications have no impact on net assets.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 2 - Significant Accounting Policies (continued)

Subsequent events - ASC 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the statement of financial position date but before financial statements are issued. ICANN recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. ICANN does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the financial position date and before the financial statements are available to be issued. ICANN has evaluated subsequent events through October 7, 2013, which is the date the financial statements were available to be issued.

Note 3 - New generic Top Level Domain Program

Currently the Internet namespace consists of twenty-two generic Top Level Domains (gTLDs) and over two hundred and fifty country code Top Level Domains (ccTLDs) operating on various models. Each of the gTLDs has a designated “registry operator” and, in most cases, a Registry Agreement between the operator (or sponsor) and ICANN. The registry operator is responsible for the technical operation of the TLD, including all of the names registered in that TLD. Over one thousand ICANN accredited registrars interact with registrants (and others) to perform domain name registration and other related services for gTLDs. The New gTLD Program provides a means for prospective registry operators to apply for new gTLDs, and create new options for consumers. The Program opened its first application round in January 2012.

The New gTLD Program requires applicants to pay an application fee. Revenue is reported gross, and therefore, revenue and expenses are separately disclosed. ICANN believes that direct costs incurred throughout the evaluation of applications provides the best representation of the pattern of performance of services of the New gTLD Program, and recognizes revenues generated from application fees (limited to the cumulative amount of application fees that have become non-refundable) ratably based upon direct application processing costs (e.g., initial evaluation panel reviews) incurred (percentage of completion of the service) throughout the application process. ICANN establishes estimates for total direct costs related to the new gTLD application process, and recognizes these direct costs as incurred. Indirect costs are expensed as incurred.

When ICANN delegates domain names to registry operators, such operators are required to put in place a financial instrument (Continuing Operation Instrument) that ICANN could invoke in the event that the registry operator fails. In such cases, ICANN would hire an Emergency Back End Registry Operator (EBERO) to temporarily maintain the registry activity. To cover for the costs of the EBERO, ICANN will draw on the Continuing Operation Instrument. The Continuing Operation Instrument typically has the form of a letter of credit or an escrow account.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 3 - New generic Top Level Domain Program (continued)

In the case that additional non-refundable fees are collected, ICANN recognizes unearned revenue upon receipt of the additional non-refundable fees, and recognizes the unearned revenue as revenue when additional evaluation services are performed (or immediately in the case an application is withdrawn/rejected) as this is consistent with the earnings process.

The New gTLD Program is segregated from the rest of the ICANN operations with respect to separate accounting segments and bank accounts.

All intra-company payables and receivables will be settled in cash on a monthly basis. The segregated statement of financial position at June 30, 2013:

<u>JUNE 30, 2013</u>	<u>ICANN</u>	<u>NgTLD</u>	<u>Elimination</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 17,340	\$ 47,547	\$ -	\$ 64,887
Accounts receivable, net	22,866	-	-	22,866
Investments	55,685	239,189	-	294,874
Prepaid expenses	927	2,687	-	3,614
Other assets	2,416	-	-	2,416
Intra-company asset	30,880	-	(30,880)	-
Capital assets, net	8,518	-	-	8,518
Total assets	\$ 138,632	\$ 289,423	\$ (30,880)	\$ 397,175
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	\$ 11,529	\$ 13,320	\$ -	\$ 24,849
Intra-company liabilities	-	30,880	(30,880)	-
Deferred revenue	13,090	190,502	-	203,592
Total liabilities	24,619	234,702	(30,880)	228,441
Unrestricted net assets	114,013	54,721	-	168,734
Total liabilities and net assets	<u>\$ 138,632</u>	<u>\$ 289,423</u>	<u>\$ (30,880)</u>	<u>\$ 397,175</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 3 - New generic Top Level Domain Program (continued)

The segregated statement of financial position at June 30, 2012:

<u>JUNE 30, 2012</u>	<u>ICANN</u>	<u>NgTLD</u>	<u>Elimination</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 25,554	\$ 357,464	\$ -	\$ 383,018
Accounts receivable, net	17,881	-	-	17,881
Investments	53,035	-	-	53,035
Prepaid expenses	(1,080)	4,368	-	3,288
Other assets	3,367	-	-	3,367
Intra-company asset	5,937	-	(5,937)	-
Capital assets, net	5,787	-	-	5,787
Total assets	\$ 110,481	\$ 361,832	\$ (5,937)	\$ 466,376
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued liabilities	\$ 9,622	\$ 3,229	\$ -	\$ 12,851
Intra-company liabilities	-	5,937	(5,937)	-
Deferred revenue	11,448	358,485	-	369,933
Total liabilities	21,070	367,651	(5,937)	382,784
Unrestricted net assets (deficit)	89,411	(5,819)	-	83,592
Total liabilities and net assets	<u>\$ 110,481</u>	<u>\$ 361,832</u>	<u>\$ (5,937)</u>	<u>\$ 466,376</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 3 - New generic Top Level Domain Program (continued)

The segregated statement of activities for the year ended June 30, 2013:

<u>YEAR ENDED JUNE 30, 2013</u>	<u>ICANN</u>	<u>NgTLD</u>	<u>Elimination</u>	<u>Total</u>
UNRESTRICTED SUPPORT AND REVENUE				
Registry	\$ 39,002	\$ -	\$ -	\$ 39,002
Registrar	33,983	-	-	33,983
R.I.R.	823	-	-	823
ccTLD	657	-	-	657
IDN ccTLD Fast track request fees	-	-	-	-
Contributions	1,044	191	-	1,235
Revenue from New gTLD application fees	15,396	158,072	(15,396)	158,072
	<u>90,905</u>	<u>158,263</u>	<u>(15,396)</u>	<u>233,772</u>
EXPENSES				
Personnel	25,757	5,700	-	31,457
Travel and meetings	11,768	472	-	12,240
Professional services	18,948	74,237	-	93,185
Administration	12,373	16,503	(15,396)	13,480
	<u>68,846</u>	<u>96,912</u>	<u>(15,396)</u>	<u>150,362</u>
OTHER INCOME (LOSS)				
Interest income	5	-	-	5
Investment gain (loss)	2,538	(811)	-	1,727
	<u>2,543</u>	<u>(811)</u>	<u>-</u>	<u>1,732</u>
Change in net assets	<u>24,602</u>	<u>60,540</u>	<u>-</u>	<u>85,142</u>
UNRESTRICTED NET ASSETS (DEFICIT)				
Beginning of year	<u>89,411</u>	<u>(5,819)</u>	<u>-</u>	<u>83,592</u>
End of year	<u>\$ 114,013</u>	<u>\$ 54,721</u>	<u>\$ -</u>	<u>\$ 168,734</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 3 - New generic Top Level Domain Program (continued)

The segregated statement of activities for the year ended June 30, 2012:

<u>YEAR ENDED JUNE 30, 2012</u>	<u>ICANN</u>	<u>NgTLD</u>	<u>Elimination</u>	<u>Total</u>
UNRESTRICTED SUPPORT AND REVENUE				
Registry	\$ 35,202	\$ -	\$ -	\$ 35,202
Registrar	33,133	-	-	33,133
R.I.R.	823	-	-	823
ccTLD	1,798	-	-	1,798
IDN ccTLD Fast track request fees	52	-	-	52
Contributions	1,405	-	-	1,405
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	72,413	-	-	72,413
EXPENSES				
Personnel	26,009	1,771	-	27,780
Travel and meetings	12,508	45	-	12,553
Professional services	15,521	3,941	-	19,462
Administration	10,520	62	-	10,582
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	64,558	5,819	-	70,377
OTHER INCOME				
Interest income	87	-	-	87
Investment gain	1,319	-	-	1,319
	<hr/>	<hr/>	<hr/>	<hr/>
Total other income	1,406	-	-	1,406
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets (deficit)	9,261	(5,819)	-	3,442
	<hr/>	<hr/>	<hr/>	<hr/>
UNRESTRICTED NET ASSETS (DEFICIT)				
Beginning of year	80,150	-	-	80,150
	<hr/>	<hr/>	<hr/>	<hr/>
End of year	\$ 89,411	\$ (5,819)	\$ -	\$ 83,592
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 3 - New generic Top Level Domain Program (continued)

The segregated statement of cash flows for the year ended June 30, 2013:

<u>YEAR ENDED JUNE 30, 2013</u>	<u>ICANN</u>	<u>NgTLD</u>	<u>Elimination</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 24,602	\$ 60,540	\$ -	\$ 85,142
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Depreciation expense	2,140	-	-	2,140
Bad debt expense	1,052	-	-	1,052
Investment (gains) losses	(2,538)	811	-	(1,727)
Changes in operating assets and liabilities				
Accounts receivable	(6,037)	-	-	(6,037)
Prepaid expenses	(2,007)	1,680	-	(327)
Other assets	(23,992)	24,943	-	951
Accounts payable and accrued liabilities	1,907	10,091	-	11,998
Deferred revenue	1,642	(167,982)	-	(166,340)
Net cash used in operating activities	(3,231)	(69,917)	-	(73,148)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of capital assets	(4,871)	-	-	(4,871)
Proceeds from sale of investments	53,035	-	-	53,035
Purchases of investments	(53,147)	(240,000)	-	(293,147)
Net cash used in investing activities	(4,983)	(240,000)	-	(244,983)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,214)	(309,917)	-	(318,131)
CASH AND CASH EQUIVALENTS				
Beginning of year	25,554	357,464	-	383,018
End of year	<u>\$ 17,340</u>	<u>\$ 47,547</u>	<u>\$ -</u>	<u>\$ 64,887</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 3 - New generic Top Level Domain Program (continued)

The segregated statement of cash flows for the year ended June 30, 2012:

<u>YEAR ENDED JUNE 30, 2012</u>	<u>ICANN</u>	<u>NgTLD</u>	<u>Elimination</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	\$ 9,262	\$ (5,820)	\$ -	\$ 3,442
Adjustments to reconcile change in net assets to cash provided by operating activities:				
Depreciation expense	1,868	-	-	1,868
Bad debt expense	173	-	-	173
Investment gains	(1,319)	-	-	(1,319)
Changes in operating assets and liabilities				
Accounts receivable	(2,985)	-	-	(2,985)
Prepaid expenses	1,287	(4,367)	-	(3,080)
Other assets	(9,200)	5,937	-	(3,263)
Accounts payable and accrued liabilities	1,427	3,230	-	4,657
Deferred revenue	(27)	358,484	-	358,457
Net cash provided by operating activities	486	357,464	-	357,950
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of capital assets	(4,005)	-	-	(4,005)
Proceeds from sale of investments	48,516	-	-	48,516
Purchases of investments	(48,516)	-	-	(48,516)
Net cash used in investing activities	(4,005)	-	-	(4,005)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,519)	357,464	-	353,945
CASH AND CASH EQUIVALENTS				
Beginning of year	29,073	-	-	29,073
End of year	\$ 25,554	\$ 357,464	\$ -	\$ 383,018

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

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 at these financial institutions may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. Concentration of credit risk with respect to receivables is mitigated by the diversity of registries/registrars comprising ICANN's registry/registrar base. ICANN places its investments with a major investment broker. The investments held are subject to volatility of the market and industries in which they are invested.

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

ICANN had two major registries/registrars totaling approximately \$36,450 thousand or 48% of the total support in fiscal year 2013 and \$37,665 thousand or 51% of the total support in fiscal year 2012. ICANN had accounts receivable amounting to approximately \$10,439 thousand and \$4,812 thousand due from these two major registries/registrars at June 30, 2013 and 2012, respectively.

Note 5 - Accounts Receivable

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

	2013	2012
gTLD registries and registrars	\$ 22,689	\$ 15,498
IP address registries	823	823
ccTLD's	362	1,860
IDN Fast track	-	31
Other	351	235
	24,225	18,447
Less: allowance for doubtful accounts	(1,359)	(566)
	\$ 22,866	\$ 17,881

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 6 - Investments

Investments consist of the following as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Collective trusts	\$ -	\$ 55,685	\$ -	\$ 55,685
Corporate bonds	-	115,584	-	115,584
Asset backed bonds	-	15,108	-	15,108
U.S. government bonds	-	26,487	-	26,487
Money market funds	59,347	-	-	59,347
International bonds	-	2,169	-	2,169
Government agencies bonds	-	18,006	-	18,006
Municipal & provincial bonds	-	2,488	-	2,488
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total investments	<u>\$ 59,347</u>	<u>\$ 235,527</u>	<u>\$ -</u>	<u>\$ 294,874</u>

Investments consist of the following as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Collective trusts	<u>\$ -</u>	<u>\$ 53,035</u>	<u>\$ -</u>	<u>\$ 53,035</u>

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

	2013	2012
	<u> </u>	<u> </u>
Dividend and interest income	\$ 1,665	\$ 4,268
Realized and unrealized (losses)/gains	174	(2,859)
Management fees and other	<u>(112)</u>	<u>(90)</u>
Total net investment gain	<u>\$ 1,727</u>	<u>\$ 1,319</u>

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
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Note 7 - Capital Assets

Capital assets consist of the following as of June 30 (useful lives of respective asset class in parentheses):

	2013	2012
Computer equipment (Three years)	\$ 8,533	\$ 6,728
Computer software (Five years)	3,165	1,805
Furniture and fixtures (Seven years)	300	300
Leasehold improvements (Varies per lease)	4,514	1,468
Construction in progress (None)	86	1,426
	16,598	11,727
Less: accumulated depreciation	(8,080)	(5,940)
	\$ 8,518	\$ 5,787

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 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

Dr. Bruce Tonkin is a voting member of the Board of Directors. Dr. Tonkin is also Chief Strategy Officer of Melbourne IT, an ICANN accredited registrar. Revenue from Melbourne IT amounted to \$590 thousand and \$732 thousand for the years ended June 30, 2013 and 2012, respectively, under the fee structure of the standard Registrar Accreditation Agreement. To avoid any conflict of interest between ICANN and Melbourne IT, Dr. Tonkin abstains from voting on all matters he identifies as potential conflicts of interest that come before the Board.

Additionally, during years ended June 30, 2013 and 2012, the following voting Board members identified that they may have or have had conflicts in accordance with ICANN's Conflicts of Interest Policy: Sébastien Bachollet, Steve Crocker, Bertrand de La Chapelle, Chris Disspain, Bill Graham, Mike Silber, Judith Vazquez, and Kuo-Wei Wu.

INTERNET CORPORATION FOR ASSIGNED NAMES AND NUMBERS
NOTES TO FINANCIAL STATEMENTS
Amounts in the nearest thousand in US Dollars

Note 10 - Commitments

ICANN leases its offices and certain other facilities under operating lease agreements. The lease agreements have various termination clauses requiring three to thirty-four months' rent for early termination. Minimum future payments under operating leases for the future years ending June 30 are approximately:

2014	\$	2,691
2015		3,243
2016		2,988
2017		2,890
2018		2,969
Thereafter		<u>11,878</u>
Total	\$	<u><u>26,659</u></u>

Rent expense amounted to approximately \$2,869 thousand and \$2,550 thousand for the years ended June 30, 2013 and 2012, respectively. ICANN also has pass-through and additional charges from certain sub-lessors that are not included in the minimum expected payments above. The pass-through and additional charges cannot be reasonably estimated for future periods. Pass-through and additional charges amounted to approximately \$164 thousand for the year ended June 30, 2012. There were no pass-through and additional charges for the year ended June 30, 2013.

Note 11 - Defined Contribution Plan

ICANN's 401(k) Plan (the "Plan") is available to all employees in the United States at the first of the month following hire date with ICANN. Subject to legal limitations, ICANN contributes 5% of employee's salary to the Plan regardless of employee contributions. ICANN also matches employee contributions up to 10% of the employee's annual salary, subject to legal limitations. Employer contributions recognized for the years ended June 30, 2013 and 2012 amounted to approximately \$2,578 thousand and \$2,165 thousand, respectively. The June 30, 2013 and 2012 payroll employee contributions were \$166 thousand and \$146 thousand, respectively.