



ICANN

Annual Report

2013

A NEW SEASON AT ICANN



1 July 2012—30 June 2013

Letter from the CEO

When you plant a seed in the ground, some time passes before it begins to sprout leaves and grow. All action takes place under ground, as the seed first germinates, drawing minerals and water from the soil and establishing the root system that will sustain strong growth. Only once the roots are in place do the first leaves and buds emerge from the soil and into the sun.

I likened my first year as ICANN's CEO to a new season for the organization. I called it our new season because we spent this time establishing the root system – creating the very foundations that we will need to build an organization that serves the world and is scalable. That root system started with the strong executive leadership team we've formed, a team with global focus and expertise, and made visible through accomplishments like the new Registrar Accreditation Agreement and the initial evaluation of nearly a thousand new gTLD applications

But we've done much more in this year to prepare the ground for growth. We transformed ICANN from a Los Angeles-based organization to one with up-and-coming "hub" offices in Singapore and Turkey to form the core of ICANN. We opened two engagement offices, one in Beijing, China and the other in Montevideo, Uruguay, with more to come. ICANN moved closer to its stakeholders, rather than requiring our stakeholders come to us.

We worked with the Internet community to develop long overdue regional strategies for ICANN's efforts in Africa, Latin America/Caribbean and the Middle East. These strategies were built from the bottom-up, based on what others in the Internet ecosystem wanted from ICANN, not what we said we will give to them. We are working on similar strategies for Asia and Europe, as well as strategies directed at the international business community and the DNS industry.

The New gTLD Program continued to dominate our efforts as we prepared to enter new strings into the root, but was not by any stretch the only project we are working on. This report summarizes our accomplishments and status at the end of this first year of our new season. We have established the deep roots we need to grow and blossom into an organization that truly represents the voices of Internet users everywhere. We have much more work to do, but I am confident that we have built the necessary foundation.

Warm regards,
Fadi Chehadé

Letter from the Board Chair

Due largely to good timing and good fortune, I've had the privilege to be involved in the Internet from its earliest days. My background is technical, and the evolution of the technology underpinning this global network has been fascinating to watch and take part in.

Beyond technology, I draw even more gratification from the impact it has on people. And that impact is being felt more broadly than ever before, as the Internet's enormous growth and penetration brings people together, driving economic growth, driving cultural sharing, and driving technical innovation. It is indeed a new season.

As a multistakeholder organization, ICANN ultimately serves the public interest through its consensus-driven, bottom-up policy-making process. Key to that process is our commitment to accountability and transparency. I am not aware of any organization that makes more of its documents, meetings and decision-making processes available for public consumption, I am not aware of it.

While accountability and transparency are built into the fiber of our organization through the Affirmation of Commitments, we acknowledge the parallel importance of efficiency, effectiveness, and empathy. To my view, accountability and transparency are essential, but they are not enough to make us successful. As ICANN changes seasons, we have been laser focused on increasing organizational efficiency, long-term predictability including financial stability. All this as we expanded the Internet with new gTLDs, and Internationalized Domain Names; and as we brought ICANN closer and closer to its constituents all over the world.

This year, we grappled with one of the thorniest challenges the Internet faces—how to evolve the WHOIS function to meet the needs of today's users. We made some strides in this effort—implementing the recommendations of the WHOIS Review Team and we will soon be considering the recommendations of a new Expert Working Group on what the next generation of domain directory services could look like. This issue will stay on the organization's front burner for at least the year to come. The evolution of the Internet is such that there is no time to rest on our laurels—we must keep improving, keep dialogue open. Too much depends on the internet to do otherwise.

Sincerely,
Steve Crocker

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Highlights of the year



Accountability and transparency efforts

ICANN is committed to accountability to the global public good, and to transparency that guarantees that accountability. Early this year, its second Accountability and Transparency Review Team was formed to evaluate ICANN's continuing efforts in maintaining and improving mechanisms for public input, accountability and transparency. The team of 16 volunteers from around the world, representing the ICANN community, and two independent experts, began evaluation of progress made since the first ATRT.

New RAA approved by Board

In June, the Board of Directors approved a new Registrar Accreditation Agreement (RAA) that is expected to bring continued improvements to the domain name ecosystem. The agreement followed more than a year of negotiations between ICANN and its Registrar Group and represented marked improvements over the last RAA approved in 2009. Among the improvements are clearer expectations for registrar dealings with domain registrants.

Expert Working Group recommends WHOIS replacement

Aiming for balance between accuracy, access and privacy of registration data, an Expert Working Group recommended major changes to the way registrant data is provided to end-users. The "Next Generation gTLD Directory Services Model" under development by the EWG is intended to streamline the way data is retrieved and validated, and link disclosure to permissible purposes. When the EWG finalises its recommendations and model the GNSO will consider those for global policy changes. The system could replace the WHOIS domain name registration system and break nearly a decade-long stalemate over how generic domain names are registered and what happens to the registration data.

Emergency back-end registry operators announced for New gTLD Program

The China Internet Network Information Center (CNNIC). and CORE signed an agreement with ICANN to guarantee the continued operation of domain names within a new gTLD in the event of a failure by a top-level registry. These emergency back-end registry operators in different parts of the world will help assure the stable and secure operation of the Internet's domain name system as new gTLDs come online.

Trademark Clearinghouse establishment

A single database of verified trademark information was set up to support trademark claims and sunrise services. The Clearinghouse was designed to replace the need for trademark holders to register in many databases as new gTLDs are launched. ICANN requires every new gTLD operator to use the Clearinghouse for a trademark claims and a sunrise process.

New leadership team

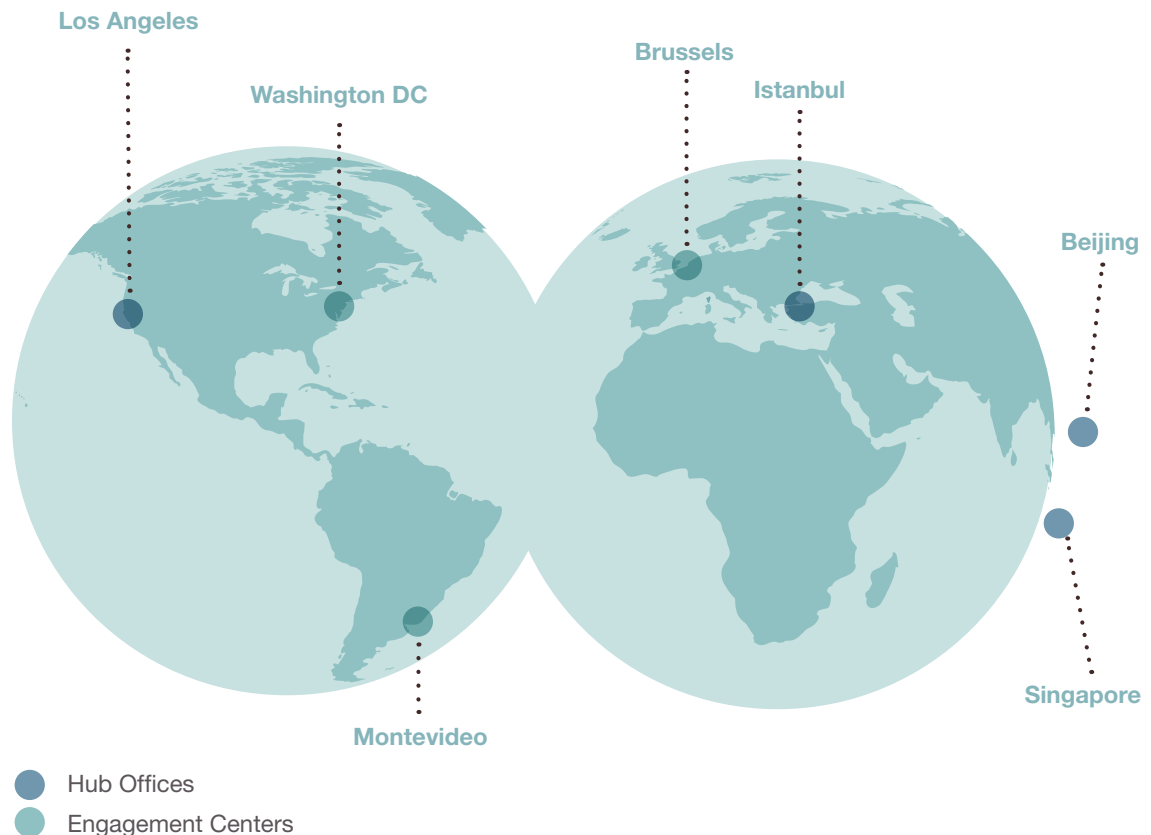
Under the guidance of new CEO Fadi Chehadé, ICANN has realigned its leadership team to reflect the organization's growing internationalization as well as to enhance its operational effectiveness by spinning off certain domain operations to a new unit within ICANN. Former Chief Operations Officer Akram Atallah was appointed in June as division president of the new Generic Domains Division and tasked with management of generic domain operations, domain name industry engagement and web services.

Tarek Kamel, senior advisor for government affairs, was named to lead all aspects of government engagement. Sally Costerton, most recently CEO of Hill & Knowlton Public Relations for Europe, the Middle East and Asia, was tapped to serve as senior advisor for stakeholder engagement. Susanna Bennett, an accomplished financial and operational executive, was

named COO in June, replacing Atallah in the role. Vice presidents were appointed to oversee stakeholder engagement in each of ICANN's five geographical regions, and also to manage relationships with the domain name industry, inter-governmental organizations, the business community and others. Oversight of the New gTLD Program shifted to experienced executive Christine Willett, who joined ICANN in November as vice president of gTLD operations.

New offices improve international operations
ICANN opened a hub office in Istanbul, Turkey, and engagement centers in Beijing, People's Republic of China and Montevideo, Uruguay. ICANN's key administrative functions, once concentrated in Los Angeles, California, will now be spread over three hub offices in Istanbul, Los Angeles and Singapore. Singapore will open in fiscal year 2014. Regional engagement centers like Beijing and Montevideo are part of ICANN's growing effort to establish a presence in all regions of the globe.

New Office Locations



Engagement strategies for Africa, Latin America and Middle East

ICANN staff collaborated with regional representatives of Internet users groups, the technical community, the private sector and governments in its Africa, Middle East and Latin America regions. These local stakeholders worked together with ICANN to develop three-year plans aimed at increasing local involvement in ICANN's multistakeholder model as well as developing critical Internet infrastructure.

Expanded partnering initiatives

ICANN increased its emphasis on collaboration with other Internet groups, such as the Internet Society, the Internet Engineering Task Force and the Internet Governance Forum. Also, ICANN expanded outreach about its New gTLD Program to businesses and others around the world via new coordination with the International Chamber of Commerce, United Nations Educational, Scientific and Cultural Organization and the European Telecommunications Network Operators' Association.

Commitment to expand L-Root across Africa

In October, the Africa Network Information Center (AFRINIC) signed an agreement with ICANN

pledging to work together to identify potential locations for the expansion of L-Root servers in Africa. The L-Root is one of 13 root name servers containing Internet Protocol addresses, and is operated by ICANN using anycast technology so that nodes can exist all over the world. There are a total of eight L-Root nodes in five African countries: Ivory Coast, Kenya, Mozambique, Senegal and South Africa.

MyICANN launch

In October, ICANN launched a web-based platform called MyICANN to support its multistakeholder model to deepen and broaden stakeholder engagement and participation. Today, more than 5000 community members subscribe to the service that provides a personalized dashboard with access to the latest information about ICANN activities and interests.

Meetings draw thousands

ICANN's 46th public meeting in Beijing, People's Republic of China hit a new attendance record in April 2013 with nearly 2600 registered on-site attendees. Of those, about 1900 participants came from outside of China, and 700 were from China. ICANN 45 in Toronto drew 1800 participants.





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Financial

Overview

Funds under Management in millions

ICANN currently manages a total of \$345 million (as of 30 September 2013, unaudited), held in three different types of funds:

The Operating Fund is the pool of funds that is used for ICANN's day-to-day operations. The Operating Fund is used to collect revenues, and fund the payment of employees, suppliers and other third parties. The Operating Fund contains enough funds to cover ICANN's expected expenditures for three months. Periodically, any funds in excess of three months are transferred to the Reserve Fund.

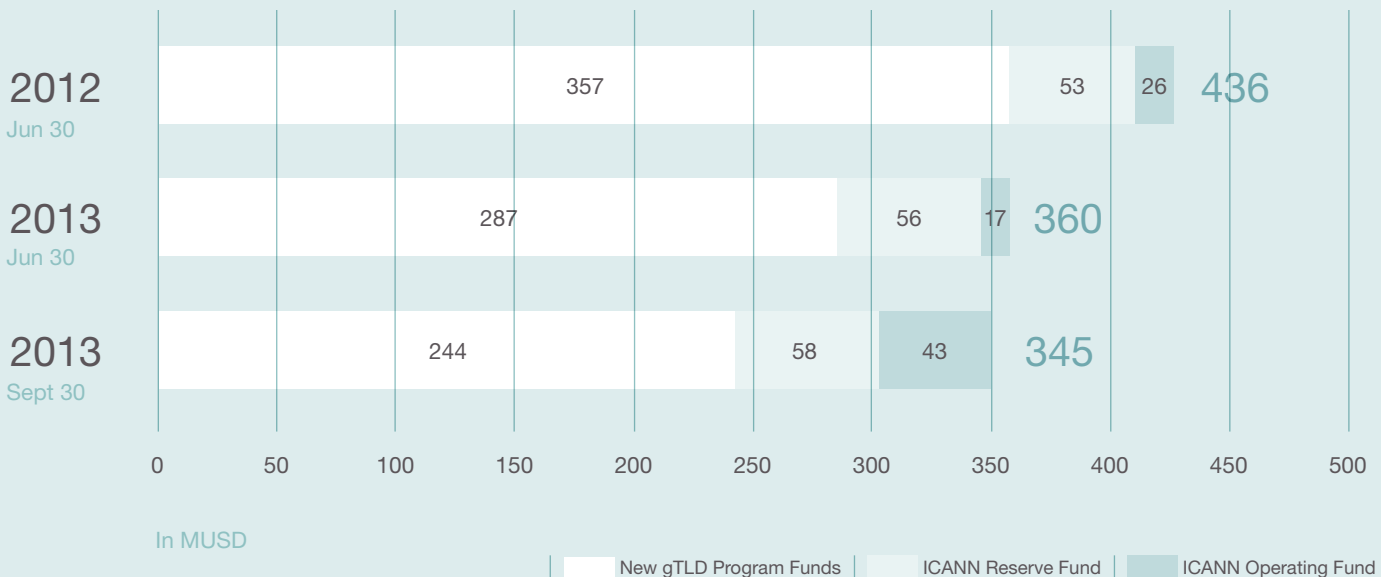
The Operating Fund has decreased between June 2012 and June 2013 as a result of expenses incurred on behalf of the New gTLD Program. Such expenses were subsequently reimbursed to the Operating Fund.

The Reserve Fund is held by ICANN for contingent expenses resulting from any unexpected events, economic uncertainties or lean funding periods. It supports the financial stability of the

organization. The Reserve Fund is invested as per the ICANN Investment Policy, and under the custody and management of State Street Global Advisors. The returns generated through the investment of the funds are fully reinvested within the Reserve Fund.

The New gTLD Program funds result from the unspent funds collected from the program applicants. These funds were collected between January and June 2012 and are exclusively used to pay for expenses related to the New gTLD Program. The New gTLD unspent funds are invested as per the New gTLD Investment Policy, and are under the shared custody and management of Northern Trust, US Bank and Deutsche Bank.

The New gTLD Program funds have decreased since June 2012 as a result of the expenses incurred to perform the evaluation of the new gTLD applications (notably the completion of most of the Initial Evaluation phase), and of the refund of fees for applications withdrawn.



Cashflow Synopsis

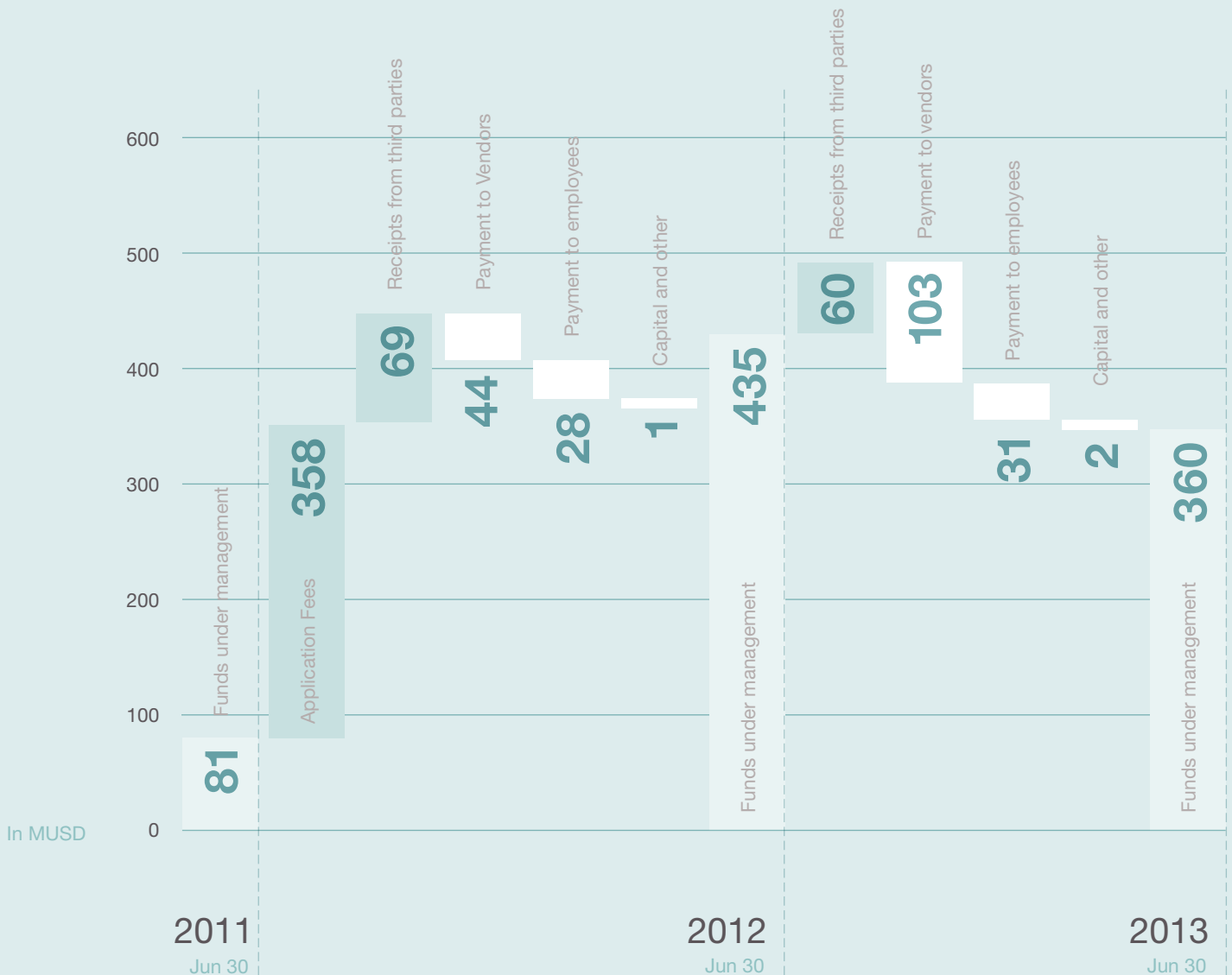
July 2011—June 2013

The main cash flows affecting the ICANN operations on a recurring basis are the collection of fees and contributions from contracted parties and other contributors, payroll payments and payments to vendors for operating and capital expenses.

During its fiscal year 2012 (July 2011 to June 2012), ICANN also collected approximately \$358 million of fees from applicants to the New gTLD

Program. Minimal expenses related to the program occurred by June 2012.

During its fiscal year 2013 (July 2012 to June 2013), ICANN proceeded with the Initial Evaluation phase. The disbursements to vendors during this fiscal year include those related to the New gTLD Program for approximately \$64 million.



Statement of Financial Position

The amounts included in Cash and Cash equivalents as of 30 June 2012 included the fees collected applicants to the New gTLD Program for \$358 million.

As of 30 June 2013, the unspent portion of these application fees is included in the Investments line for \$239 million.

The application fees collected are recognized in revenues as the program evaluation progresses and fees become non-refundable. As a result, the entire amount of fees collected by 30 June 2012 is included in the Deferred Revenue line of the statement of position at that date.

The decrease in Deferred Revenue from June 2012 to June 2013 is driven by the revenue recognized during the period, and by the fees refunded for applications withdrawn.

Assets	Jun 30 2013	Jun 30 2012
Cash and cash equivalents	\$ 64,887	\$ 383,018
Accounts receivable, net	22,866	17,881
Investments	294,874	53,035
Capital and other assets	14,548	12,442
Total Assets	\$ 397,175	\$ 466,376

Liabilities and Net Assets	Jun 30 2013	Jun 30 2012
<i>Liabilities</i>		
Accounts payable and accrued liabilities	\$ 24,849	\$ 12,851
Deferred revenue	203,592	369,933
<i>Total liabilities</i>	228,441	382,784
Unrestricted net assets	168,734	83,592
Total Liabilities and Net Assets	\$ 397,175	\$ 66,376

Statement of Activities

During the fiscal year 2013, the Total Support and Revenue has increased compared to the previous year mainly as a result of the portion of the new gTLD application fees recognized in revenue, for \$158 million. Revenues for the New gTLD Program are recognized as the application evaluation work has progressed and fees become non-refundable.

The total Expenses have increased year on year as a result of the New gTLD Program evaluation costs (for \$74 million in professional services), the overall growth of the organization resulting from the strengthening of its infrastructure and its management capabilities, from its international expansion into hubs and engagement offices, and from the support to the New gTLD Program.

Unrestricted Support and Revenue	12-month ended June 2013	12-month ended June 2012
Registry	\$ 39,002	\$ 35,202
Registrar	33,983	33,133
Contributions	2,715	4,078
Revenues from New gTLD application fees	158,072	–
Total Support and Revenue	233,772	72,413
Expenses		
Personnel	31,457	27,780
Travel and meetings	12,240	12,553
Professional Services	93,185	19,462
Administration	13,480	10,582
Total Expenses	150,362	70,377
Other Income		
Total other income	1,732	1,406
Change in net assets	85,142	3,442
Unrestricted Net Assets		
Beginning of year	83,592	80,150
End of year	\$ 68,734	\$ 83,592

Updates

for our

Organizational

Objectives

Objective One

Affirmation of Purpose

Articulating and demonstrating ICANN’s mission, acting as steward of public interest, deepening partnerships with Internet organizations, and delivering core Internet functions.

Successful transition to a new IANA Functions Contract with the U.S. Government.

In June 2012, the United States Department of Commerce’s National Telecommunications and Information Administration reaffirmed ICANN’s standing as the performer of the Internet Assigned Numbers Authority Functions for up to an additional seven years. The IANA Functions are a limited but important set of responsibilities that include management of the root of the Domain Name System (DNS), allocation of Internet Protocol numbering resources and the coordination of the assignment of ports and protocol parameters.

As part of the new contract, ICANN conducted a series of consultations on the way it delivers the IANA functions. These consultations included:

- Development of a Secure Notification Service
- Review of its Customer Complaint Resolution process
- Agreeing to formal performance standards with customers for the management of:
 - Internet Number Resources
 - gTLD Delegation and Redelegation
 - ccTLD Delegation and Redelegation

- Agreeing on user instructions for Internet Number Resource Requests
- Developing a Root Zone KSK Rollover Process

Following the ratification of the “Global Policy for Post Exhaustion IPv4 Allocation Mechanisms by the IANA” in May 2012, ICANN conducted a public consultation on the different ways that policy could be implemented. An approach was agreed and ICANN created a new registry to report on the IPv4 address space returned by APNIC, ARIN and the RIPE NCC. At the end of June 2013, there was approximately the equivalent of one /8 of IPv4 address space (16m addresses) registered.

Business Excellence

The IANA Department conducted its fourth annual Business Excellence self-assessment in January 2013. ICANN joined EFQM, the organization that defines the Business Excellence methodology being implemented, in May 2013.

Promoting DNSSEC Adoption

ICANN's Domain Name System Security Extensions (DNSSEC) awareness and outreach efforts in international, regional, and domestic forums have accelerated the pace of DNSSEC deployment with 118 out of the total of 318 top-level domains signed (as of 30 August 2013) and growing Internet Service Provider and registrar support.

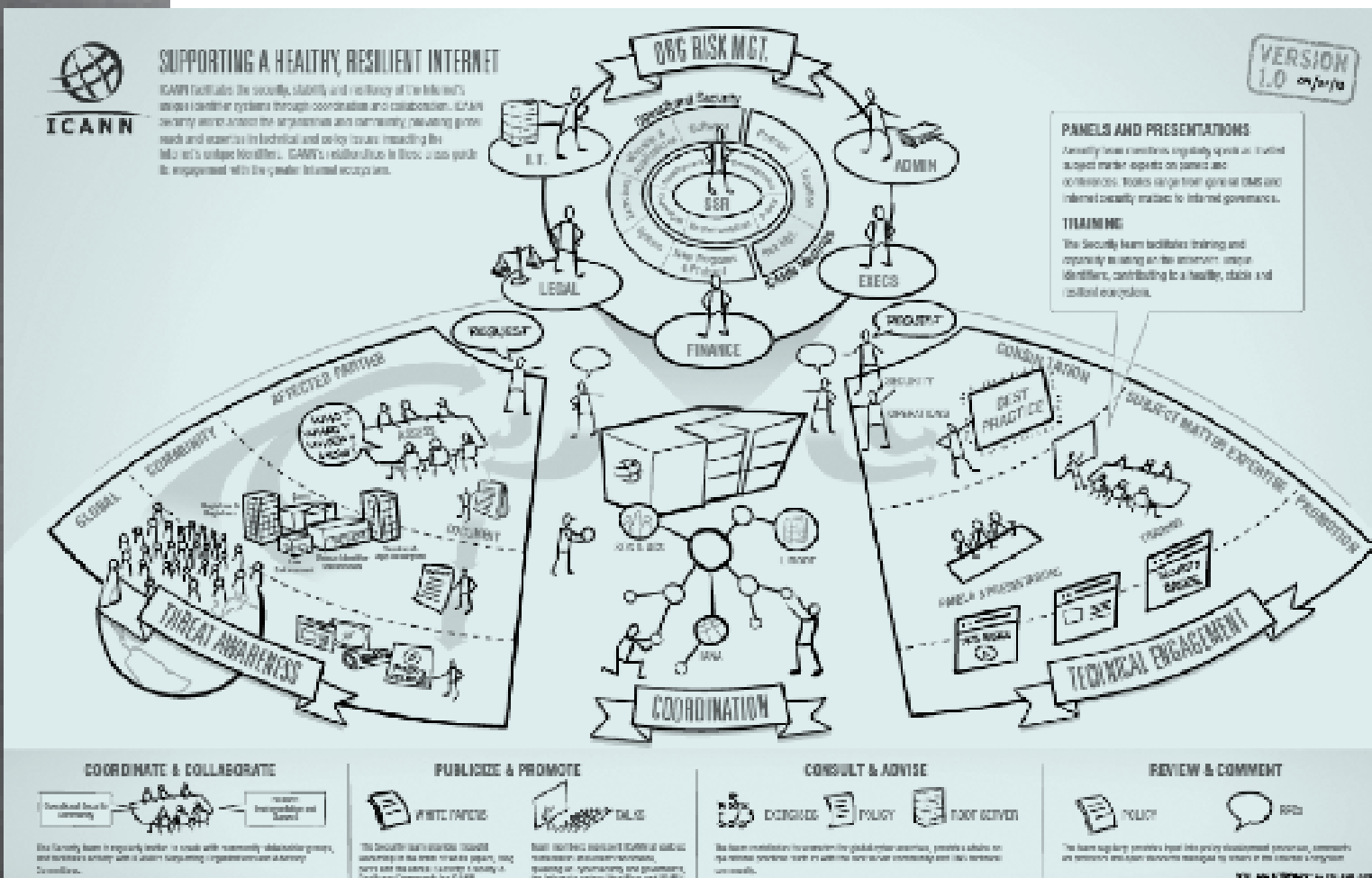
Broadening its audience reach, ICANN also collaborated with other organizations, such as the Internet Society and the Network Startup Resource Center, to promote DNSSEC adoption and discuss DNS security issues. ICANN conducted training at the 4th Global DNS Security, Stability and Resiliency Symposium, partnering with the Anti-Phishing Working Group (the world's largest independent counter ecrime association) at its eCOS event in October 2012

in Puerto Rico. ICANN also supported DNSSEC training in Chile, Colombia, Hong Kong, Lebanon, Paraguay, Peru and Tunisia.

Together, all of these regional DNSSEC awareness and training efforts brought in more requests for DNSSEC training and adoption. These improvements support ICANN's work in fostering a healthy, stable and resilient Internet ecosystem.

DNS Capability Training

ICANN staff presented to corporate, governmental, law enforcement and Internet audiences at events or conferences such as the Caribbean Telecommunications Union 8th Annual Internet Governance Forum, Russian Internet Governance Forum, European Forum Alpbach, Cyber Dialogue Conference, African MIGworks, Pan Arab Cybersecurity Observatory, Commonwealth



Cybercrime Initiative, BlackHat/Defcon, Interpol, Europol, US Telecommunications Training Institute, United Nations Group of Experts on Geographical Names, and the United Nations Conference on the Standardization of Geographical Names. Staff also conducted a number of law enforcement and operational security community workshops on domain name system security.

L-Root Operations

As part of an ongoing effort to expand distribution of L-Root globally, ICANN worked with local partners to install L-Root nodes in 26 countries this fiscal year. The goal of the effort is to increase resilience to abuse or attacks on the domain name system by boosting name resolution capacity.

Collaborations for L-Root installations have been announced in Latin America and the Caribbean with LACNIC, in Brazil with CGI.BR, in Korea with the Korean Internet Security Agency, and other locations. ICANN's Global Stakeholder Engagement staff actively sought additional locations and hosts throughout the year.

Internationalized Domain Names

- IDN ccTLD Fast Track approved strings (at 30 June 2013): 41
- Number of IDN ccTLDs in the Root Zone (at 30 June 2013): 34
- Number of IDN ccTLDs delegated in the Root Zone between 1 July 2012 and 30 June 2013: 2

I-Star partnerships

ICANN continued to engage with the other Internet governance organizations, such as the Internet Society, the Regional Internet Registries, the Internet Engineering Task Force, W3C, and the Internet Architecture Board. Together, this Internet ecosystem shares responsibility for the multistakeholder model of Internet governance.

New gTLD applicants add public interest commitments

In an announcement in February, ICANN asked all applicants for information about what kind of commitments they were willing to make within operation of their new gTLD to benefit the public interest. All submissions were posted for public comment. These commitments are expected to be included as part of the registry's agreement with ICANN.



Node Locations

A map of node locations and more information can be found at dns.icann.org/lookup/locations

List of countries where L-Root was installed in fiscal year 2013

1. Argentina *Ezeiza*
2. Armenia *Yerevan*
3. Azerbaijan *Baku*
4. Bahrain *Al Muharraq*
5. Brazil *Brasilia, Distrito Federal*
6. Chile *Santiago*
7. Colombia *Bogota*
8. Costa Rica *San Jose*
9. Denmark *Copenhagen*
10. Dominican Republic *Punta Caucedo*
11. El Salvador *San Salvador*
12. Estonia *Tallinn*
13. Finland *Tampere/Pirkkala*
14. Guam *Hagatna*
15. Lebanon *Beirut*
16. New Caledonia *Noumea*
17. Oman *Muscat*
18. Papua New Guinea *Port Moresby*
19. Philippines *Metro Manila*
20. Serbia
21. Solomon Islands *Honiara, Guadalcanal Island*
22. Switzerland *Zurich*
23. Tunisia *Tunis*
24. Turkey *Ankara*
25. United States *Anchorage, Phoenix, Honolulu, Boston*
26. Uruguay *Montevideo*

Map of all existing L-Root installations as of September 2013



Objective Two

Internationalization

Communicating effectively with stakeholders, engaging globally, evolving government relationships, and integrating global and regional responsibilities

MyICANN

In October, ICANN launched a web-based platform called MyICANN to support its multi-stakeholder model to deepen and broaden stakeholder engagement and participation. More than 5000 community members subscribe to the service that provides a personalized dashboard with access to the latest information about their activities and interests.

ICANN as a global organization

ICANN moved closer to the vision of an international matrix organization with the opening of its first hub office in Istanbul, Turkey, and engagement centers in Beijing, People's Republic of China and Montevideo, Uruguay. ICANN's key administrative functions, once concentrated in Los Angeles, California, will now be spread over three hub offices in Istanbul, Los Angeles and Singapore. Singapore will open in fiscal year 2014. Regional engagement centers like Beijing

and Montevideo are part of ICANN's effort to go to its stakeholders, rather than ask its stakeholders to come to it. ICANN's Brussels and Washington DC offices remain open; its Palo Alto, California, and Sydney, Australia offices are now closed.

Regional engagement strategies

ICANN must operate both globally and regionally, and an important step in making that possible was the development of regional engagement strategies for Africa, Middle East and Latin America/Caribbean. Each plan was built from the ground-up with input from regional representatives of Internet user groups, the technical community, the private sector and governments. These local stakeholders worked together with ICANN to develop three-year plans aimed at increasing local involvement in ICANN's multi-stakeholder model as well as developing critical Internet infrastructure.

Staff by Location

As of September 2013

Country	ICANN Office	Total Staff
Argentina		1
Australia		1
Belgium	(2)	14
Benin		2
Canada		1
Egypt		1
France		3
Israel		1
Mexico		1
Netherlands		1
Poland		1
St. Lucia		1
Singapore	(1)	3
Sweden		1
UK		1
United States	(1), (2)	180
Uruguay	(2)	1
	Total	215

(1) Hub Office (2) Engagement Center

Staff

 **2013**

Sept	185	25	5	215
July	180	23	1	204
Jan	141	20	2	163
July	125	15	5	145
Jan	115	11	5	131
	Americas	EMEA	Asia-Pacific	Total

 **2012**

Objective Three

Multistakeholder Model Evolution

Evolve Supporting Organizations and Advisory Committee structures, increase and improve global participation, optimize policy development, promote ethics and transparency.

Address Supporting Organization

The Address Supporting Organization represents the Regional Internet Registries (RIRs)—the entities that oversee the allocation of Internet number resources in particular geographic regions. Only representatives of RIRs may join.

The ASO held its annual in-person meeting at the ICANN 46 Public Meeting in Beijing. Throughout the year, its members were active and open in providing advice on Internet Protocol addresses and autonomous system number topics to any ICANN constituency. The group continued implementing the recommendations through the organizational review of the ASO.

At-Large Advisory Committee

The At-Large Advisory Committee (ALAC) is the primary organizational home for the voice and concerns of the individual Internet user in ICANN processes. Global users are represented through groups called At-Large Structures (ALSes) who are part of Regional At-Large Organizations (RALOs) after a certification process including regional advice and an ALAC vote.

The ALAC continued to increase its activities and its voice in the ICANN policy development process, submitting 49 policy advice statements, resolutions and communications regarding issues including among others the Proposed 2013 Registrar Accreditation Agreement and the Expired Registration Recovery Policy. All ALAC statements are available on the At-Large Correspondence page.

The ALAC completed its first “operations” activity during FY13. The members of the At-Large New gTLD Review Group (RG) created a process, approved by the ALAC, to vet objections to new gTLD applications and draft the objection statements. This process sought input from the At-Large community, at the RALO and ALAC levels, in accordance with requirements set out in the Applicant Guidebook. On 13 March, the ALAC filed three objections regarding applications for .HEALTH based on community objection grounds.

The At-Large community also began preparations for the second At-Large Summit (ATLAS II) to be held during the 50th ICANN Meeting scheduled for June 2014 in London.

Regional At-Large Organizations

The five RALOs continued their activities aimed to strengthen their existing ALSes and expand their overall numbers.

Three RALOs held General Assemblies allowing for detailed discussions between their respective members:

- Asian, Australasian & Pacific Islands Regional At-Large Organization
April 2013, Beijing, China
- European Regional At-Large Organization
June 2013, Lisbon, Portugal
- North American Regional At-Large Organization
October 2012, Toronto, Canada

The RALOs were also active in capacity building activities during this year. The African Regional At-Large Organization held three AFRALO Capacity Building Webinars in June and July 2013 on the topics of “ICANN Mission, Structure and Constituencies,” “ICANN’s Role in Internet Infrastructure,” and “How you can help shape the future on the Internet.” LACRALO has been holding a series of capacity building sessions during their monthly meetings. Speakers have included members of the LACRALO ALSes as well as selected thematic experts. Look for more information on LACRALO Capacity Building activities on the At-Large wiki pages.

New At-Large Structures in fiscal year 2013

- Armenian Association for the Disabled
PYUNIC
- Asociacion de Escribanos del Uruguay
AEU—Association of Notary Public Professionals of Uruguay
- Computer Society of India
- Connecting.nyc Inc.

- dotHIV gemeinnutziger e.V. *dotHIV*
- Internet Society of Canada Chapter
- Internet Society—Malaysia Chapter
- Internet Society—Philippine Chapter
ISOC Philippines
- Nova Scotia Community Access Program
- Tecnologia, Educacion, Desarrollo, Investigacion y Comunicacion *TEDIC*
- University of Library Studies and Information Technologies *UniBIT*

Country Code Names Supporting Organization

The Country Code Names Supporting Organization, or ccNSO, develops global policies relating to country code top-level domains and provides a forum for ccTLD managers to meet and share best practices.

New ccNSO Members in fiscal year 2013:

- .FO *Faroe Islands*
- .GR *Greece*
- .MK *Macedonia*
- .PY *Paraguay*

Making Room for Internationalized Domain Names in ccNSO

The ccNSO Council adopted recommendations on how future Internationalized Domain Name top-level strings would be selected, as well as how IDN ccTLD managers could become members of the ccNSO. The recommendations were put to a vote of the ccNSO membership in May–June 2013, but due to low turnout, the election was rescheduled for July–August 2013.

A multistakeholder effort, the IDN country code Policy Development Process was guided by a joint issues paper published by ICANN’s Government Advisory Committee and the ccN-

SO, and the IDNC Working Group. It also drew upon experiences with the Fast Track Process and associated Fast Track Implementation Program, aimed at quickly bringing IDNs into the root zone. This is only the second time in the ten-year history of the ccNSO that an issue has been brought to a membership vote.

Governmental Advisory Committee

The Governmental Advisory Committee is comprised of representatives from national governments and intergovernmental organizations. The GAC's key role is to provide advice to ICANN on issues of public policy, and especially where there may be an interaction between ICANN's activities or policies and national laws or international agreements. The GAC meets in conjunction with ICANN meetings.

The GAC met in-person at ICANN public meetings in Toronto, Canada, and Beijing, China. The GAC held a High Level Meeting of government officials during the ICANN meeting in Toronto in line with the implementation of ATRT 1 recommendations. The GAC sessions in Beijing were focused on delivering GAC advice to the ICANN Board on categories of new gTLD strings and specific new gTLD applications. This advice is detailed in the Beijing GAC Communiqué.

Generic Names Supporting Organization

The Generic Names Supporting Organization is the main policy-making body responsible for generic top-level domains and consists of two houses; the contracted party house and the non-contracted party house which in turn are made up of four stakeholder groups:



Contracted Party House

- gTLD Registries Stakeholder Group
- Registrars Stakeholder Group

Non-Contracted Party House:

- Commercial Stakeholder Group
Consisting of Commercial and Business Users Constituency; Intellectual Property Constituency, and Internet Service Providers and Connectivity Providers Constituency
- Non-Commercial Stakeholder Group
consisting of Non-Commercial Users Constituency and Not-for-Profit Operational Concerns Constituency

Among the GNSO's policy development milestones in fiscal year 2013 were:

Publications & Completed Projects, Groups and Teams

- Publication of Initial Report on the Locking of a Domain Name subject to UDRP Proceedings PDP
- Publication of Initial Report on Protection of IGO and INGO Identifiers in All gTLDs PDP
- Publication of Initial Report on Thick WHOIS PDP
- Publication of Final Issue Report on Translation and Transliteration of Contact Information
- Publication of Preliminary Issue Report on gTLD Registration Data Services
- Adoption of Inter-Registrar Transfer Policy Part C Policy Development Process Recommendations
- Completion of Consumer Trust, Consumer Choice, and Competition Working Group and adoption of Advice Letter
- Completion of Uniformity of Contracts to Address Registration Abuse

- Completion of Security and Stability Advisory Committee/GNSO Internationalized Registration Data Working Group and adoption of Final Report
- Completion of Protection of International Olympic Committee / Red Cross Names Drafting Team and adoption of recommendations

The GNSO and GNSO Council are currently deliberating the following topics amongst others:

- Inter-Registrar Transfer Policy
- Thick WHOIS
- The Protection of IGO and INGO Identifiers in all gTLDs
- Translation and transliteration of contact information
- Policy & Implementation
- Cross Community Working Group Principles
- Metrics and Reporting

Root Server System Advisory Committee

The Root Server System Advisory Committee represents organizations responsible for operating the world's 13 root name servers and others concerned with stable technical operation of the authoritative root server system.

The RSSAC in fiscal year 2013 underwent a restructure based on recommendations developed from its first ICANN Organizational Review.

The RSSAC also began defining metrics for assessing the health of the root server system and creating a baseline of data to be used when the new gTLDs begin entering the root zone. This will allow the root server operators to assess

Objective Three

cont...

changes, if any, that accompany an expanded root zone.

Security and Stability Advisory Committee

The Security and Stability Advisory Committee advises the ICANN community and Board on matters relating to the security and integrity of the Internet's naming and address allocation systems. Membership is by invitation only. The SSAC produces Reports, Advisories, and Comments on a range of topics. The SSAC considers matters pertaining to the correct and reliable operation of the root name system, to address allocation and Internet number assignment, and to registry and registrar services such as WHOIS. The SSAC also tracks and assesses threats and risks to the Internet naming and address allocation services. For more information on how the SSAC operates, see the SSAC Operational Procedures [PDF, 504 KB].

The following is a list of the SSAC documents published in fiscal year 2013 in which the SSAC addressed topics relating to domain name registration data services, such as WHOIS, content blocking via the domain name system, and Internal Name Certificates:

[SAC059](#) SSAC Letter to the ICANN Board Regarding Interdisciplinary Studies
18 April 2013

[SAC058](#) SSAC Report on Domain Name Registration Data Validation
27 March 2013

[SAC057](#) SSAC Advisory on Internal Name Certificates
15 March 2013

[SAC056](#) SSAC Advisory on Impacts of Content Blocking via the Domain Name System
9 October 2012

[SAC055](#) SSAC Comment on the WHOIS Review Team Final Report
14 September 2012



Meeting Participation

Attendee numbers at ICANN's Public Meetings have steadily increased over time, demonstrating that ICANN is retaining its existing community while attracting new and diverse community members. Attendance achieved a new record in April 2013 at its meeting in Beijing, People's Republic of China with nearly 2600 registered on-site attendees. Also notable is that at ICANN 46, about 1900 participants came from outside of China, and 700 were from China.

Remote Participation

With stakeholders in every country in the world, ICANN strives for world-class remote participation services that enable Internet users to add their voices to the discussion from wherever they are. First provided in 2009, these remote participation services have continued to improve and were the standard services provided at each meeting this fiscal year. Simultaneous audio, video and scribing services, in English as well as local languages, were provided for more than 100 public sessions (on average) at each of the two ICANN meetings held this fiscal year in Asia Pacific and North America.

ICANN used Adobe Connect as the main remote participation tool, but also provided low bandwidth services through sole MP3 streaming and scribe feed.

Meeting Participation

Meeting Number	City	Total	Registration Date	Region
46	Beijing, <i>China</i>	2532	Apr 2013	Asia Pacific
45	Toronto, <i>Canada</i>	1800	Oct 2012	North America
44	Prague, <i>Czech Republic</i>	1821	24 Jun 2012	Europe
43	San Jose, <i>Costa Rica</i>	1426	16 Mar 2012	Latin America
42	Dakar, <i>Senegal</i>	1246	28 Oct 2011	Africa
41	Singapore	1341	24 Jun 2011	Asia Pacific
40	San Francisco, <i>CA</i>	1767	18 Mar 2011	North America
39	Cartagena, <i>Colombia</i>	1026	10 Dec 2010	Latin America
38	Brussels, <i>Belgium</i>	1625	25 Jun 2010	Europe
37	Nairobi, <i>Kenya</i>	740	12 Mar 2010	Africa
36	Seoul, <i>Korea</i>	1346	30 Oct 2009	Asia Pacific
35	Sydney, <i>Australia</i>	1052	26 Jun 2009	Asia Pacific

Remote Participation

MP3 Streaming Statistics by Meeting

Meeting	Language	English	Spanish	French	Other	Total MP3
Cartagena, <i>Colombia</i>		1489	223	61	0	1773
San Francisco, <i>California, US</i>		2403	518	444	0	3365
Singapore		2417	316	1026	338	4097
Dakar, <i>Senegal</i>		1666	1177	341	8	3192
San Jose, <i>Costa Rica</i>		1497	395	563	81	2536
Prague, <i>Czech Republic</i>		1238	136	130	48	1552
Toronto, <i>Canada</i>		1228	204	101	114	1647
Beijing, <i>People's Republic of China</i>		1479	341	161	242	2223

Adobe Connect Statistics Main Meeting Room

Meeting	Total Connections
Sydney, <i>Australia</i>	756
Seoul, <i>South Korea</i>	875
Nairobi, <i>Kenya</i>	1346
Cartagena, <i>Colombia</i>	945
San Francisco, <i>California, US</i>	1261
Singapore	1338
Dakar, <i>Senegal</i>	1351
San Jose, <i>Costa Rica</i>	1615
Prague, <i>Czech Republic</i>	632
Toronto, <i>Canada</i>	1020
Beijing, <i>People's Republic of China</i>	1192

Attracting New and Diverse Community Members

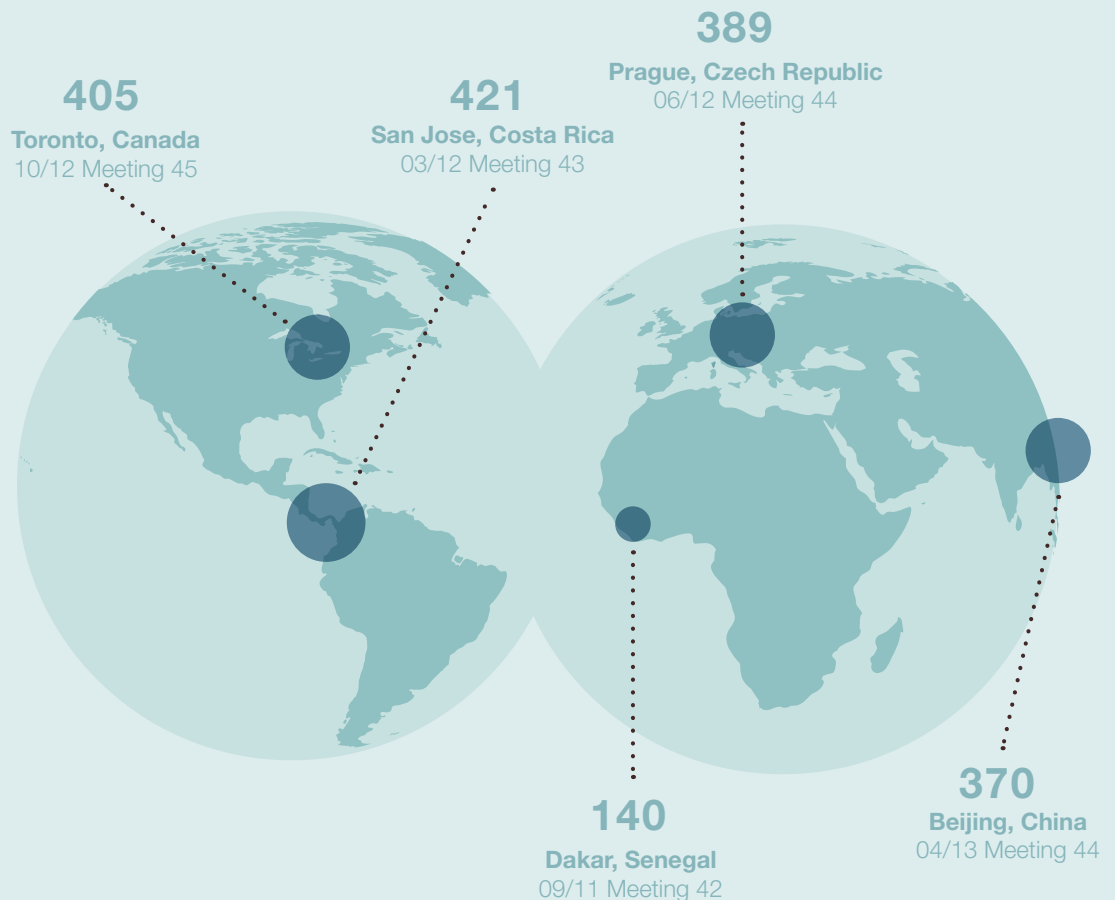
ICANN welcomed Newcomers into its multistakeholder process through special orientation programs during ICANN Public Meetings. In its third year, the Newcomers Program shifted its first-day focus from staff presentations to interactive dialogue with staff and community members to facilitate understanding ICANN's role in Internet governance, how its community is structured and how the policy-making process works. Its goal is to educate Newcomers so they can be effective and engaged participants in their first, second

or third meeting, and to leave the meeting well informed and willing to come back.

Newcomers were paired with alumni from ICANN's Fellowship Program who served as mentors. These mentors, as well as ICANN staff, provided hands-on support, guidance and introductions to community members, the ICANN structure and process, and the sessions best suited for newcomers. The Newcomers Lounge, a special gathering place designated at each Public Meeting, was the focal point for this activity.

Newcomers

**defined as attending less than three meetings*



Objective Four

Operations Excellence

Institutionalize management disciplines, mature organizational support functions, optimize gTLD services, plan for scale, security and continuity.

Pre-delegation testing

In preparation for bringing new gTLDs online, ICANN built the resources and systems needed to prepare applicants for pre-delegation testing to ensure applicants are capable of operating a new gTLD in a stable, secure manner. ICANN also conducted beta testing of the system with volunteer applicants in May 2013.

Optimizing gTLD services

The Former Chief Operations Officer Akram Atallah was appointed in June 2013 as division president of ICANN's new Generic Domains Division and tasked with management of generic domain operations, domain name industry engagement and web services. This new division will allow ICANN to better manage the tremendous increase in scale resulting from the New gTLD Program and ensure operational excellence.

New gTLD applicant prioritization draw

ICANN held a prioritization draw in Los Angeles on 17 December 2012 to assign priority numbers to all new gTLD applications. These priority numbers were used to determine the order in which initial evaluation results were released. Each application was assigned a priority number.

Nearly a thousand new gTLD applications pass initial evaluation

ICANN began releasing the results of initial evaluation in March 2013, and by the end of the fiscal year released results for 990 applications. During this phase, independent evaluation panels assessed applied-for gTLD strings, applicants' qualifications and proposed registry services. Of the 1930 applications received for the New gTLD Program, 87 were withdrawn by the end of fiscal year 2013.

Number of New gTLD
Program webinars
conducted this year: 19

MyProjects system

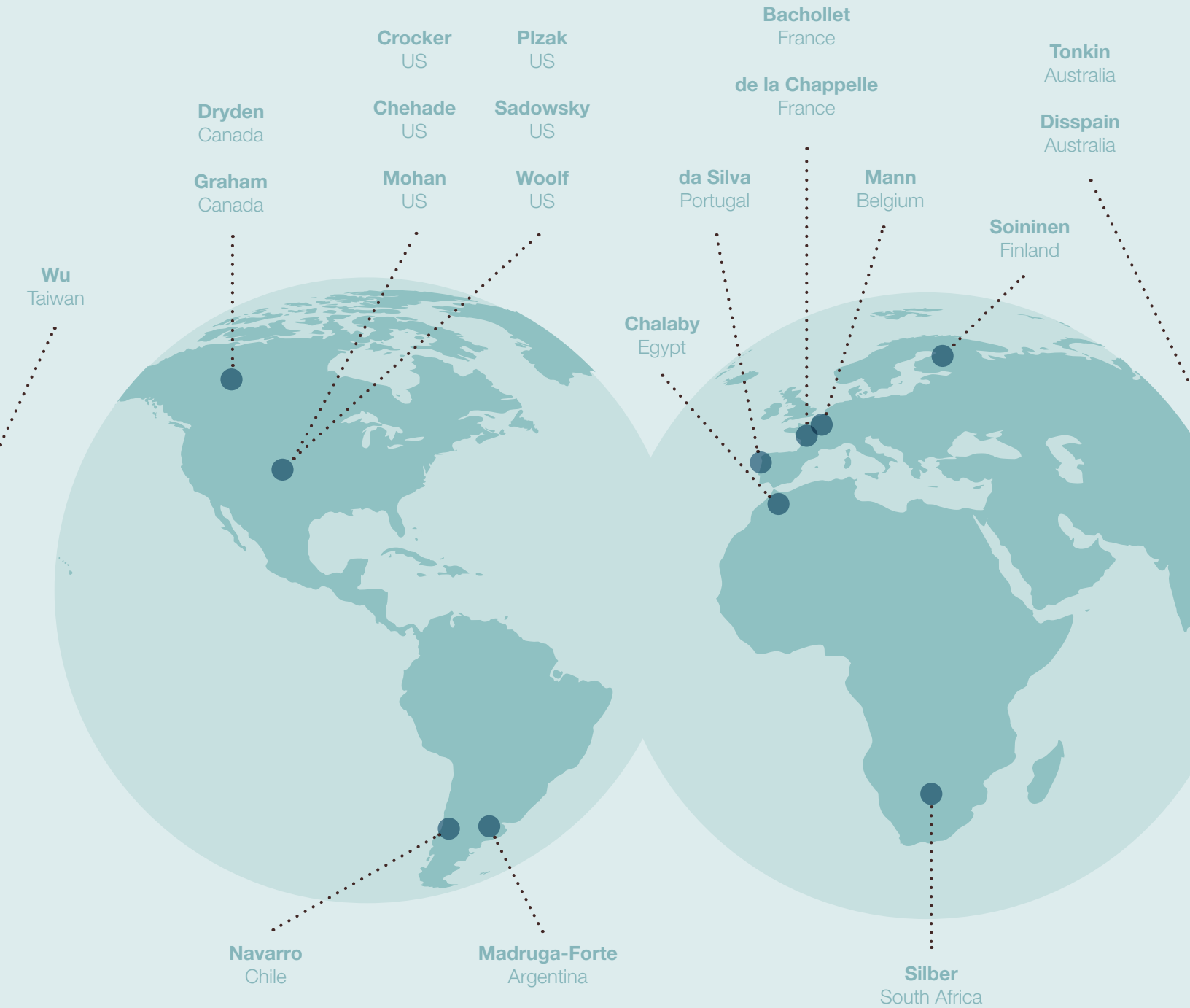
In April, ICANN rolled out a new MyProjects feature on the MyICANN website, that allows anyone to see the status of current projects and portfolios of work within ICANN. Grouped first by the four organizational objectives you've seen outlined in this report, and then by 16 underlying goals, ICANN's 56 portfolios and nearly

500 projects are listed along with up-to-date status reports. This level of transparency allows anyone interested in ICANN's operations to learn if projects are on track, at risk or delayed. It is part of an organization-wide focus on management disciplines that make tracking easier and increase accountability.



Board of Directors

As of 30 September 2013



Board Members by Country



Steve Crocker

Chairman of the Board of Directors

CEO and Cofounder of **Shinkuro, Inc.**
Experience includes research management at **DARPA, University of Southern California Information Sciences Institute** and the **Aerospace Corporation**, Vice President of **Trusted Information Systems**, and Co-founder of **CyberCash, Inc., Executive DSL**, and **Longitude Systems, Inc.**

Involved in the Internet since its inception. As graduate student, helped develop protocols for the **Arpanet** and laid the foundation for today's Internet; organized the **Network Working Group**, the forerunner of the modern **Internet Engineering Task Force**, and initiated the Request for Comment series through which protocol designs are documented and shared. Recipient of 2002 **IEEE Internet Award**.

Chair, Executive Committee; member Risk and Compensation Committees



Bruce Tonkin

Vice Chair

Chief Strategy Officer, **Melbourne IT Limited**. Evaluates new product opportunities and analyzes emerging technology trends for domain name registrar providing services for many gTLDs and ccTLDs.

Has represented **Melbourne IT** in ICANN's registrars' constituency since 2001. Later, elected to the **GNSO Council**; chair of the **DNSO Names Council** and **GNSO Council**. Active participant in policy development for the **.au ccTLD**. Major policy work includes the introduction of registrar competition in the .au namespace and the introduction of a range of policies covering areas such as domain name registration policies and **WHOIS**.

Fellow, Australian Institute of Company Directors

Chair, Board Governance Committee; member, Compensation and Executive Committees



Sébastien Bachollet

Organized **European Global Event** on Domain Names and Addresses in Paris from 2002–08. The event drew more than 250 participants each year. He launched France’s largest e-business web site, **www.sncf.fr**.

Leveraging his early career experience in leading innovative information systems projects at **Air Inter** and **French National Railways**, he became involved in the relaunch and promotion of **CIO Networks** in France, and the creation of **EuroCio**.

Founding CEO, *BBS International Consulting*

Member, *the Internet Society French Chapter (serving on its board since 2003), named **Honorary President** in 2009*

Deputy General Manager, *Club Informatique des Grandes Entreprises Francaises*

Chair, *Public Participation Committee*

Member, *Finance & Structural Improvements Committees*



Cherine Chalaby

Held many leadership roles in banking and technology. During a 28-year tenure at IT service company **Accenture**, he held key managing positions, ultimately serving on **Accenture’s Executive Committee** and its **Global Leadership Council**.

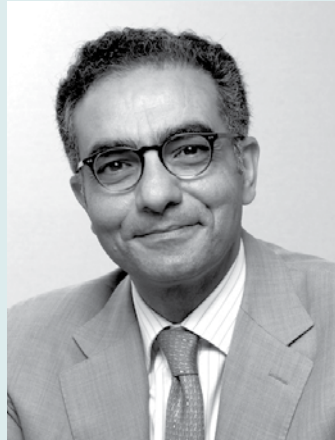
His experience includes strategy development, systems implementation, transformational change and running operations.

Joined Middle East-based regional investment bank **Rasmala** in March 2006, serving as chairman of the supervisory board, chairman of the management board and chairman of the bank’s subsidiary in Egypt.

Previous Middle East experience included developing one of the first Internet-based brokerage systems in the region and developing and installing a local exchange system.

Chair, *Finance and New gTLD Program Committees*

Member, *Board Governance and Executive Committees*



Fadi Chehadé

ex officio

President and CEO of **ICANN**, with more than 25 years of experience in building and leading progressive Internet enterprises, leveraging relationships with senior executives and government officials across Asia, Europe, the Middle East and the United States. Previously, served as Chief Executive Officer of **Vocado, LLC**, a U.S. firm that is a provider of cloud-based software for the administration of educational institutions. Also served as CEO of **CoreObjects Software, Inc.**, and General Manager of **IBM's Global Technology Services** in the Middle East and North Africa. Founded and led three companies since 1987: **Viacore, RosettaNet and Nett Information Products.**

Member, Executive and New gTLD Program Committees



Chris Disspain

CEO of **.au Domain Administration Ltd.** since October 2000. Instrumental in Australian government's endorsement of **auDA** as manager of **.au**. Responsible for negotiating re-delegation of **.au** to **auDA** and guiding the evolution of the DNS in Australia from a monopoly to a competitive, regulated and price-sensitive regime.

Served as corporate attorney; held executive management positions and directorships in private and public companies in United Kingdom and Australia. Served as chair or director of several companies listed on the **Australian Stock Exchange.**

Founding Chair of ICANN's ccNSO from 2004 to 2011

Member of the United Nations Internet Governance Multistakeholder Advisory Group

Member, Finance, New gTLD Program, Public and Stakeholder Engagement and Board Governance Committees



Heather Dryden

*Government Advisory Committee Liaison,
non-voting*

GAC Chair. Senior Advisor at **Industry Canada** in the **International Telecommunications Policy** directorate of the **Telecommunications Policy Brand**, with lead responsibility for Internet governance and DNS policy matters.

Serves in an ex officio capacity on the **Canadian Internet Registration Authority Board of Directors** and participates in the **American Registry for Internet Numbers—Government Working Group**.

Appointed to **Multistakeholder Advisory Group** of the **Internet Governance Forum** and participated in the Canadian delegation to the **United Nations World Summit on the Information Society**.

Previously worked at the **NATO Information Office** in Moscow and worked on capacity-building programs in Ukraine funded by the **Canadian International Development Agency**.



Bill Graham

Independent consultant. Worked with **Internet Society** from 2007–11, responsible for expanding its engagement with organizations such as the **United Nations**, the **Organization for Economic Cooperation and Development**, the **World Intellectual Property Organization**, and the **International Telecommunication Union**.

Served as Director of International Telecommunications Policy and Coordination in the Canadian government.

First joined Canadian government in 1988, and held management positions in program evaluation and strategic planning. Involved in early promotion of community networking and Internet use in Canada, as well as in international business development in the spectrum, information, and communications technology sector.

Former Director of *Government Relations for Teleglobe, Inc.*

Chair, *Global Relationships*

Member, *Audit, IANA and New gTLD Program Committees*



Bertrand
de La Chapelle

Program Director at **International Diplomatic Academy**. Diplomat who held many positions in the French government. Cofounder and president of **Virtools**, provider of the world's leading development environment for 3D interactive content. Served as CEO from 1993–1998. Founded consulting department of French technology monitoring firm.

Active participant in World Summit on the Information Society process from 2002–2005 to promote dialogue among civil society, the private sector and governmental representatives.

Director of collaborative platform **WSIS-online**. Served as France's Thematic Ambassador and Special Envoy for the **Information Society**.

Member of the *G-8 Digital Opportunities Task Force*, an early multistakeholder effort in ICT

Member, *Board Governance, Global Relationships and Structural Improvements Committees*



Olga
Madruga-Forti

More than 25 years' experience as a senior executive in the telecommunications and satellite industries. Based in Buenos Aires, Argentina, she represents global and regional telecomm companies before the **ITU**, the **Organization of American States** and other standards-setting international agencies and trade associations. Currently represents **ARSAT S.A.**, an international satellite company in all international and regulatory matters.

Former positions include: Vice President, Regulatory and Legal, for **Iridium Satellite**; Vice President, Legal and Regulatory for **Loral CyberStar**, a U.S. international satellite company; and Special Counsel for International Satellite Policy and Chief of the Domestic Services Branch of the Common Carrier Bureau of the **U.S. Federal Communications Commission**.

Member, *Audit, Global Relationships and New gTLD Program Committees*



Erika Mann

Head of **Facebook Brussels** office
Executive Vice President of the **Computer & Communications Industry Association**.
German member of the **European Parliament** from 1994-2009, concentrating on trade and **World Trade Organization** policy, transatlantic relations, digital economy, telecommunications and Internet policy, and research policy.

European chairperson of the **Transatlantic Policy Network** and proponent of transatlantic market between the EU and US.
Member of advisory board of **Transatlantic Economic Council**.

Lecturer and author of publications on trade, transatlantic relations and the Internet.

Recipient of *European-American Business Council for Exceptional Transatlantic Commitment award*, and *Bundesverdienstkreuz am Bande (the German Federal Cross of Merit)*

Chair, *Audit Committee*; member, *Global Relationships and New gTLD Program Committees*



Ram Mohan

Security and Stability Advisory Committee Liaison, non-voting

Executive Vice President & Chief Technology Officer of **Afilias Limited**. Oversees key strategic, management and technology choices in support of .info and .org, sponsored domains .mobi, .asia, and .aero and country code domains including .in (India) and .me (Montenegro).

Led the strategic growth of the company in registry services, security and new product sectors.

At **Infonautics Corp.**, founded award-winning **CompanySleuth** product and line of business. Helped design online references **Electric Library** and **Encyclopedia.com**.

Cofounder of the technology behind anti-spam company **TurnTide**.

Held leadership, engineering and technology positions with **First Data Corporation**, **Unisys Corporation** and **KPMG Peat Marwick**.

Liaison to *Board Governance and Risk Committee*



Thomas Narten

*Internet Engineering Task Force Liaison,
non-voting*

Engineer, Internet technology and strategy at **IBM**. 20 years of networking experience. **Active Internet Engineering Task Force** contributor for 15 years, coauthoring 10 Request for Comments, including two core IPv6 specifications.

IETF Area Director for the Internet area, focused on strengthening the working relationships with **IANA** and the **Regional Internet Registry** community.

Helped develop RIR IPv6 address policy. Participates in public policy discussions in the **Asia Pacific Network Information Center**, **American Registry for Internet Numbers** and **Réseaux IP Européens** regions. Key participant development of globally-coordinated IPv6 address policy adopted by all RIRs in 2002.

Former computer science faculty member at **SUNY-Albany**.

Liaison to IANA, New gTLD Program and Public and Stakeholder Engagement Committees



Gonzalo Navarro

Chief of Staff, **National Institute of Industrial Property** of Chile. Served as senior adviser on international affairs, Undersecretary of **Telecommunications of Chile**, representing Chile on the **Governmental Advisory Committee. Associate** at *Morales & Besa*

Advised the Chilean government on the implementation of public policies derived from international processes, negotiated and drafted telecommunications chapters in several free trade agreements, including those between Chile and the United States and China; permanent representative of Chile at the **International Telecommunication Union**, the **World Summit on the Information Society**, the **Internet Governance Forum**, **Comisión Interamericana de Telecomunicaciones** and **Asia-Pacific Economic Cooperation Telecommunications and Information Working Group**.

Member, Audit, Global Relationships, New gTLD Program and Risk Committees



Raymond A. Plzak

President Emeritus, **American Registry for Internet Numbers**. More than 20 years experience in Internet registry operations, first with the **Defense Data Network/Department of Defense Network Information Center**.

Extensive experience in allocation of **Internet Number Resources**, administration of domain names, management of root server and directory services such as **Whois** and **IRR**, and help desk operations.

Past co-chair of the **Internet Engineering Task Force Domain Name System Operation Working Group**.

Coauthor of *Legal and Policy Aspects of Internet Numbers* (Santa Clara Computer & High Technology Law Journal, 2008) on need for a consistent legal and public policy approach to management of Internet number resources

Chair, Structural Improvements Committee; member, Board Governance, Compensation, and New gTLD Program Committees



George Sadowsky

Independent consultant. Computer scientist who has worked as a mathematician and programmer, and headed computing centers at **Brookings Institution, Northwestern University** and **New York University**.

At **United Nations**, supported technical assistance projects and has worked in more than 50 developing countries; consultant to **U.S. Treasury, U.S. Agency for International Development, World Wide Web Consortium**, the **Swiss government**, and the **World Bank**. Served on boards of **AppliedTheory Corporation, Corporation for Educational Research and Educational Networking** and **New York State Education and Research Network**, and the **Internet Society** where he directed Developing Country Network Training Workshops.

Executive Director of *Global Internet Policy Initiative*

Chair, Compensation Committee; member, Finance, Global Relationships and New gTLD Program Committees



Mike Silber

Attorney and Head, Legal and Commercial, **Liquid Telecomms**. Former independent legal and regulatory consultant in the information and communication technologies spheres. Selected as a leading South African Internet and e-Commerce lawyer by **Who's Who Legal** and as one of the leading Technology, Media and Telecommunications lawyers in South Africa by **Expert Guides**.

Management Committee member and regulatory advisor to the **South African Internet Service Providers' Association**. Helped form and served as a regulatory advisor and adjudicator to the **South African Wireless Application Service Providers' Association**.

Founding member of *Internet Society South African chapter*. *Director of the .za Domain Name Authority*

Chair, *Risk Committee*; *member, Board Governance, New gTLD Program and IANA Committees*



Francisco da Silva

Technical Liaison Group Liaison, non-voting

From 1998 to 2012, chairman of the **European Telecommunications Standard Institute (ETSI) General Assembly**, and Vice Chairman of Board 1996–1998. He was elected chairman of the **ETSI** Board from 2002 until 2008. He is since then Member of the **ETSI** Board.

Currently Senior Councillor at **Huawei Technologies Sweden**, an **ETSI** representative to **3GPP Project Coordination Group** and to the **oneM2M Steering Committee**. He is Huawei representative in **Global eSustainability Initiative**.

He was Director of **EURESCOM** (European Institute for Research and Strategic Studies in Telecommunications—Board of Governors) and of **ETNO** (European Telecommunications Network Operators Association—Executive Board).

Liaison to *New gTLD Program and Structural Improvements Committees*



Judith Vazquez

Founder and Chair, **PHCOLO, Inc.**, the Philippines telecommunications cross connection site. Early investor in **ICT** in Philippines. Laid the first fiber in 1995 in the nation's Central Business District and constructed its first 45-story skyscraper and intelligent building.

Her company **PHCOLO** provides colocation and local infrastructure to leading carriers and Internet service providers on wireless, cable, Ethernet and copper platforms.

Owns telecommunications towers and data centre-grade properties leased to data providers such as the financial industry. Board member for more than 20 years of **GMA Network**, the Philippines leading media corporation.

Board member of the Management Association of the Philippines

Member, Audit, New gTLD Program, Risk and Structural Improvements Committees



Suzanne Woolf

Root Server System Advisory Committee Liaison, non-voting

Manager, Strategic Partnerships at **Internet Systems Consortium**, provider of open source software for the Internet community. Held a variety of roles with **ISC** since 2002, including product management, strategic considerations for software and protocol development projects, and participation in technical policy activities with **ICANN, American Registry of Internet Numbers** and others.

Served as systems administrator, programmer and network engineer for the **University of Southern California Information Sciences Institute, Metromedia Fiber Networks**, and private consulting clients.

Member of the ICANN Root Server System Advisory Committee and ARIN Advisory Council. Participant in Internet Engineering Task Force and North American Network Operators' Group

Liaison to IANA and Risk Committees



Kuo-Wei Wu

CEO of **National Information Infrastructure Enterprise Promotion Association**, a non-profit in Taipei focused on global Internet and security policy research.

Cofounder, **High Performance Computing Asia Conference** series held since 1995 in Taipei. Established the **Taiwan Academic Network** in 1990. Coordinated **Asia ccTLD** operators' formation of **Asia Pacific Top-Level Domain Association** in 1998

Organized an Internationalized Domain Names joint engineering taskforce in Asia. Served on **Asia Pacific Network Information Center Executive Council** from 1999–2010, and as treasurer since 2003–2009.

Currently serves as **Taiwan Network Information Center** board member since 2000.

Former vice president at **Acer, Inc.**

Chair, *IANA Committee; Member, Global Relationships, New gTLD Program and Public and Stakeholder Engagement Committees.*

Volunteers are the lifeblood of the ICANN community, collectively devoting thousands and thousands of hours a year to furthering policy development as it relates to domain name system stability and security, as well as how ICANN itself works. We extend our sincerest gratitude to these community volunteers who have ended their terms of service with ICANN in fiscal year 2012.

Board of Directors

Akram Atallah *ex officio*

R. Ramaraj

Thomas Roessler *TLG Liaison*

Address Supporting Organization

Sebastian Bellagamba *LAVIC*

Alejandro Guzman *LAVIC*

Dave Wilson *RIPE NCC*

At-Large Advisory Committee

ALAC

Edmon Chung *ALAC representative
from the APRALO Region*

Dr. Ganesh Kumar *NomCom Interim
Selectee to the ALAC*

Sergio Salinas Porto *ALAC representative
from the LACRALO Region*

RALO Officers

YJ Park *Vice-Chair of APRALO*

Oksana Prykhodko *Secretary of EURALO*

Country-code Names Supporting Organization

Fernando Espana, *.US*

Juhani Juselius, *.FI*

Paulos Nyirenda, *.MW*

Rolando Toledo, *.PE*

Jian Zhang, *APTLD*

Generic Names Supporting Organization

Alain Berranger *Not-for-Profit*

Operational Concerns Chair

Marilyn Cade *Business Constituency Chair*

Jon Nevett *New TLD Applicant Group*

Matt Serlin *Registrar Stakeholder Group Chair*

Government Advisory Committee

Maria Hall *Sweden*

Choon-Sai Lim *Singapore*

Alice Munyua *Kenya*

Root Server System Advisory Committee

None

Security & Stability Advisory Committee

Frederico Neves

Richard Wilhelm

ICANN
ANNUAL REPORT
2013

Audited Financial Statements



Report of Independent Auditors

Report of Independent Auditors and Financial Statements for Internet Corporation for Assigned Names and Numbers—June 30, 2013 and 2012

To 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.

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.



Los Angeles, California
October 7, 2013

Statement of Financial Position

June 30, 2013 and 2012

Amounts are rounded to the nearest thousand in US Dollars

Assets	Notes	2013	2012
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 and other assets	2,7	8,518	5,787
Total Assets		\$ 397,175	\$ 466,376

Liabilities and Net Assets	Notes	2013	2012
Liabilities			
Accounts payable and accrued liabilities	3	\$ 24,849	\$ 12,851
Deferred revenue	2, 3	203,592	369,933
Total liabilities		228,441	382,784
Unrestricted net assets	2	168,734	83,592
Total liabilities and net assets		\$ 397,175	\$ 466,376

Statement of Activities

June 30, 2013 and 2012

Amounts are rounded to the nearest thousand in US Dollars

Unrestricted Support and Revenue	2013	2012
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	-
Total Support and revenue	\$ 233,772	\$ 72,413
Expenses		
Personnel	31,457	27,780
Travel and meetings	12,240	12,553
Professional services	93,185	19,462
Administration	13,480	10,582
Total expenses	150,362	70,377
Other Income		
Interest income	5	127,000
Investment gain	1,727	6,006,000
Total other income	1,732	6,133,000
Change in net assets	85,142	15,442,000
Unrestricted Net Assets		
Beginning of year	83,592	80,150
End of year	\$ 168,734	\$ 83,592

Statement of Cashflows

June 30, 2013 and 2012

Amounts are rounded to the nearest thousand in US Dollars

Cashflows from Operating Activities	2013	2012
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
Net cash provided by operating activities	(73,148)	357,950
Cash Flows from Investing Activities		
Purchases of capital assets	(4,871)	(4,005)
Sales of investments	53,035	48,516
Purchases of investments	(293,147)	(48,516)
Net cash used in investing activities	(244,983)	(4,005)
Net 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

Notes to Financial Statements

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.

Notes to Financial Statements

cont...

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 10 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.

Notes to Financial Statements

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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.

Notes to Financial Statements

cont...

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.

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.

Notes to Financial Statements

cont...

Note 2—Significant Accounting Policies (continued)

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.

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	\$,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	\$ 203,592	\$ 69,933

Notes to Financial Statements

cont...

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 Support and revenue	\$ 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.

Notes to Financial Statements

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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.

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 re-

sponsible 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

Notes to Financial Statements

cont...

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

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.

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:

June 30, 2013	ICANN	NgTLD	Elimination	Total
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	\$ 10,481,000	\$ 289,423	\$ (30,880)	\$ 397,175

Notes to Financial Statements

cont...

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

The segregated statement of financial position at June 30, 2013:

June 30, 2013	ICANN	NgTLD	Elimination	Total
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	\$ 110,481	\$ 361,832	\$ (5,937)	\$ 466,376

Notes to Financial Statements

cont...

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

The segregated statement of financial position at June 30, 2013:

Year Ended June 30, 2013	ICANN	NgTLD	Elimination	Total
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
Total support and revenue	90,905	158,263	(15,396)	233,772
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
Total expenses	68,846	96,912	(15,396)	150,362
Other income				
Interest income	5	-	-	5
Investment gain (loss)	2,538	(811)	-	1,727
Total other income (loss)	2,543	(811)	-	1,732
Change in net assets	24,602	60,540	-	85,142
Unrestricted Net Assets				
Beginning of year	89,411	(5,819)	-	83,592
End of year	\$ 114,013	\$ 54,721	\$ -	\$ 168,734

Notes to Financial Statements

cont...

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

The segregated statement of financial position at June 30, 2013:

Year Ended June 30, 2013	ICANN	NgTLD	Elimination	Total
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
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
Total expenses	64,558	5,819	-	70,377
Other income				
Interest income	87	-	-	87
Investment gain (loss)	1,319	-	-	1,319
Total other income (loss)	1,406	-	-	1,406
Change in net assets	9,261	(5,819)	-	3,442
Unrestricted Net Assets				
Beginning of year	80,150	-	-	80,150
End of year	\$ 89,411	\$ (5,819)	\$ -	\$ 3,592

Notes to Financial Statements

cont...

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

Year Ended June 30, 2013	ICANN	NgTLD	Elimination	Total
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, net	(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 provided by operating activities	(3,231)	(69,917)	-	(73,148)
Cash Flows from Investing Activities				
Purchases of capital assets	(4,871)	-	-	(4,871)
Sales 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 Increase (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	\$ 17,340	\$ 47,547		\$ 4,887

Notes to Financial Statements

cont...

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

Year Ended June 30, 2012	ICANN	NgTLD	Elimination	Total
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, net	(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)
Sales 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

Notes to Financial Statements

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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)
Total Support and revenue	\$ 22,866	\$ 17,881

Notes to Financial Statements

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Note 6—Investments

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

	Level 1	Level 2	Level 3	Total
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
Total investments	\$ 9,347	235,527	\$ -	\$,874

Investments consist of the following as of June 30, 2012

	Level 1	Level 2	Level 3	Total
Collective trusts	\$ -	\$ 53,035	\$ -	\$ 53,035

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

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

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 Dispain, Bill Graham, Mike Silber, Judith Vazquez, and Kuo Wei Wu.

Notes to Financial Statements

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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		11,878
Total	\$	6,659

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 addi-

tional 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.