



## Public Technical Identifiers (PTI)

Financial Statements  
Years Ended June 30, 2020 and 2019

## **Public Technical Identifiers (PTI)**

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Financial Statements  
Years Ended June 30, 2020 and 2019

# Public Technical Identifiers (PTI)

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## **Independent Auditor's Report**

Board of Directors  
Public Technical Identifiers (PTI)  
Los Angeles, California

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Public Technical Identifiers, which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of activities and cash flows for the years ended June 30, 2020 and 2019, 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 audit 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 we have 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 Public Technical Identifiers (PTI), as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years ended June 30, 2020 and 2019, respectively, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter Regarding Revenue from Sole Member***

The accompanying financial statements have been prepared assuming that PTI will continue to receive revenue from its sole member, the Internet Corporation for Assigned Names and Number (ICANN). As described in Note 1 and Note 3 to the financial statements, ICANN is responsible for the performance of the Internet Assigned Numbers Authority (IANA) functions and has delegated, through contracts, the performance of the IANA functions to PTI effective October 1, 2016.

*BDO USA, LLP*

October 21, 2020

## Financial Statements

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## Public Technical Identifiers (PTI)

### Statement of Financial Position (U.S. dollar amounts in thousands)

	Notes	June 30, 2020	June 30, 2019
<b>Assets</b>			
Intercompany receivable from ICANN	2,3	\$ 282	\$ 324
<b>Total assets</b>		<b>\$ 282</b>	<b>\$ 324</b>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	2,3	\$ 282	\$ 324
Total liabilities		282	324
Net assets - without restrictions	2	-	-
Net assets - with restrictions	2	-	-
<b>Total liabilities and net assets</b>		<b>\$ 282</b>	<b>\$ 324</b>

*See accompanying notes to financial statements.*

## Public Technical Identifiers (PTI)

### Statement of Activities (U.S. dollar amounts in thousands)

<i>Year ended June 30, 2020</i>	Notes	Without Restrictions	With Restrictions	Total
<b>Changes in net assets without restrictions</b>				
Revenue and support:				
Contributions from ICANN	1,2,3	\$ 6,578	\$ -	\$ 6,578
Contributions from Regional Internet Registry ("RIR")	2	-	650	650
Satisfaction of program restrictions	2	650	(650)	-
Total revenues and support without restrictions		7,228	-	7,228
<b>Expenses</b>				
Personnel	2,3	4,897	-	4,897
Travel and meetings	2,3	178	-	178
Professional services	2,3	906	-	906
Administration	2,3	1,247	-	1,247
Total expenses		7,228	-	7,228
Change in net assets without restrictions		-	-	-
Net assets, beginning of year		-	-	-
Net assets, end of year		\$ -	\$ -	\$ -

*See accompanying notes to financial statements.*

## Public Technical Identifiers (PTI)

### Statement of Activities (Continued)

(U.S. dollar amounts in thousands)

<i>Year ended June 30, 2019</i>	Notes	Without Restrictions	With Restrictions	Total
<b>Changes in net assets without restrictions</b>				
Revenue and support:				
Contributions from ICANN	1,2,3	\$ 6,921	\$ -	\$ 6,921
Contributions from Regional Internet Registry ("RIR")	2	-	650	650
Satisfaction of program restrictions	2	650	(650)	-
Total revenues and support without restrictions		7,571	-	7,571
<b>Expenses</b>				
Personnel	2,3	4,911	-	4,911
Travel and meetings	2,3	477	-	477
Professional services	2,3	1,237	-	1,237
Administration	2,3	946	-	946
Total expenses		7,571	-	7,571
Change in net assets without restrictions		-	-	-
Net assets, beginning of year		-	-	-
Net assets, end of year		\$ -	\$ -	\$ -

*See accompanying notes to financial statements.*

## Public Technical Identifiers (PTI)

### Statement of Cash Flows (U.S. dollar amounts in thousands)

<i>Years ended June 30,</i>	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Intercompany receivable	(42)	(51)
Accounts payable and accrued liabilities	42	51
Net cash provided by operating activities	-	-
Net change in cash and cash equivalents	-	-
Cash and cash equivalents, beginning of period	-	-
Cash and cash equivalents, end of period	\$ -	\$ -

*See accompanying notes to financial statements.*

# Public Technical Identifiers (PTI)

## Notes to Financial Statements

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### 1. Organization

Public Technical Identifiers (PTI) is an affiliate of the Internet Corporation for Assigned Names and Numbers (ICANN). PTI was established in August 2016 under the laws of the state of California as a non-profit public benefit corporation. ICANN is the sole member of PTI. ICANN is responsible for the performance of the Internet Assigned Numbers Authority (IANA) functions. Through contracts, ICANN has delegated the performance of the IANA functions to PTI, effective October 1, 2016. All of the funding for PTI is received from ICANN under contract and subcontract agreements (see Note 3). PTI's sole purpose is the performance of the IANA functions as delegated by ICANN under one contract and three subcontracting agreements.

Under the contract and subcontracting agreements, ICANN provides to PTI the personnel and other resources necessary to perform the IANA functions. ICANN invoices PTI at cost for such resources. PTI invoices ICANN at cost for the performance of the IANA functions (see Note 3).

PTI depends on revenues from ICANN to fund its operations. The ability of ICANN to continue funding is dependent upon current and future overall economic conditions. While ICANN's Board believes that ICANN has the resources to continue to fund PTI for performing the IANA functions, ICANN's ability to do so and the extent to which it continues, is dependent on the above factors. If ICANN no longer funds PTI this will have a material impact on the overall operations of PTI.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

The financial statements of PTI have been prepared in accordance with generally accepted accounting principles in the United States. PTI 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 PTI and the changes therein are classified and reported as follows:

*Net assets - without restrictions* - Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the objectives of PTI.

*Net assets - with restrictions* - Net assets for which the donor has stipulated that the principal be maintained in perpetuity, but permits PTI to use, or expend, all or part of the income derived from the donated assets for general or specific purposes, subject to statutory regulations.

During the years ended June 30, 2020 and 2019, the Number Resource Organization (NRO), on behalf of the five RIRs, contributed a total of \$823,000 to ICANN for the year ended June 30, 2020 of which \$650,000 was restricted for the IANA Numbering services in terms of section 5.2 of the Service Level Agreement (SLA) for IANA Numbering Services. During the years ending June 30, 2020 and 2019, ICANN contributed to PTI the total amount of this restricted contribution of \$650,000, related to the IANA functions. During the period, the contribution was used to carry out the IANA functions, and all restrictions were satisfied by June 30, 2020 and 2019, respectively. As such, there were no net assets with restrictions as of June 30, 2020 and 2019, respectively.

# Public Technical Identifiers (PTI)

## Notes to Financial Statements

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Upon formation of PTI, ICANN did not make any contributions to net assets of PTI and the contract and subcontract agreements are structured as cost reimbursement with no additional mark up for any of the IANA functions performed by PTI. As such, there are no net assets of PTI as of June 30, 2020 and 2019, respectively.

### ***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. This standard defers the effective date of ASU 2014-09 for non-public entities, which includes PTI, from fiscal years beginning after December 15, 2018 to fiscal years beginning after December 15, 2019, which is PTI's fiscal year 2021 for the period beginning July 1, 2020 and ending June 30, 2021.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This standard requires the reporting entity to identify its existing leases as either Operating or Financing leases and apply the prescribed accounting based on lease type identified. For all leases, the reporting entity is required to record a Right-of-Use Asset (ROU) and corresponding Lease Liability. Operating leases are expensed on a straight-line basis. For Financing leases, the ROU Asset is amortized over the life of the lease and interest expense is recognized related to the Lease Liability. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. This standard defers the effective date of ASU 2016-02 for non-public entities, which includes PTI, from fiscal years beginning after December 15, 2020 to fiscal years beginning after December 15, 2021, which is PTI's fiscal year 2023 for the period beginning July 1, 2022 and ending June 30, 2023.

PTI is currently evaluating the effect that these accounting pronouncements will have on the financial statements.

### ***Accounting Pronouncements Adopted***

In June 2018, the FASB issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The purpose of ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. PTI adopted ASU 2018-08 effective July 1, 2019. Adoption of ASU 2018-08 did not have a material impact on PTI's financial statements.

### ***Revenue Recognition***

Subcontracting fees are recognized under the Services Agreement between ICANN and PTI for the services subcontracted to PTI, as services are performed.

# Public Technical Identifiers (PTI)

## Notes to Financial Statements

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### ***Accounts Receivable Intercompany***

Accounts receivable are amounts due from ICANN and are approximately \$282,000 and \$324,000 as of June 30, 2020 and 2019, respectively.

### ***Accounts Payable Intercompany***

Accounts payable are amounts due to ICANN associated with certain employee benefit costs and outstanding vendor invoices, which approximate \$282,000 and \$324,000 as of June 30, 2020 and 2019, respectively.

### ***Fair Value of Financial Instruments***

The carrying amounts of accounts receivables, and accounts payable and accrued 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.

### ***Income Taxes***

PTI is exempt from federal and state income taxes in the United States 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, PTI 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.

PTI management believes that PTI is in compliance with all applicable laws, however, upon audit by a taxing authority, if amounts are found due, PTI may be liable for such taxes. Management has analyzed PTI's tax positions taken on federal and state income tax returns for all open tax years and has concluded that, as of June 30, 2020 and 2019, no liabilities are required to be recorded in connection with such tax positions in PTI's financial statements.

### ***Liquidity and Availability of Funds***

Under subcontract agreements, ICANN provides funding to PTI to support its operations (see Note 1). As of the years ended June 30, 2020 and 2019, there were no restrictions placed on funding received from ICANN.

PTI has an annual Operating Plan and Budget. PTI operates under a break-even financial model whereby it receives funding from ICANN equal to its total expenses for the year. Due to its break-even financial model, PTI does not have excess cash available to meet the following year's cash needs. PTI depends solely on ICANN to provide funding to cover its future expenses.



# Public Technical Identifiers (PTI)

## Notes to Financial Statements

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### 3. Related Party Transactions

#### *ICANN and PTI*

ICANN is responsible for the performance of the IANA functions. Through contracts, ICANN has delegated the performance of the IANA functions to its affiliate PTI. PTI's sole purpose is the performance of the IANA functions as delegated by ICANN under one contract and three subcontracting agreements as follows:

Contract Name	Community	Parties to Agreement	Date in Effect	Term
Services agreement	Names	ICANN/PTI	September 30, 2016	Agreement in force until terminated under a notice period
IANA Naming Function Contract (amended May 7, 2019)	Names	ICANN/PTI	September 30, 2016	Five years with automatic renewal pending certain requirements
Subcontract of Responsibilities under MoU/Supplemental Agreement	Protocol Parameters (IETF)	ICANN/PTI	September 30, 2016	Agreement in place until revoked
Subcontract of Responsibilities under SLA	Numbers (RIRs)	ICANN/PTI	September 30, 2016	Agreement in place until Revoked
Subcontract of Responsibilities under Root Zone Maintainer Agreement ("RZMA")	Names (RZMA)	ICANN/PTI	September 30, 2016	Agreement in place until Revoked

The contract/subcontracts are related to performing functions as designated by ICANN for the Names, Numbers and Protocol parameters communities. Each agreement references that ICANN shall provide or make available to PTI the necessary personnel, material, equipment, services and facilities to perform PTI's obligations. ICANN's obligation to provide those resources is set out more specifically in the Services Agreement between ICANN and PTI, which requires ICANN to make resources available to PTI. The amounts reimbursed by PTI to ICANN under the ICANN/PTI Services Agreement amounted to \$7,227,880 and \$7,571,450 for the years ended June 30, 2020 and 2019.

Although ICANN contracts and subcontracts with PTI to perform the IANA functions, ICANN remains ultimately responsible for delivering on the obligations under the ICANN-IETF MoU and Supplemental Agreement, the RIRs SLA, and the ICANN Bylaws (through the IANA Naming Function Contract, and RZMA).

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# Public Technical Identifiers (PTI)

## Notes to Financial Statements

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### *Board of Directors*

Ms. Lise Fuhr is a voting member of the PTI Board of Directors with a term through November 2022 and also serves as Chair of the Board. PTI is a controlled affiliate of ICANN, which commenced operations on October 1, 2016. Ms. Fuhr was appointed to the Internet Society Public Interest Registry Board of Directors for a three-year term starting in July 2016 and was reappointed in 2019 for another three-year term. Revenue to ICANN from the Internet Society Public Interest Registry (PIR) amounted to approximately \$2,717,000 and \$3,321,000 for the years ended June 30, 2020 and 2019, respectively, under the fee structure of its registry agreement with ICANN. In accordance with the PTI Conflicts of Interest Policy, Ms. Fuhr considers whether each item that comes before the PTI Board for decision poses an actual, potential, or perceived conflict of interest and is required to disclose any such conflict of interest, if one arises.

Mr. Wei Wang is a voting member of the PTI Board of Directors through October 2020. PTI is a controlled affiliate of ICANN, which commenced operations on October 1, 2016. Until April 10, 2020, Mr. Wang served as the Technical Partnership Manager at Google China. Revenue to ICANN from Google amounted to \$2,241,000 and \$2,381,000 for the years ended June 30, 2020 and 2019, respectively. In accordance with the PTI Conflicts of Interest Policy, Mr. Wang considers whether each item that comes before the PTI Board for decision poses an actual, potential, or perceived conflict of interest and is required to disclose any such conflict of interest, if one arises.

### **4. Legal Matters**

In the ordinary course of business, PTI could be named as a defendant in lawsuits and could be involved in other alternative dispute resolution proceedings. Management is not aware of any lawsuits or dispute resolution proceedings involving PTI at this time. Accordingly, the accompanying financial statements do not include a provision.

### **5. Subsequent Events**

PTI evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. PTI evaluated subsequent events through October 21, 2020, which is when these financial statements were available to be issued.

PTI is not aware of any subsequent events that would have a material impact on its financial statements or require disclosure in the notes to the financial statements.