



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

PUBLIC TECHNICAL IDENTIFIERS

For the fiscal years ended June 30, 2022 and 2021

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Report of Independent Auditors

The Board of Directors
Public Technical Identifiers

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Public Technical Identifiers (“PTI”), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PTI as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PTI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter – Prior Year Financial Statements

The financial statements of PTI for the year ended June 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on October 22, 2021.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PTI’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PTI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Technical Identifier's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

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 Numbers ("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.

Moss Adams LLP

Los Angeles, California
October 25, 2022

Public Technical Identifiers Statements of Financial Position

(U.S. dollar amounts in thousands)

	June 30,	
	2022	2021
ASSETS		
ASSETS		
Intercompany receivable from ICANN	\$ 292	\$ 273
Total assets	<u>\$ 292</u>	<u>\$ 273</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 292	\$ 273
Total liabilities	<u>292</u>	<u>273</u>
Net assets – without restrictions	-	-
Net assets – with restrictions	<u>-</u>	<u>-</u>
Total liabilities and members' equity	<u>\$ 292</u>	<u>\$ 273</u>

Public Technical Identifiers Statements of Activities

(U.S. dollar amounts in thousands)

	Years Ended June 30,	
	2022	2021
CHANGES IN NET ASSETS WITHOUT RESTRICTIONS		
Revenue and support		
Contract services with ICANN	\$ 7,439	\$ 6,794
Support funding from Regional Internet Registries (RIRs)	650	650
Total revenues and support without restrictions	8,089	7,444
EXPENSES		
Personnel	6,302	5,660
Travel and meetings	83	4
Professional services	912	827
Administration	792	953
Total expenses	8,089	7,444
CHANGE IN NET ASSETS WITHOUT RESTRICTIONS	-	-
NET ASSETS WITHOUT RESTRICTIONS, beginning of year	-	-
NET ASSETS WITHOUT RESTRICTIONS, end of year	\$ -	\$ -

Public Technical Identifiers
Statements of Cash Flows

(U.S. dollar amounts in thousands)

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to cash provided by operating activities		
Changes in operating assets and liabilities		
Intercompany receivable	(19)	(9)
Accounts payable and accrued liabilities	19	9
	<u>-</u>	<u>-</u>
Net cash provided by operating activities	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, beginning of year	-	-
CASH AND CASH EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ -</u>

Public Technical Identifiers

Notes to Financial Statements

Note 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 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.

Note 2 – Significant Accounting Policies

Basis of presentation – The financial statements of PTI have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). PTI recognizes support funding 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 with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of PTI. 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, are subject to statutory regulations. As of June 30, 2022 and 2021, PTI did not have any net assets with restrictions.

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, 2022 and 2021.

Note 2 – Significant Accounting Policies (continued)

Recent accounting pronouncements – In February 2016, the Financial Accounting Standards Board (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 evaluating the effect that adoption of this new standard will have on the financial statements.

Revenue recognition – Subcontracting fees are recognized in Contract Services with ICANN for the services subcontracted to PTI, as services are performed.

Accounts receivable intercompany – Accounts receivable are amounts due from ICANN and are approximately \$292,000 and \$273,000 as of June 30, 2022 and 2021, respectively.

Accounts payable intercompany – Accounts payable are amounts due to ICANN associated with certain employee benefit costs and outstanding vendor invoices, which approximate \$292,000 and \$273,000 as of June 30, 2022 and 2021, 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 23701d 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, 2022 and 2021, no liabilities are required to be recorded in connection with such tax positions in PTI's financial statements.

Public Technical Identifiers Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

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, 2022 and 2021, there were no restrictions placed on funding received from ICANN.

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. ICANN commits to funding all of PTI expenses.

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.

PTI’s expenses are classified approximately as follows for the years ended June 30:

	2022			2021		
	Program Services	Support Services	Total Expenses	Program Services	Support Services	Total Expenses
	<i>(U.S. dollars in thousands)</i>					
Personnel	\$ 4,592	\$ 1,710	\$ 6,302	\$ 4,142	\$ 1,518	\$ 5,660
Travel and meetings	65	18	83	4	-	4
Professional services	608	304	912	561	266	827
Administration	533	259	792	701	252	953
Total expenses	<u>\$ 5,798</u>	<u>\$ 2,291</u>	<u>\$ 8,089</u>	<u>\$ 5,408</u>	<u>\$ 2,036</u>	<u>\$ 7,444</u>

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP 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. There are three types of costs allocated from ICANN to PTI for the delivery of the IANA functions: 1) direct dedicated costs are for resources fully dedicated to delivering the IANA functions, 2) direct shared costs are shown for resources directly contributing to delivery of the IANA functions and shared with ICANN, and 3) support functions are costs shared with ICANN that provide support services to PTI. Actual results could differ from those estimates.

Reclassifications – Certain amounts presented in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

Coronavirus impact – On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO announced a global health outbreak and classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

Public Technical Identifiers Notes to Financial Statements

Note 2 – Significant Accounting Policies (continued)

The full impact of COVID-19 continues to evolve as of the date of this report. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, stakeholders and workforce. As of October 25, 2022, PTI has not experienced any adverse impact to either its operations or its funding sources since the beginning of the COVID-19 pandemic and until June 30, 2022.

Note 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. PTI and ICANN are also parties to a Shared Services Agreement. The contracts and subcontracts between ICANN and PTI are as follows:

Contract Name	Community	Parties to the Agreement	Date in Effect	Term
Services agreement	N/A	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, 2021	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 Service Level Agreement (SLA)	Numbers (RIRs)	ICANN/PTI	September 30, 2016	Agreement in place until revoked
Subcontract of Responsibilities under Root Zone Maintainer Service Agreement (RZMA)	Names	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 approximately \$7,439,000 and \$7,444,000 for the years ended June 30, 2022 and 2021, respectively.

Public Technical Identifiers

Notes to Financial Statements

Note 3 – Related-Party Transactions (continued)

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).

Board of Directors – Lise Fuhr was a voting member of the PTI Board of Directors until September 2022 and also served 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 (“PIR”) Board of Directors for a three-year term starting in July 2016 and was reappointed in 2019 for another three-year term, with service on the PIR Board ending in June 2022. Revenue to ICANN from the PIR amounted to approximately \$2,791,000 and \$2,755,000 for the years ended June 30, 2022 and 2021, respectively, under the fee structure of its Registry Agreement with ICANN. In accordance with the PTI Conflicts of Interest Policy, Ms. Fuhr considered whether each item that came before the PTI Board for decision posed an actual, potential, or perceived conflict of interest and was required to disclose any such conflict of interest, if one arose.

Note 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.

Note 5 – Subsequent Events

PTI evaluates subsequent events in accordance with Accounting Standards Codification 855, *Subsequent Events*. PTI evaluated subsequent events through October 25, 2022, 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.