



## Public Technical Identifiers (PTI)

### Financial Statements

For the Period from October 1, 2016  
(commencement of operations) through  
June 30, 2017

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

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(commencement of operations) through  
June 30, 2017

# 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 (PTI), which comprise the statement of financial position as of June 30, 2017 and the related statements of activities and cash flows for the period from October 1, 2016 (commencement of operations) through June 30, 2017, 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 audit. We conducted our audit 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.



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### *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, 2017, and the changes in its net assets and its cash flows for the period from October 1, 2016 (commencement of operations) through June 30, 2017, 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 the Company will continue to receive revenue from its sole member, 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 the performance of the IANA functions to Public Technical Identifiers (PTI) effective October 1, 2016.

*BDO USA, LLP*

October 27, 2017

## Financial Statements

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## Public Technical Identifiers (PTI)

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

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	Notes	June 30, 2017
<b>Assets</b>		
Intercompany receivable from ICANN	2, 3	\$ 222
<b>Total assets</b>		<b>\$ 222</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	2, 3	\$ 222
Total liabilities		222
Unrestricted net assets	2	-
<b>Total liabilities and net assets</b>		<b>\$ 222</b>

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*See accompanying notes to financial statements.*

# Public Technical Identifiers (PTI)

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

<i>Period from October 1, 2016 (Commencement of Operations) through June 30, 2017</i>	Notes	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support</b>				
Revenues from ICANN	1,2,3	\$ 4,802	\$ -	\$ 4,802
Contributions from Regional Internet Registry ("RIR")	2	-	650	650
Satisfaction of program restrictions	2	650	(650)	-
<b>Total revenue and support</b>		<b>5,452</b>	<b>-</b>	<b>5,452</b>
<b>Expenses</b>				
Personnel	2,3	3,353	-	3,353
Travel and meetings	2,3	435	-	435
Professional services	2,3	528	-	528
Administration	2,3	1,136	-	1,136
<b>Total expenses</b>		<b>5,452</b>	<b>-</b>	<b>5,452</b>
<b>Change in net assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted net assets, beginning of year</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted net assets, end of year</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*See accompanying notes to financial statements.*



## Public Technical Identifiers (PTI)

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

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<i>Period from October 1, 2016 (commencement of operations) to June 30,</i>	2017
<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:	
Accounts payable and accrued liabilities	222
Intercompany receivable	(222)
<b>Net cash provided by operating activities</b>	-
<b>Net change in cash and cash equivalents</b>	-
<b>Cash and cash equivalents, beginning of period</b>	-
<b>Cash and cash equivalents, end of period</b>	\$ -

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*See accompanying notes to financial statements.*

# Public Technical Identifiers (PTI)

## Notes to Consolidated 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 and 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 Public Technical Identifiers (PTI) effective October 1, 2016. All of the funding for PTI is received from ICANN under subcontract agreements (see Note 3). PTI's sole purpose is the performance of the IANA functions as delegated by ICANN under four subcontracting agreements.

Under the 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 may be dependent upon current and future overall economic conditions. While ICANN's Board believes that ICANN has the resources to continue to fund PTI for the servicing of the IANA functions, its 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:

*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 PTI.

*Temporarily restricted assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of PTI 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 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.

# Public Technical Identifiers (PTI)

## Notes to Consolidated Financial Statements

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During the year ending June 30, 2017, the Number Resource Organization (NRO), on behalf of the five Regional Internet Registries ("RIR's"), contributed a total of \$823,000 to ICANN for FY 2017, of which \$650,000 was temporarily restricted for the IANA Numbering services in terms of section 5.2 of the Service Level Agreement (SLA) for IANA Numbering Services. During the period from October 1, 2016 (commencement of operations) to June 30, 2017, ICANN contributed the total amount of this temporarily restricted contribution of \$650,000 related to the IANA functions to PTI. During the period the contribution was used for the IANA functions and all restrictions were satisfied by June 30, 2017. As such, there were no temporarily restricted net assets as of June 30, 2017.

Upon formation of PTI, ICANN did not make any contributions to net assets of PTI and the subcontract agreements are structured as cost reimbursement with no additional mark up for all IANA functions provided. As such, there are no net assets of PTI at June 30, 2017 (see Note 3).

### *Revenue Recognition*

Subcontracting fees are recognized under the service agreement for services subcontracted to PTI as services are performed.

### *Accounts Receivable Intercompany*

Accounts receivable are amounts due from ICANN and are approximately \$222,000 as of June 30, 2017.

### *Accounts Payable Intercompany*

Accounts payable are amounts due to ICANN associated with certain employee benefit costs and outstanding vendor invoices, which approximate \$222,000 as of June 30, 2017.

### *Fair Value of Financial Instruments*

The carrying amounts of intercompany receivables, and accounts payable and accrued liabilities 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 applying for the exemption 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.

# Public Technical Identifiers (PTI)

## Notes to Consolidated Financial Statements

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PTI believes it 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, 2017 no liabilities are required to be recorded in connection with such tax positions in PTI's financial statements.

### *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.

The expenses in PTI are comprised of three types of costs that are recognized as incurred under the ICANN/PTI Services Agreement contract which include direct costs, direct shared costs and shared services. Direct costs are costs incurred related to dedicated resources to PTI. Direct shared costs and shared services are allocated based on management's estimates and assumptions. Direct shared costs are incurred for resources shared with ICANN that directly contribute time and resources to PTI but are not dedicated resources and are estimated based on allocated time spent on PTI. Shared services are support function costs necessary to perform the IANA Functions activities. Shared services costs include all support function expenses, except for any of the shared services allocated to any other segment (i.e. the New gTLD Program or the PTI Direct Shared costs). This remaining total shared services expense is compared to total ICANN operations costs less these shared services costs to arrive at the PTI shared services percentage. This percentage is applied to the PTI direct and direct shared costs to calculate the estimated cost for support functions to PTI. Actual results for reported amounts could differ from those estimates.

### 3. Related Party Transactions

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/PT	September 30, 2016	Agreement in force until terminated under a notice period
IANA Naming Function Contract	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

# Public Technical Identifiers (PTI)

## Notes to Consolidated Financial Statements

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Subcontract of Responsibilities under Root Zone Maintainer Agreement ("RZMA")	Names (RZMA)	ICANN/PTI	September 30, 2016	Agreement in place until revoked
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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 Service Agreement amounted to approximately the following by community group for the period from October 1, 2016 (commencement of operations) to June 30, 2017:

	2017
<b>Community</b>	
Names	\$ 3,309,762
Numbers	788,799
Protocol parameters	1,353,920
<b>Total</b>	<b>\$ 5,452,482</b>

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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, ICANN Bylaws (through the IANA Naming function Contract, and RZMA).

Mr. Jonathan Robinson is a voting member of the PTI Board of Directors. PTI is a controlled affiliate of ICANN that commenced operations on October 1, 2016. Mr. Robinson is the Executive Chairman of Afiliac plc. Revenue to ICANN from Afiliac plc and its subsidiaries amounted to \$2,186,644 for the year ended June 30, 2017, under the fee structure of numerous Registry Agreements with ICANN. In accordance with the PTI Conflicts of Interest Policy, Mr. Robinson considers whether each item that comes before the PTI Board poses a potential conflict of interest and is required to disclose any such conflict of interest, if one arises.

Ms. Lise Fuhr is a voting member of the PTI Board of Directors. 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. Revenue to ICANN from the Internet Society Public Interest Registry (PIR) amounted to \$2,682,960 for the year ended June 30, 2017, under the fee structure of a Registry Agreement between PIR and ICANN for the operations of .ORG. In accordance with the PTI Conflicts of Interest Policy, Ms. Fuhr considers whether each item that comes before the PTI Board poses a potential 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 at this time. Accordingly, the accompanying financial statements do not include a provision.

# Public Technical Identifiers (PTI)

## Notes to Consolidated Financial Statements

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### 5. Subsequent Events

PTI evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. PTI evaluated subsequent events through October 27, 2017, which is when these financial statements were available to be issued.

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