ICANN **Table 1**

Statement of Activities for the fiscal period ending 30 June

(In US$000)

	FY10 Actual	FY10 Budget	FY09 Actual	Variance: FY10 Actual vs FY10 Budget	% Change	Variance: FY10 Actual vs FY09 Actual	% Change
Revenue	65,768	62,642	60,244	3,126	5.0%	5,524	9.2%
Expenses							
Operating Expenses	57,022	55,867	49,506	1,155	2.1%	7,516	15.2%
Other Expenses	1,625	2,900	1,785	(1,275)	-44.0%	(160)	-9.0%
Total Expenses	*58,647*	*58,767*	*51,291*	*(120)*	*-0.2%*	*7,356*	*14.3%*
Investment Gains (losses)	4,316	1,000	(2,107)	3,316	331.6%	6,423	-304.8%
Contributions to Net Assets	11,437	4,875	6,846	6,562	134.6%	4,591	67.1%

Revenue for FY10 was $65.8 million dollars, which was $3.1 million more than estimated in the adopted FY10 budget and $5.5 million more than the revenue for FY09. The year over year increase is due to contractual terms (e.g., $6.0 million increase for the .COM contract), transaction and accreditation renewals in greater volumes than estimated in the adopted budget, and the inception of IDN ccTLD Fast Track fees.

Operating expenses for FY10 were $1.2 million over the adopted FY10 budget due to the need for additional staff and activities not anticipated in the originally adopted budget. Other non- operating expenses were less than anticipated in the adopted FY10 budget by $1.3 million due to lower than anticipated bad debt expense. Thus total expenses were $58.6 million, or $0.1 million under the adopted FY10 budget. Total expenses for FY10 were $6.4 million over FY09. The increase was used to fund additional staffing and other resources consistent with the annual operating plans discussed with the community and adopted by the Board.

Interest and Investment gains for FY10 were $4.3 million, significantly greater than the amounts estimated in the adopted FY10 budget and a positive contrast to the Reserve Fund losses recognized in FY09.

The contribution to net assets was $11.4 million due to the reasons stated above.

For the Statement of Position, please click here: Statement of Position

ICANN **Table 2**

Revenue

(In US$000)

	FY10 Actual	FY10 Budget	FY09 Actual	Variance: FY10 Actual vs FY10 Budget	% Change	Variance: FY10 Actual vs FY09 Actual	% Change
Registry fees	31,915	32,451	24,536	(536)	-1.7%	7,379	30.1%
Registrar fees	30,189	27,268	32,680	2,921	10.7%	(2,491)	-7.6%
Address registry fees	823	823	823	-	0.0%	-	0.0%
ccTLD	1,666	1,600	1,568	66	4.1%	98	6.3%
IDN ccTLD fast track	236	-	-	236	100.0%	236	100.0%
Sponsorships	939	500	637	439	87.8%	302	47.4%
Total Revenue	65,768	62,642	60,244	3,126	5.0%	5,524	9.2%

FY10 revenue was $65.8 million, which was $3.1 million over that expected in the adopted FY10 budget. The increase is primarily due to the following:

• $1.4 million annual accreditation renewal revenue from registrars due to 944 registrars renewing, an increase of 350 more registrars than was assumed in the adopted FY10 budget

• $0.8 million incremental revenue resulting from transaction fees billed at the $0.20 per transaction rate established for registrars still under the 2001 Registrar Accreditation Agreement (RAA) rather than at $0.18 per transaction. The adopted FY10 budget had assumed that all registrars would sign the 2009 RAA and thus were eligible for the $0.18 per transaction rate.

• $0.3 million more revenue due to more transaction volume than assumed in the adopted FY10 budget.

• $0.2 million of IDN ccTLD Fast Track fees billed in FY10 due to the November 2010 launch. These fees were not included in the adopted FY10 budget.

• $0.9 million of sponsorship income was billed in FY10, or $0.44 million over that anticipated in the adopted FY10 budget largely due to more aggressive sponsorship management by the meetings support team.

The FY10 revenue of $65.8 million was $5.5 million over the FY09 amount. This year over year increase was primarily due to the planned step up in the .COM contract from $12.0 million to $18.0 million for the year. Other year over year changes included increases in transaction volume increasing registry and registrar revenue, slight increases in ccTLD contributions, offset by a reduction in the Add Grace Period Delete (AGPD) fees which dropped immediately after .COM adopted an AGPD policy.

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ICANN **Table 3**
Total Expenses
(In US$000)

	FY10 Actual	FY10 Budget	FY09 Actual	Variance: FY10 Actual vs FY10 Budget	% Change	Variance: FY10 Actual vs FY09 Actual	% Change
Expenses							
Personnel	24,958	23,287	19,768	1,671	7.2%	5,190	26.3%
Headcount	*137*	*153*	*109*	*(16)*	*-10.5%*	*28*	*25.7%*
Travel and meetings	10,610	12,065	10,458	(1,455)	-12.1%	152	1.5%
Professional services	14,604	12,456	12,698	2,148	17.2%	1,906	15.0%
Administration	6,850	6,559	6,582	291	4.4%	268	4.1%
Contingency	-	1,500	-	(1,500)	-100.0%	-	0.0%
Operating Expenses	*57,022*	*55,867*	*49,506*	*1,155*	2.1%	*7,516*	15.2%
Depreciation	1,485	1,500	948	(15)	-1.0%	537	56.7%
Bad debt expense	140	1,400	837	(1,260)	-90.0%	(697)	-83.3%
Other Expenses	*1,625*	*2,900*	*1,785*	*(1,275)*	*-44.0%*	*(160)*	*-9.0%*
Total Expenses	58,647	58,767	51,291	(120)	-0.2%	7,356	14.3%

Total expenses for FY10 were $58.6 million, or $0.1 million (0.2%) under the adopted FY10 budget and $7.4 million over FY09. The year over year increase was consistent with the adopted operating plan. The variance with the budget consisted of a $1.2 million (2.1%) negative variance on operating expenses and a $1.3 million positive variance for other expenses.

A mid-year review requested by the Board Finance Committee revealed a forecasted operating expense overrun by over $3 million mostly due to the addition of activities and personnel not anticipated in the adopted FY10 budget. Many costs were managed down in conjunction with a concerted effort to avoid the reduction of essential services.

FY10 personnel costs of $25.0 million were $1.7 million (or $7.2%) over the adopted FY10 budget. The FY10 budgeted headcount was 153, while the actual FY10 headcount reached 137, 10.5% under budget. This is due to the execution of the FY10 plan which included a shift from adopted budget by hiring less total number of staff, but more senior and more highly compensated staff such as Vice President, Government Affairs – Americas, Advisor to the CEO, President's Chief of Staff, Chief Technology Officer, and IANA Vice President. In addition, we had higher than budgeted costs for the new CEO as well as unbudgeted compensation paid to the prior CEO for a transition period. Year over year head-count increased by 25.7% from 109 to 137.

FY10 travel costs of $10.6 million were$1.5 million (10.5%) under the adopted FY10 budget. These savings were generated primarily from three areas. First, despite an increase in the number of community travelers, the contracts and compliance with adopted guidelines were managed more aggressively, and came in $0.33 million under budget. Second, due to security concerns, the Nairobi International meeting experienced a significantly reduced number of attendees. And finally, as a result of the delay in the new gTLD implementation, travel related to the global communication, outreach and panel visits for application evaluations was less than planned. Year over year, travel and meetings remained nearly constant, with an increase of only 1.4%.

FY10 professional Services were $14.6 million, $2.2 million (17.2%) over the adopted FY10 budget. The overage was comprised of the following:

• Communications department staffing/support which was outsourced during FY10 staffing transitions - $675 thousand
• Administrative support services - $500 thousand
• IANA Business Excellence Initiative - $200 thousand
• Nairobi ICANN meeting additional security - $189 thousand
• KSK Ceremony - $200 thousand
• ICM Registry legal fees reimbursement - $241 thousand

FY10 administration costs were $6.9 million, $0.3 million (4.4%) over the adopted FY10 budget. The year over year administration costs increased 4.1%, driven primarily by additional rent associated with new locations, which increased costs by $0.53 million and $0.5 million in additional telecom and network costs, offset by savings in staff training of $0.13 million and a VAT refund of $0.16 million.

FY10 bad debt expense was $140 thousand, or $1.26 million (90%) under that estimated by the adopted FY10 budget. The reduction is due to steady improvements on collection efforts for registrars and registries. The allowance for bad debt was calculated and reserved based upon 3% of registrar revenue. This resulted in an allowance balance higher than currently believed to be required based upon actual collection experience. The allowances held in reserve on the balance sheet have been released as part of the FY10 year-end audit detailed review of balances.

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ICANN **Table 4**
Statement of Position
(In US$000)

	FY10 Actual	FY09 Actual	Variance: FY10 Actual vs FY09 Actual	% Change	Note
ASSETS					
Cash and cash equivalents	17,205	27,122	(9,917)	-36.6%	1
Accounts receivable, net	16,723	11,758	4,965	42.2%	2
Investments	45,680	30,439	15,241	50.1%	3
Prepaid expenses	329	471	(142)	-30.1%	4
Other assets	395	345	50	14.5%	5
Capital assets, net	2,661	3,094	(433)	-14.0%	6
Total assets	82,993	73,229	9,764	13.3%	
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued liabilities	5,682	9,753	(4,071)	-41.7%	7
Deferred revenue	12,603	10,205	2,398	23.5%	8
Total liabilities	18,285	19,958	(1,673)	-8.4%	
Unrestricted net assets	64,708	53,271	11,437	21.5%	9
Total liabilities and net assets	82,993	73,229	9,764	13.3%	

1 FY10 ending cash and cash equivalents was $17.2 million, an amount adequate to cover three months of expected operating expenses as described in the Investment Policy (http://www.icann.org/en/financials/icann-investment-policy-jul2009.htm). The decrease was primarily driven by the September 2009 (FY10) $11 million was transferred from operating cash to the Reserve Fund (Investments).

2 Accounts Receivable of $16.7 million, representing amounts billed to registries and registrars but not yet collected, increased $4.97 million or 42.2% year over year, with the increase comprised of Unbilled Deferred Revenue from Registrar transactions contributing $2.4 million, RIR receivables contributing $0. 8 million from annual billings that was collected as of 30 June 2009, but outstanding as of 30 June 2010 (collected early July 2010) and a 9% year over year increase in billings.

3 The reserve fund, a “rainy day fund” whose use is restricted by actions of the Board of Directors, had an ending balance of $45.7 million, representing an increase of $15.2 million from FY09. This increase was due to funding from working capital of $11.0 million, and investment gains of $4.2 million. The details of the Investment Policy approved by the Board and recently reviewed by the Board Finance Committee are posted online (http://icann.org/en/financials/icann-investment-policy-jul2009.htm)

4 Prepaid expenses representing support contracts to be amortized over the contractual period of $0.33 million saw a decrease of $0.14 million year over year as service contracts and prepaid consulting fees were amortized.

5 Other Assets, comprised of security deposits for various facility leases totalling $0.4 million, grew $50 thousand for the security deposit for the Silicon Valley office.

6 The net Capital Assets balance consisted of computer equipment, software, furniture and leasehold improvements, less accumulated depreciation. The $2.66 million decrease was due to the increase in Accumulated Depreciation in FY10 of $1.6 million, offset by asset additions of $0.77 million of computer equipment and $0.45 million in leasehold improvements for the IBX center, Silicon Valley Office, DC office, and other locations.

7 FY10 Accounts Payable and accrued liabilities, representing amounts due in the normal course of business to vendors as well as amounts due but not yet billed, were $5.68 million, a decrease of $4.1 million from FY09. FY09 Accounts Payable and accrued liabilities included $1.56 million in network infrastructure and equipment purchases, two months of American Express at $0.79 million, legal accruals of $0.79 million, and Principal 401(k) funding of $0.10 million. FY10 did not include comparable items, resulting in the decrease.

8 Deferred Revenue, which is recorded when fees are billed but not yet earned and then released or recognized over the period earned (e.g. fees for five year contract billed at beginning of contract, and recognized or amortized over the period of the contract), of $12.6 million had an increase of $2.4 million, which was generated primarily by three areas: $2.8 million of Deferred revenue associated with Registrar transactions with deferred billing, an increase due to this category not having been recorded in FY09, increased activity and the mix of the registration agreement lengths currently making up the totaled deferred revenue balance resulted in an additional increase to deferred revenue of $0.09 million, offset by a decrease in the Registrar transactions deferred revenue resulting from a change in recognition treatment from a "balloon" method to annual straight-line method of $0.5 million.

9 Unrestricted net assets as of the close of FY10 were $64.71 million, with the net contribution from operations and other income from FY10 to net assets coming inn at $11.4 million.

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