

DRAFT -v1B: NCSG Finance Committee Operating Procedures

1. Preamble to NCSG Finance Committee Procedures

- I. According to NCSG Charter, the NCSG Finance Committee (NCSG-FC) is responsible for establishing a firm financial footing for the NCSG and administering NCSG funds within a defined framework that meets relevant legal requirements, as well as requirements imposed by ICANN.
- II. Thus NCSG-FC's responsibilities include fund raising, setting voluntary contribution levels for members, determining procedures for the distribution of funds, and for monitoring the utilization of funds.
- III. Also, the NCSG-FC will be responsible for the Treasurer function. Formation of the NCSG-FC, its composition, and duties within the NCSG-FC are set out in Section 2.6 of its Charter.
- IV. NCSG Finance Committee will modify the operating procedures in the course of its activities, so as to ensure efficiency in accomplishing its responsibilities. The changes will have to be commented on by the members and approved by NCSG-Executive Committee.

2. NCSG Finance Committee Responsibilities:

In accordance with Section 2.6, the NCSG Finance Committee is responsible for the following:

- I. Elect a Chair who will also serve as NCSG Treasurer;
- II. Determine rates for voluntary contributions from members;
- III. Develop and deploy a fundraising plan for the NCSG;
- IV. Work with the ICANN staff to determine levels of support available to the NCSG;
- V. Work with ICANN finance officers to insure the NCSG and its Constituencies receive fair and equivalent financial support from ICANN;
- VI. Accounting for any funds received by the NCSG from any source. This accounting will include the following:
 - A. All funds raised by voluntary membership fees or otherwise must be held in a separate NCSG account.
 - B. Proper controls must be implemented.

Regarding Expenditures:

- VII. All expenditures under 500 Euro may be made on the authority of the NCSG Treasurer
- VIII. All expenditures over 500 Euro must be approved by the NCSG--FC
- IX. Financial reports must be prepared annually and be made public.
- X. Provide internal conflict resolution process regarding funds.
- XI. Provide the oversight of the Treasurer function.
- XII. Fulfill any other accounting, auditing or other prescribed financial requirements as set by the ICANN Board of Directors for organizations within the ICANN structure.

3. Obligations of NCSG Finance Committee Members

- I. Notwithstanding their being a delegate of their sending Organization, Group or Constituency, members of the NCSG Finance Committee have an obligation to act independently and in the larger public interest and not act as representatives of, nor lobby or precisely advance the interest of any particular constituency or stakeholder community, in particular with respect to the assessment and NCSG-FC activities.
- II. NCSG Finance Committee members are expected to engage in outreach for fundraising, and information gathering to boost FC deliverables; to read the submitted financial request and respond with comments as may deem appropriate; to participate in both deliberations as may be demanded in fulfillment of the requirements for each of the financial request for which the NCSG Finance Committee is expected to make a decision; to participate in NCSG Finance Committee teleconferences; to work diligently with NCSG Finance Committee colleagues toward an overall consensus on the best interest of entire NCSG community; and to adhere to this Operating Procedure.
- III. NCSG Finance Committee will make an effort to go to ICANN meetings that are necessary and suitable for advancing NCSG financial interest; and in joining the NCSG Finance Committee, all members make a commitment to attend the Finance Committee meetings; however, provisions for participation via teleconference will be arranged for members unable to attend in person.
- IV. NCSG Finance Committee is to do an oversight management/monitoring of funding and expenditures from its stakeholder constituencies (NPOC and NCUC); as may have been obtained from ICANN, individuals, and organizations that are not necessarily members, among other external sources; for safeguard, accountability and transparency purposes.
- V. NCSG Finance Committee may propose/ suggest adjustment on budget expenditures of each constituency based on budget and identifiable priorities.
- VI. NCSG Finance Committee may also require records to strengthen its accounting process from the constituencies from time to time.

4. Opening of account

- I. NCSG-FC in accordance with its financial responsibilities will open an external bank account outside ICANN to deposit and maintain its external fund support in a reputable financial institution acceptable globally with and within a country that has the best ease-of-doing business.
- II. The modalities for opening the account will be discussed and agreed upon by NCSG-FC, reviewed by members and approved by NCSG-EC.

5. Use of Constituencies' Bank Account as interim Special Purpose Vehicle (SPV) for depositing of NCSG funds

- I. In the event that 4.1 above of this Operating Procedure immediately, when the issues of opening of NCSG bank account are adequately resolved or as may be favourably disposed by the funder. with any of its constituencies.
- II. The constituency that has NCSG's funding deposited in its bank account will cooperate with the FC for distributing and allocating the fund in accordance to FC's instructions and provide periodic financial statements.
- III. The constituency that has NCSG's funding deposited in its bank shall state the health of the said account and fund therein.
- IV. Also, the fund-warehousing stakeholder constituency (SPV) thereof, for the purposes of transparency and accountability will not be made the Chair/Treasurer of NCSG-Finance Committee.
- V. Nevertheless, in the event of established/expressed Absolute Trust, any FC representative can the chairman and Treasurer of NCSG-FC with the recorded expression of such 'Absolute Trust' by the other party without any coercion.
- VI. Any of the representatives not appointed as the Chair and Treasurer will automatically become the vice chair and shall perform all functions of the chairman and treasurer of NCSG as may be delegated in accordance with this Operating Procedures for smooth running of NCSG-FC businesses.

6. Recall/Removal of Constituency Representative from NCSG-Finance Committee:

- I. Vacancies that may occur in the NCSG Finance Committee following a recall of a Constituency Representative(s), may be filled for the remainder of the term by the same means through which the position was initially filled.
- II. In the event that a NCSG Finance Committee member is removed for any reason, he/she is obligated to delete all NCSG Finance Committee-related material.
- III. In the event that a member of the ICANN organization staff supporting the NCSG Finance Committee is removed for any reason, he/she is obligated to arrange for secure transfer of all NCSG Finance Committee-related material to a NCSG Finance Committee designated person, and then to delete all NCSG Finance Committee-related material from his/her own records in any form.

7. Disbursement of funds to stakeholder group and constituencies:

- I.
- II. Any inflow arising from external funding, shall be distributed/disbursed based on 40-40-20 formula; that is, 40 per cent each for both constituencies (NPOC and NCUC) while the NCSG-FC retains 20 per cent as a running cost for its administrative incidentals or as may be agreed with exercise of voting process on best module at the time of disbursement.

- III. Also, each constituency can apply for its own funding once pronouncement has been made on availability of any inflow with sufficient evidence on anticipated expenditure plan.

1. Internal Communications and Relations

1.1. *Communications and Meetings*

1. The NCSG Finance Committee will conduct its meetings and discussions in English.
2. The NCSG Finance Committee will carry out its work primarily through teleconferences and electronic mailing (email) list. When proposed for immediate decisions, draft materials for the NCSG Finance Committee's work should normally be distributed at least five working days in advance of the meetings.
3. As stated in Section 2.6.4 of NCSG Charter, the FC work process should take place as follows:
4.
 - As much as possible, all work will be done using Internet tools, including, inter alia,
5.
 - 5.1. o email;
 - 5.2. o wiki usage (Note: such a wiki will be publicly viewable though editing may be restricted to members of the NCSG--FC);
 - 5.3. o online document collaboration tools, for example Google Document, Google Wave and other available network cloud based tools.
6. When necessary teleconferences will be scheduled. A scheduling tool will be used to attempt to find a time when all members can attend. Unless all members can attend the teleconference, any decisions made at a teleconference will be provisional until full consensus is determined.
7. When possible, as enabled for example by an ICANN meeting, a face--to--face meeting of the NCSG--FC will be held. As with teleconferences, if all members cannot attend, any decisions made will need to be verified before being considered final.
8. The Chair will seek to facilitate confidential communications in a way that makes the most sense for the NCSG Finance Committee members. As such, any subsequent decisions made off list must be documented on list.
9. **QUORUM:**
 - 9.1 At any meeting of the NCSG Finance Committee a minimum of **2** of the total number of voting members then in office shall constitute a quorum for the transaction of business, with notice of meeting or excuse duly observed by a third voting member.
 - 9.2 Every vote at such a meeting will require a minimum of 3 votes to be cast.
 - 9.3 Provided that any vote undertaken for the purposes of the NCSG Charter or as provided in this operating procedures, and/or NCSG Charter and meeting conduct a vote

for the purposes of the NCSG Charter as provided in these procedures shall be the act of the NCSG Finance Committee.

9.4 If a quorum may not be present at any meeting of the NCSG Finance Committee, the members present; the rest, may discuss any matters but not take any decisions or may adjourn the meeting from time to time to another place, time or date. If the meeting is adjourned for more than twenty-four (24) hours, notice shall be given to those members not at the meeting at the time of the last adjournment.

1.2. *Voting*

Voting in all matters within the NCSG Finance Committee shall be conducted in accordance with the NCSG Charter. Whenever the Chair calls for a vote on any matter, votes of NCSG Finance Committee members designated as voting members under NCSG Charter shall be counted.

All NCSG Finance Committee members (including non-voting members) may participate in all discussions and deliberations (unless a conflict of interest has been determined to be present).

1.3. *Access to Information*

At the conclusion of the NCSG Finance Committee term, the Chair will seek the consent of members to delete or destroy every information, exchanges with the committee in his/her possession.

2. **External Communications and Relations**

1.4. *Transparency*

According to section 1.2.b of NCSG charter:

1. "All meetings, including meetings of all Committees within the NCSG, must be announced in advance and participation details made available to eligible participants in a timely fashion. Minutes of the meetings must be released to the membership in a timely fashion. Discussions on NCSG's general email list as well as Committee mailing lists shall be publicly archived. Financial reports will be published on a yearly basis and within 30 days of receipt of a special request by a group of members."
2. NCSG Finance Committee will only keep sensitive data about NCSG accounts as well as personal and organizational sensitive data confidential . The NCSG Finance Committee will publish its Operating Procedures and other relevant documents on NCSG wiki page on the ICANN website.
3. The Chair, in consultation with the other NCSG Finance Committee members, will establish and publicize milestones, deadlines and updates, including calls for volunteers, so as to keep the public duly informed and to allow the NCSG Finance Committee to complete its work in a timely way.
4. The NCSG Finance Committee will hold a public meeting when possible online or at ICANN public meetings. .
5. The Chair will serve as the official spokesperson for the NCSG Finance Committee and may also request any member of FC with voting powers and requisite knowhow, to stand-in on his/her behalf/FC on any subject as may deem fit.

1.5. *Community Input*

1. The NCSG Finance Committee will call for community input in matters it may find appropriate, especially at ICANN face-to-face meetings to find the needed input and to inform the community of the NCSG Finance Committee's progress and decisions, and to generate the confidence and respect of the community for those positions/decisions that the NCSG Finance Committee may have taken.
2. The NCSG Finance Committee will actively seek suggestions for potential fundraising opportunities to enhance the pool of opportunities. A suggestion, however, is not a mandatory requirement for consideration by the NCSG Finance Committee.
3. The NCSG Finance Committee will provide a communication mechanism (email or web-based) through which the public can easily provide input to assist the NCSG Finance Committee in its work.

2. **Review and Evaluation of Constituencies**

The goal of NCSG Finance Committee is to establish a firm and transparent financial footing for NCSG and administer NCSG funds within a defined framework that meets relevant legal requirements and as may be imposed by ICANN and set out in NCSG Charter.

3. **Miscellaneous relating to logistics and planning**

- a. The NCSG Finance Committee will meet at public meetings of ICANN upon NCSG EC approval. The Finance Committee shall meet at least five times via bi-monthly calls and briefings with three of it occurring not less than a month before any of the three face-to-face meetings.
- b. The NCSG Finance Committee will also meet in person at ICANN AGMs with respect to any of its meetings to primarily review the year and forecast activities of its stakeholder constituencies.

4. **Terminology**

- I. The term "Constituency" will be reserved for those groups of individuals who agreed to be the auspices of NCSG and to whom NCSG Finance Committee draw its membership.
- II. The term "ABR" is Additional Budget Request being made as earlier budgeted.
- III. The term "AFR" is Additional Fund Request (AFR) being fund request made within ICANN finance but not/yet budgeted for.

10b: **Some ICANN Financial Terms & Definitions**

Below is a brief list of terms and definitions for documents found in the ICANN Financial.

- I. **Strategic Plan (SP)** - ICANN operated under the 2012-2015 three-year Strategic Plan (reviewed and updated annually), adopted by the ICANN Board during the Special Meeting of the Board of Directors held in Amsterdam on 6 May 2012. ICANN's vision and mission encompass four strategic focus areas addressed in this Strategic Plan: 1) DNS stability and security, 2) Competition, consumer trust & consumer choice, 3) Core operations including IANA, and 4) A healthy Internet governance ecosystem.

- II. **Adopted Operating Plan and Budget** - The Adopted Operating Plan and Budget (AOPB) sets forth the focus of efforts and organizational commitments for the current fiscal year. Consistent with our multi-stakeholder model, this budget is the result of input from ICANN constituency groups, stakeholders, the Board of Directors and the ICANN staff.
- III. **Adopted SO/AC Special Budget Request Granted (ASO-ACSBRG)** - Pertains to the dedicated budget that is set aside from the overall ICANN budget to be able to take into account specific requests from the community for activities that are not already included in the recurring ICANN budget.
- IV. **Audited Financial Statements (AFS)**- ICANN provides accountability and transparency regarding its financial results in the Report of Independent Auditors and Financial Statements for ICANN.
- V. *Unqualified Opinion (UO) - Means that the financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America.*
- VI. **Annual Reports (AR)** - The annual report provides information on ICANN's activities for the year including highlights of achievements, updates for our organizational objectives, as well as an overview of financial performance.
- VII. **Federal and State Tax Filings (FSTF)** - The United States return for organizations exempt from income taxes under section 501(c) of the Internal Revenue Code is the form 990. The California state annual return for exempt organization is the form 199.
- VIII. **Staff Remuneration Practices Framework (SRPF)** - This report provides an overview of ICANN's staff remuneration practices and provides details of remuneration for the officers of the corporation.
- IX. **Board Compensation Report (BCR)** - This report is presented annually in accordance with Article XVI, section 3 of the NCSG Charter which provides, in part, that "The Board shall publish, at least annually ... a description of any payments made by ICANN to Directors (including reimbursements of expenses)."
- X. **ccTLD Contributions Report (ccTLDCR)** - This report presents the annual contributions received by ICANN from ccTLD registries for each fiscal year.
- XI. **Financial Analysis** - The financial analysis report provides a year over year trend analysis as well as analysis of variances between actual performance and the **adopted budget**.
- XII. **Investment Policy-ICANN (IPI)** - This section sets out the guidelines for Investment Policy agreed by the ICANN Board of Directors for the investment of cash on hand (funds).
- XIII. **Investment Policy-New gTLD (IPNgTLD)** - This section sets out the guidelines for Investment Policy agreed by the ICANN Board of Directors for the investment of cash on

hand (funds) pertaining to the New gTLDProgram. This document has been prepared jointly with ICANN's external financial advisors.

- XIV. **Lobbying Disclosures (LD-2)** - These disclosures are submitted to the United States House of Representatives and the Secretary of the U.S. Senate each quarter, and detail ICANN's lobbying activities for that quarter.
- XV. **Contribution Reports (LD-203)** - These reports are submitted semiannually to the United States House of Representatives and the Secretary of the U.S. Senate, and detail ICANN's and Jamie Hedlund's political contributions.
- XVI. **Assets:** These are the economic resources a business has, including the products it has in inventory, the office furniture and supplies purchased for use, and any trademarks or copyrights it owns. These assets count toward the value of a business, since they could be sold if the business experienced difficult times.
- XVII. **Liabilities:** These include any debt accrued by a business in the course of starting, growing and maintaining its operations, including bank loans, credit card debts, and monies owed to vendors and product manufacturers.
- XVIII. **Expenses:** These are the costs an organization/entity incurs each month in order to operate, including rent, utilities, legal costs, employee salaries, contractor pay, and marketing and advertising costs.
- XIX. **Cash Flow:** This is the overall movement of funds through transactions each month, including income and expenses, which helps in tracking general cash flow to determine long-term solvency. A business' cash flow can be determined by comparing its available cash balance at the beginning and end of a specified period.
- XX. **Bottom Line:** This is the total amount a corporation has earned or lost at the end of the month. The bottom line is the last financial figure on a ledger. The term can also be used in the context of a business' earnings either increasing or decreasing.
- XXI. **Financial Report:** A financial report is a comprehensive account of a business' transactions and expenses, created to give an organization/corporation oversight of its financial matters. A financial report may be prepared for internal use or external sources, such as potential investors.
- XXII. **Financial Statement:** Similar to a financial report, a financial statement lists all of the financial activities, although, a financial statement is generally a more formal document, often issued by a lending institution.
- XXIII. **Cash Flow Statement:** A cash flow statement shows the money that entered and exited a corporation during a specific period of time. It generally covers four main categories: operating activities, investing activities, financing activities and supplemental information.
- XXIV. **Income Statement:** Also known as a "profit and loss statement," an income statement shows the profitability of a business during a period of time.

- XXV. **Balance Sheet:** A business' balance sheet gives a snapshot of the corporation's financial situation at a given moment. This includes the cash it has on hand, the notes payable it has outstanding and owner(s) equity in the business.
- XXVI. **Profit and Loss:** Profits and losses are usually itemized on a profit and loss statement, also known as the income statement defined above.
- XXVII. **Capital:** The money a corporation has in its accounts, assets and investments is known as capital.
- XXVIII. **Accounts Receivable (A/R):** The amount a corporation is owed by its clients. Usually the client is notified by invoice of the amount owed, and if not paid, the debt is legally enforceable.
- XXIX. **Depreciation:** Over time, a corporation's assets decrease in value due to the time that has passed since it was purchased.
- XXX. **Valuation:** Seeking funding from investors, warrants valuation, which is an estimate of the overall worth of the business.