

# CORE ASSOCIATION Geneva

Report of the Statutory Auditor on the Limited Statutory Examination

Financial Statements for the year ended December 31, 2023



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**Report of the statutory auditor on the limited statutory examination 2023 to the General Meeting of members of CORE ASSOCIATION, Geneva**

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of CORE ASSOCIATION for the year ended December 31, 2023.

These financial statements are the responsibility of the Executive Committee. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the association's articles of incorporation.

We draw your attention to the fact that the Annual General Meeting for the year ended December 31, 2022 was not held within six months after the balance sheet date, which is contrary to the requirements of article 958 para. 3 CO.

Geneva, September 4, 2024

**Grant Thornton SA**

Jonathan Markus  
Audit expert  
Auditor in charge

Diran Chichmanian  
Audit expert

Enclosure:

– Financial statements (balance sheet, income statement and notes)

**Balance Sheet at 31 December 2023**

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	Notes	2023 CHF	2022 CHF
<b>ASSETS</b>			
Cash and cash equivalents		5'639'645	5'830'046
Accounts receivable from third parties	3	322'049	264'350
Intercompany receivable	5	1'210'154	1'229'243
Other receivables and prepayments	4	72'781	59'255
Transitory assets		144'143	162'577
<b>Total Current assets</b>		<u>7'388'772</u>	<u>7'545'471</u>
Investment in Corehub	5	77'830	77'830
Application fees, net	6	4	4
Development Registry System, net	7	1	1
<b>Total Non-current assets</b>		<u>77'835</u>	<u>77'835</u>
<b>TOTAL ASSETS</b>		<u><u>7'466'607</u></u>	<u><u>7'623'306</u></u>

**Balance Sheet at 31 December 2023**

	Notes	2023 CHF	2022 CHF
<b>LIABILITIES AND EQUITY</b>			
Accounts payable to third parties		90'132	127'079
Accounts payable to related parties	8	97'353	65'563
Registration payments received in advance	9	254'131	181'904
Deferred registration income	10	188'747	176'714
Accrued expenses and provisions	11	3'338'305	3'625'421
Deferred unrealized foreign exchange gains		212'394	225'083
<b>Total Current liabilities</b>		<b><u>4'181'062</u></b>	<b><u>4'401'764</u></b>
Deferred member contributions	12	1'916'054	2'106'388
<b>Total Non-current liabilities</b>		<b><u>1'916'054</u></b>	<b><u>2'106'388</u></b>
<b>Total Liabilities</b>		<b><u>6'097'116</u></b>	<b><u>6'508'152</u></b>
Revaluation reserve	13	148'733	148'733
Profit brought forward		966'421	961'471
Profit for the year		254'337	4'950
<b>Total Equity</b>		<b><u>1'369'491</u></b>	<b><u>1'115'154</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>7'466'607</u></b>	<b><u>7'623'306</u></b>

**Income statement for the year ended 31 December 2023**

	Notes	2023 CHF	2022 CHF
Membership fees		48'808	51'465
Core registry activity income		3'479'151	3'499'277
Intercompany expense re-invoicing		197'750	247'127
Other income		<u>2'460</u>	<u>2'437</u>
<b>Total income from operations</b>		<u><b>3'728'169</b></u>	<u><b>3'800'306</b></u>
ICANN registration costs		(65'905)	(72'231)
SRS Maintenance and development costs	14	(704'233)	(780'113)
Other operational costs		(1'899'126)	(1'903'878)
Bad debt provision variation		<u>22'331</u>	<u>3'330</u>
<b>Total of related costs</b>		<u><b>(2'646'933)</b></u>	<u><b>(2'752'892)</b></u>
<b>GROSS PROFIT</b>		<u><b>1'081'236</b></u>	<u><b>1'047'414</b></u>
Secretariat		(295'710)	(295'500)
Administrative fees		(44'767)	(23'192)
Public relation		(18'552)	(19'152)
Travel expenses		(41'276)	(24'465)
Accounting, legal and audit fees		(37'047)	(38'033)
Consultancy fees		(253'368)	(251'111)
Other taxes		<u>(5'250)</u>	<u>(5'289)</u>
<b>Total of operational costs</b>		<u><b>(695'970)</b></u>	<u><b>(656'742)</b></u>
<b>NET PROFIT BEFORE FINANCIAL, EXTRAORDINARY AND TAXES RESULTS</b>		<u><b>385'266</b></u>	<u><b>390'672</b></u>
Financial expenses		(4'076)	(9'837)
Financial income		5'129	1
Exchange difference, net		<u>(334'262)</u>	<u>(138'446)</u>
<b>Total of financial result</b>		<u><b>(333'209)</b></u>	<u><b>(148'282)</b></u>
<b>NET PROFIT BEFORE EXTRAORDINARY AND TAXES RESULTS</b>		<u><b>52'057</b></u>	<u><b>242'390</b></u>
Extraordinary, non-recurring and prior period income	15	346'062	17'138
Extraordinary, non-recurring and prior period expenses	15	<u>(102'422)</u>	<u>(249'578)</u>
<b>Total of extraordinary, non-recurring and prior period result</b>		<u><b>243'640</b></u>	<u><b>(232'440)</b></u>
<b>PROFIT FOR THE YEAR BEFORE TAXES</b>		<u><b>295'697</b></u>	<u><b>9'950</b></u>
Direct taxes		<u>(41'360)</u>	<u>(5'000)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>254'337</b></u>	<u><b>4'950</b></u>

**Notes to the Financial Statements**  
**Year ended 31 December 2023**  
**(expressed in CHF)**

**1 Organization and activity**

CORE Association (“CORE” Internet Council of Registrars) is a not-for-profit Swiss Association. It was created in October 1997 based on the Generic Top-Level Domains Memorandum of Understanding (TLD-MoU) signed on 1 May 1997, under the auspices of the International Telecommunications Union. The Association has been created based on Articles 60 and seq. of the Swiss Civil Code. In order to become members of CORE, applicants had to submit the Application to Qualify, pay the application fee and sign the Reselling Member Agreement (also known as COREhub Terms and Conditions).

The purpose of the Association is the coordination of registrations in internet top-level domains. CORE has been funded with the original membership application fees (collected prior to CORE’s existence by the Internet Society) and member contributions credited for future registrations. The latter are based on a compulsory assessment decided by the membership.

CORE operates 3 generic top-level domains (TLDs): .сайт (“site” in Cyrillic script) .онлайн (“online” in Cyrillic script) and بازار (“bazaar” in Arabic script). CORE also acts as a registry service provider for a number of new generic top-level domains, including:

<b>TLD</b>	<b>Delegation date</b>	<b>Customer</b>	<b>Country</b>
.cat	2005-11-18	Fundació PuntCat	Spain
.mango	2014-02-12	Punto Fa S.L.	Spain
.eus	2014-04-08	Puntueus Fundazioa	Spain
.gal	2014-04-08	Asociación puntoGAL	Spain
.quebec	2014-04-14	PointQuébec Inc	Québec
.scot	2014-06-10	Dot Scot Registry Limited	Scotland, UK
.lacaixa	2014-07-16	Caixabank, S.A.	Spain
.madrid	2014-11-20	Telefonica	Spain
.eurovision	2014-12-01	European Broadcasting Union	Switzerland
.erni	2015-03-09	ERNI Group Holding AG	Switzerland
.seat	2015-04-16	SEAT, S.A. (Sociedad Unipersonal)	Spain
.swiss	2015-04-23	Office Federal de la Communication OFCOM of the Swiss Confederation	Switzerland

## 1 Organization and activity (continued)

.barcelona	2015-07-06	Fundació PuntCat	Spain
.bcn	2015-07-06	Fundació PuntCat	Spain
.alstom	2016-06-09	Alstom	France
.radio	2016-10-12	European Broadcasting Union	Switzerland
.sport	2018-01-11	SportAccord, Maison du Sport international	Switzerland

From 2013 to August 2019, CORE acted as Emergence Back-end Registry Operator (EBERO). CORE was one of several EBEROs under contract with ICANN. This activity covered all new gTLDs resulting from the 2012 new gTLD round. In this role, it was permanently on stand-by in case of emergency and accepted to start operating TLDs affected by such an emergency within hours.

As of 1 January 2014, CORE transferred the registrar channel activity to its fully-owned subsidiary COREhub, S.R.L.U (COREhub). COREhub was incorporated under the laws of Spain to comply with ICANN's requirement that registrar-reseller services are offered through a legal entity separate from the Registry Operator. On 1 January 2014 COREhub took over registrar activity from the CORE Association. As a distinct legal entity, COREhub operates as a neutral registrar channel and as such it provides services both to CORE Association members and non-members.

## 2 Significant accounting policies

The financial statements have been prepared in accordance with the Swiss Code of Obligations.

### *Basis of preparation*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the official Swiss authorities rate of exchange ruling at the balance sheet date and losses on translation are included in the profit and loss account while unrealized exchange gains are deferred.

### *Income taxes*

An income tax provision, where necessary, is made for Swiss federal and cantonal income taxes due for the reporting periods.

## 2 Significant accounting policies (continued)

### *Intangible assets*

Expenditure on developing software is generally recognized in the statement of operations as an expense when it is incurred, except as described in note 7 below. The application fees are booked at the lower of cost or market value, less the value of adjustments dictated by circumstances. The fair value of the intangible assets is analyzed on a yearly basis.

### *Investments*

Shares in affiliated entities are valued at acquisition cost. Provision for impairment is made when the underlying value is less than the cost of acquisition. Capital loans receivable are valued at cost less provision for solvency issues assessed on a yearly basis.

### *Bad debts provision*

The bad debts provision is calculated on a consolidated basis for CORE and COREhub combined and is entirely carried on CORE's balance sheet. The calculation is performed on a yearly basis, based on the Swiss regulations.

### *Revenue recognition*

Initial membership fees are recognized upon receipt as CORE has no further performance obligation associated with these fees. Since 1 January 2005, Members' contributions are recognized as income rather than long-term liabilities towards CORE members. Initially membership fees were recognized as rights to perform future registrations services when CORE will be a Registry Operator.

## 3 Accounts receivable from third parties

	<u>2023</u>	<u>2022</u>
Member contributions outstanding	327'188	359'349
Other accounts receivable and outstanding consulting fees	253'920	186'391
Less : Provision for uncollected contributions	<u>(259'059)</u>	<u>(281'390)</u>
Total	<u>322'049</u>	<u>264'350</u>

Accounts receivable primarily relate to outstanding member contributions. A provision has been made for all aged member contributions that have not yet been collected at year-end. Members who remain delinquent in terms of member contributions have their membership terminated by decision of the Annual Plenary Meeting. From a contractual standpoint, the termination of membership does not extinguish CORE's claim for the period. A member whose membership was terminated can reapply for membership, in which case any dues unpaid as of the date of termination have to be collected before its registration. Refer to note 10 for the registration of the membership contributions.



#### 4 Other receivables and prepayments

	<b>2023</b>	<b>2022</b>
Other receivables	34'382	27'476
Advance payments to suppliers	38'399	31'779
Total	72'781	59'255

#### 5 Investment in CoreHUB

During 2012, CORE created a fully owned subsidiary, COREhub S.L.U., with legal seat in Barcelona, Spain. COREhub is a single-proprietor limited liability company under Spanish law. The purpose of setting up COREhub was to achieve functional separation between CORE Association as a registry and provider of registry services and COREhub as an ICANN-accredited registrar. Such separation is mandated by ICANN regarding the generic Top Level domains (gTLDs). COREhub is an ICANN-accredited registrar. The registrar activities have been progressively transferred from CORE Association to COREhub. As it was the case with CORE, COREhub only works through resellers (including CORE members), i.e. it does not market domain registration services directly to end-customers. The bulk of the transfer was completed per 1 January 2014 as far as the ICANN accreditation (relevant for generic top-level domains) is concerned. The actual transfer of assets and liability took place at different later dates depending on the actions of the respective registry. For ccTLDs, separate procedures had to be initiated with each registry as these are not subject to ICANN registrar accreditation rules. As of the end of 2023, some ccTLDs still recognized CORE as opposed to COREhub as their registrar. In such cases, the inter-company transactions between CORE and COREhub ensure that the underlying activity is accounted for as COREhub activity.

#### 6 Application fees - Investments in new TLD Projects

In the 2012 new gTLD round, CORE funded the ICANN application fees for the following new gTLD projects :

- “xn—80asehdb” (corresponding to the Cyrillic-script string “сайт” meaning “site”) applied for by CORE in 2012 and delegated to CORE in 2013.
- “xn—80aswg” (corresponding to the Cyrillic-script string “онлайн” meaning “online”), applied for by CORE in 2012 and delegated to CORE in 2013.
- “xn—mgbab2bd” (corresponding to the Arabic-script string “بازار” meaning “bazaar”) applied for by CORE in 2012 and delegated to CORE in 2014.

## **6 Application fees - Investments in new TLD Projects (continued)**

- “.sport” (joint venture between CORE and GAISF, the umbrella organization of international sports federations, formerly named SportAccord). GAISF is the formal TLD operator and CORE funded the ICANN application fee. At the time of the original agreement with CORE regarding .sport in 2011, GAISF (Global Association of International Sports Federations) was called SportAccord. It was later renamed to GAISF, whereas its sister association SportAccord Convention was subsequently renamed to SportAccord.

The value of these TLDs is kept at a symbolic value of USD 1 each.

## **7 Development Registry System, net**

CORE’s Shared Registration Systems (SRS) are operated by a group of service providers. This involves the master database for data and additional system components, as well as development, testing and operation of backup systems.

The systems includes:

- registry systems through which the top-level domains of CORE are operated;
- registrar systems through which COREhub’s registrar activity is conducted. Applicable costs are re-invoiced by CORE to COREhub taking into account the role and funding capacity of each of the parties.

This intangible asset has been valued in the Balance sheet for an amount of CHF 1, for memory. All the related costs have been recognized in the statements of operations when occurred.

## **8 Related party transactions**

Axone SA, a member and representative company of a CORE executive committee member, has generated fees for a total of CHF 295’710 (2022 : CHF 295’500) during the year for providing secretarial and development services. As its registered administrative seat is located at Axone’s address, CORE pays an additional amount of CHF 12’000 per year for its share of office rent.

Dinamon Internet S.L., a representative company of a CORE executive committee member, has generated fees for a total of CHF 9’039 (2022 : CHF 38’111) during the year in relation with the provision of software development personnel. The contract has been stopped during the year 2023 due to the fact that the services of the software developer that were provided by Dinamon Internet SL were not necessary anymore for the related projects.

## **8 Related party transactions (continued)**

Knipp Medien und Kommunikation GmbH, a member of CORE, has generated fees for a total of CHF 752'556 (2022 : CHF 782'165) during the year related to the maintenance and development of the SRS (see note 14), as well as technical services for CORE's BERO (Backup Registry Backend Operator).

Marta Baylina Mele, a member of CORE executive committee, has generated fees for a total of CHF 90'778 (2022 : CHF 79'214) during the year as compensation for consulting services in her capacity of Senior Counsel.

## **9 Registration payments received in advance**

CORE receives payments from registrars for the сайт, онлайн and بازار TLDs which are operated by CORE for its own account. CORE furthermore acts as payment recipient on behalf of the Swiss Confederation for the .swiss TLD. For other TLDs where CORE acts as registry service provider, registrar payments are made directly to CORE's registry customers and do transit through CORE's accounts. Registrars prepay for all future registrations unless a credit limit has been put in place. Registrar accounts may also be debited through auto-renewals or explicit renewals of registrations already in their portfolio.

## **10 Deferred registration income**

As a registry operator, CORE receives a fee for each registration. Each registration is for a period up to 10 years. Only the income from the date of registration to the balance sheet date (on a pro rata basis) is recognized in the statement of income and expenses. The remaining income is deferred in the balance sheet.

**11 Accrued expenses and provisions**

	<b>2023</b>	<b>2022</b>
Accrued expenses	245'412	237'867
Provision for GWNG development and maintenance	75'596	109'299
Provision for committed system improvement (.sport)	215'000	215'000
Provision for system enhancement and development	2'399'470	2'769'670
Provision for data registration management and verifications	84'162	46'261
Provision for registry services provider accreditation fees	84'162	0
COREhub bad debt provision	<u>234'503</u>	<u>247'324</u>
Total	<u>3'338'305</u>	<u>3'625'421</u>

Starting in 2013, CORE gradually transferred its registrar relationships to its subsidiary COREhub. For practical reasons, and in line with the fact that the majority of COREhub resellers are CORE members, CORE acts as payment agent for COREhub, receiving payments from COREhub resellers on behalf of COREhub, and making payments to registries on behalf of COREhub. To do so, CORE uses bank accounts separate from those used for CORE's registry activity. As CORE is the payment agent as well as the parent of COREhub, CORE takes responsibility for bad debts arising from COREhub's registrar role. For this reason, the provision for bad debts is calculated on a consolidated basis for CORE and COREhub combined and is entirely carried on CORE's balance sheet. The part of the bad debt provision related to COREhub customers is considered in the "Accrued expenses and provisions".

**12 Deferred member contributions**

Until December 2005, member contributions had the status of a member prepayment for future registrations in new generic Internet top-level domains ("gTLDs") to be managed by CORE. They were therefore recognized as deferred income. As CORE started to register domains as a registry in new gTLDs, CORE is to allow members to register domains for the amount equivalent to their accumulated contributions in those gTLDs. Deferred member contributions are presented net of any provision for uncollected member contributions for the periods up to December 2005.

**13 Revaluation reserve**

From inception until 31 December 2014, CORE used the US Dollar (USD) as functional currency. CORE's functional currency was changed to the Swiss Franc (CHF) per 1 January 2015. The account currencies of CORE's balances with suppliers and customers were left unchanged. The conversion gain resulted from this change of functional currency is presented in the equity for an amount CHF 148'733.

#### 14 SRS Maintenance and development costs

Expenditures related to maintenance and development services of SRS providers are presented as follow:

	2023		2022	
	Maintenance	Development	Maintenance	Development
Axone	<u>0</u>	<u>-11'746</u>	<u>0</u>	<u>-5'104</u>
Knipp*	<u>733'211</u>	<u>-17'232</u>	<u>720'580</u>	<u>64'637</u>
Total	<u>733'211</u>	<u>-28'978</u>	<u>720'580</u>	<u>59'533</u>
Total per year	<u>704'233</u>		<u>780'113</u>	

\* This includes registrar as well as registry associated costs.

Payments to vendors are made monthly, quarterly or on invoice. Payment may take place by netting against the respective provider's other account balances with CORE, or by bank transfer to an account.

#### 15 Extraordinary, non-recurring and prior period income/expenses

	2023	2022
Prior period income	0	(12'559)
Prior period expenses	18'138	2'379
Balance sheet positions adjustments	(1'524)	(4'580)
Non-recurring projects costs or provisions reversal	(247'433)	244'443
COREhub bad debt provision variation	<u>(12'821)</u>	<u>2'757</u>
Total	<u>(243'640)</u>	<u>232'440</u>

The extraordinary, non-recurring and prior period expenses amounts of the year 2023 and 2022 were including provisions or provisions adjustments related to projects launched. These projects included:

- A non-recurring provision adjustment for committed system improvement expenses linked with the overall systems (2023 : CHF (370'200) / 2022 : CHF 244'443).

**15 Extraordinary, non-recurring and prior period income/expenses (continued)**

- A non-recurring provision adjustment for data registration management and verifications (2023 : CHF 38'605 / 2022 : CHF 0)
- A non-recurring provision for registry services provider accreditation (2023 : CHF 84'162 / 2022 : CHF 0)

These expense requirements are caused by the following factors :

- accelerating changes in the regulatory environment characterized by new national laws, especially in the realms of privacy-protection and identification;
- growing range and scope of new threats to the public at large materializing through the domain name system as domain names can be weaponized by way of personal targeting, which CORE has a statutory and contractual obligation to address;
- pending open-ended further expansions of the new gTLD space resulting from the deliberations of relevant ICANN bodies and the ICANN New gTLD Subsequent Procedures Working Group, resulting in a need for CORE to fund outreach, public interest advocacy, systems upgrades, standards development, defensive gTLD applications and proactive gTLD applications;
- considerable technical upgrade and redesign requirements, the cost of which is further increased as regulatory standards have not yet been fully updated and require interim measures;
- pressure on DNS industry actors to increase their scale while the industry gets further dominated by large actors.
- decision of ICANN to pre-accredit Registry Service Providers before the new round of gTLDs

**16 Guarantees**

As at 31 December, the balance was composed of:

	<b>2023</b>	<b>2022</b>
Verisign - Registrations	200'000	200'000
Total in USD	200'000	200'000
Converted in CHF	168'325	185'046

**16 Guarantees (continued)**

CORE opened a letter of credit on behalf of COREhub in favor of Verisign (USD 200'000). This guarantee remained unchanged over many years for registration purposes.

**17 Personnel Full-time Equivalent**

CORE does not employ any personnel of their own.

**18 Released hidden reserves**

The hidden reserves have been partially released during the year 2023 for a net amount of CHF 183'426 (2022 : CHF 0).

**19 Significant events after the balance sheet date**

There are no events after the balance sheet date that require disclosure.