

## STATEMENT OF FINANCIAL POSITION

December 31,	2003	2002
<b>ASSETS</b>		
Cash and cash equivalents	\$ 480,077	\$ 192,752
Investments	-	2,550
Endowment-Public Interest Registry	4,225,828	-
Accounts receivable	200,734	78,156
Prepaid expenses	28,616	29,785
<b>TOTAL CURRENT ASSETS</b>	<b>4,935,255</b>	<b>303,243</b>
Furniture, equipment, leasehold (Net)	83,196	91,071
<b>OTHER ASSETS</b>		
Deposits	8,213	8,213
<b>TOTAL ASSETS</b>	<b>\$ 5,026,664</b>	<b>\$ 402,527</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 44,685	\$ 307,174
Accrued salaries and benefits	53,584	55,492
Security deposits payable	12,035	4,035
Deferred revenue	319,385	290,632
<b>TOTAL CURRENT LIABILITIES</b>	<b>429,689</b>	<b>657,333</b>
<b>OTHER LIABILITIES</b>		
Endowment payable-PIR	4,225,828	-
<b>TOTAL LIABILITIES</b>	<b>4,655,517</b>	<b>657,333</b>
<b>NET ASSETS</b>		
Unrestricted	351,111	(294,394)
Temporarily restricted	20,036	39,588
<b>TOTAL NET ASSETS</b>	<b>371,147</b>	<b>(254,806)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,026,664</b>	<b>\$ 402,527</b>

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2003  
 (with summarized totals for the year ended  
 December 31, 2002)

	Unrestricted	Temporarily Restricted	<u>Totals</u> 2003	<u>Totals</u> 2002
<b>REVENUE</b>				
Program support	\$ 1,850,000	\$ -	\$ 1,850,000	-
Organization members & platinum sponsors	899,835	-	899,835	1,476,782
Individual member donors	13,450	-	13,450	-
Individual member dues	-	-	-	98,897
Conferences and miscellaneous	201,034	448	201,482	120,154
Net assets released from restrictions	20,000	(20,000)	-	-
<b>Total revenue</b>	2,984,319	(19,552)	2,964,767	1,695,833
<b>EXPENSES</b>				
Direct program costs	1,802,894	-	1,802,894	1,183,207
General and administrative	515,920	-	515,920	477,857
Postal Award	20,000	-	20,000	20,000
<b>Total expenses</b>	2,338,814	-	2,338,814	1,681,064
Change in net assets	645,505	(19,552)	625,953	14,769
Net assets, beginning of year	(294,394)	39,588	(254,806)	(269,575)
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 351,111</b>	<b>\$ 20,036</b>	<b>\$ 371,147</b>	<b>\$ (254,806)</b>

# THE INTERNET SOCIETY

## (1) Summary of Significant Accounting Policies and General Information

The Internet Society was incorporated as a nonprofit corporation in the District of Columbia on December 11, 1992. The Society is exempt from Federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

### Classification of net assets

The net assets of the Internet Society are reported in two self-balancing groups:

- Unrestricted net assets represent funds that are available for the support of the Internet Society's operations.
- Temporarily restricted net assets represent resources that have been donated and are to be used in accordance with the stipulations set by the donor.

### Membership dues

Deferred revenue consists of membership dues collected in advance. Membership dues are recorded as deferred revenue upon receipt and are recognized as revenue ratably over the period to which the dues relate.

### Platinum Sponsors

Platinum donations are recognized when committed by the donor. The revenue is recorded as temporarily restricted support, since the donor stipulates the use of the donated funds. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions.

### Related Party Transaction

On October 7, 2002 the Internet Society formed a separate but related entity known as Public Interest Registry to operate the .ORG registry. Public Interest Registry was incorporated as a Pennsylvania nonprofit corporation with the Internet Society as its sole member. In January 2003, the Internet Society became custodian of a \$5,000,000 grant given to them on behalf of Public Interest Registry. (PIR) The grant is to be distributed evenly in the amount of \$833,333 per year plus accrued interest through 2008. The funds are to be used to establish an endowment to fund future operating costs of PIR. If PIR loses its status as the operator of the .ORG registry, the remaining endowment will be transferred to the successor registry operator.

(2) Awards

The Jonathan B. Postel Service Award was established by the Internet Society to honor those who have made outstanding contributions in service to the data communications community. The \$20,000 Award is given annually and is named after Dr. Jonathan B. Postel who embodied technical expertise, extraordinary leadership, and service to the community over his thirty-year career.

(3) Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, consist of:	<b><u>2003</u></b>	<b><u>2002</u></b>
Jonathan B. Postel Service Award	20,036	39,588

(4) Net Assets Released from Restriction

Net assets which were released from restrictions by satisfying the purposes specified by the donors:	<b><u>2003</u></b>	<b><u>2002</u></b>
Jonathan B. Postel Service Award	20,000	20,000