

STATEMENT OF FINANCIAL POSITION

	31 DECEMBER, 2004	31 DECEMBER, 2003
ASSETS		
Cash and cash equivalents	\$1,136,400	\$480,077
Endowment–Public Interest Registry	3,365,827	4,225,828
Accounts receivable	51,422	200,734
Prepaid expenses	35,536	28,616
TOTAL CURRENT ASSETS	4,589,185	4,935,255
Furniture, equipment, leasehold (Net)	73,488	83,196
OTHER ASSETS		
Deposits	118,717	8,213
TOTAL ASSETS	\$4,781,390	\$5,026,664
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$191,086	\$44,685
Accrued salaries and benefits	93,555	53,584
Security deposits payable	12,077	12,035
Deferred revenue	159,922	319,385
TOTAL CURRENT LIABILITIES	456,640	429,689
OTHER LIABILITIES		
Endowment payable–Public Interest Registry	3,365,827	4,225,828
TOTAL LIABILITIES	3,822,467	4,655,517
NET ASSETS		
Unrestricted	812,399	351,111
Temporarily restricted	146,524	20,036
TOTAL NET ASSETS	958,923	371,147
TOTAL LIABILITIES AND NET ASSETS	\$4,781,390	\$5,026,664

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER, 2004

(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED 31 DECEMBER, 2004)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS 2004	TOTALS 2003
REVENUE				
Programme support	\$2,400,000	–	\$2,400,000	\$1,850,000
Organisation Members and Platinum sponsors	1,013,678	–	1,013,678	899,835
Individual Member donors	7,375	–	7,375	13,450
Individual Member dues	5,325	–	5,325	–
Conferences and miscellaneous	100,082	224,316	324,398	201,482
Net assets released from restrictions	97,828	(97,828)	–	–
TOTAL REVENUE	3,624,288	126,488	3,750,776	2,964,767
EXPENSES				
Direct programme costs	2,516,953	–	2,516,953	1,802,894
General and administrative	626,047	–	626,047	515,920
Postal Award	20,000	–	20,000	20,000
TOTAL EXPENSES	3,163,000	–	3,163,000	2,338,814
Change in net assets	461,288	126,488	587,776	625,953
Net assets, beginning of year	351,111	20,036	371,147	(254,806)
NET ASSETS, END OF YEAR	\$812,399	\$146,524	\$958,923	\$371,147

NOTES ON FINANCIAL INFORMATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

The Internet Society was incorporated as a non-profit 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. The Internet Society is not a private foundation.

Cash and Cash Equivalents

For purposes of cash flows, the Internet Society considers all cash on hand, cash in banks and cash invested with a short-term maturity of three months or less to be cash equivalents.

Classification of Net Assets

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. They include contributions received without donor-imposed restrictions.

- 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 recognised as revenue ratably over the period to which the dues relate.

Platinum Sponsors

Platinum donations are recognised when committed by the donor. The revenue is recorded as temporarily restricted, 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

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 (PIR) was incorporated as a Pennsylvania non-profit corporation with the Internet Society as its sole member. Soon after incorporation, PIR applied to the Internal Revenue Service for tax-exempt status under Section 501 (c) (3) of the Internal Revenue Code. In July 2004, PIR received a favourable ruling from the IRS and was granted tax-exempt status. In January 2003, the Internet Society became custodian of a \$5,000,000 grant given to them on behalf of PIR. The grant is to be distributed evenly in the amount of \$833,333 per year plus accrued interest through 2008. Funds are 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.

Awards

The Jonathan B. Postel Service Award was established by the Internet Society to honour 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 during his 30-year career.

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, consist of:

	2004	2003
Security Expert Initiative (EU)	\$146,450	–
Jonathan B. Postel Service Award	74	20,036

Net Assets Released from Restriction

Net assets which were released from restrictions by incurring expenses, which satisfied the restrictions specified by the donor:

	2004	2003
Security Expert Initiative (EU)	\$77,828	–
Jonathan B. Postel Service Award	20,000	20,000