



Internet Society

Financial Review 2010

Statement of Financial Position*

The accompanying figures reflect Internet Society activities only and do not include activities of its affiliate, Public Interest Registry.

*All figures cited in U.S. dollars (USD).

31 DECEMBER 2010

ASSETS

Cash and cash equivalents	\$5,619,507
Certificates of deposit	8,265,238
Accounts receivable	210,919
Prepaid expenses	285,327

Total current expenses	14,380,991
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NET FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS	2,291,876
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OTHER ASSETS

Deposits	141,767
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TOTAL ASSETS	\$16,814,634
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$1,234,798
Accrued salaries and benefits	829,405
Security deposit	4,035
Deferred revenue	707,527
Deferred rent	150,754
Deferred construction allowance	574,594

Total current liabilities	3,501,113
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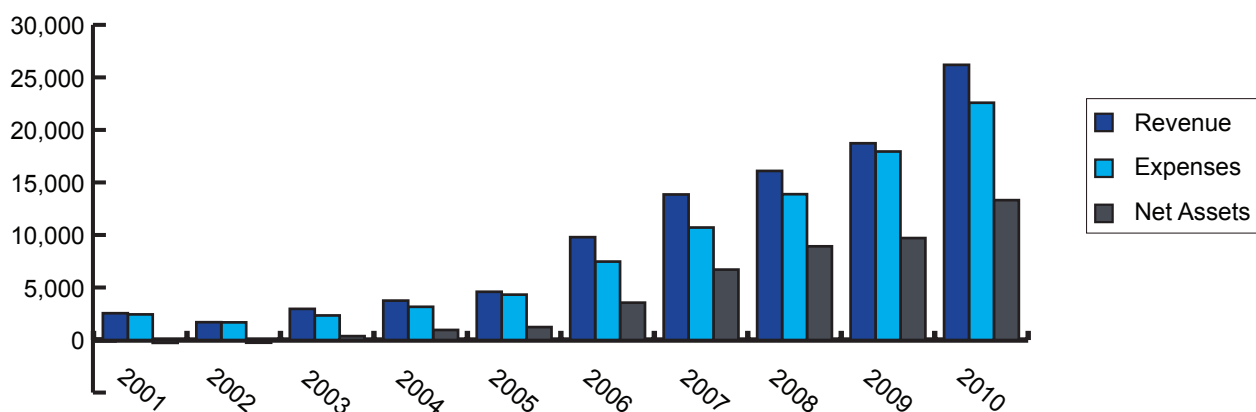
TOTAL LIABILITIES	3,501,113
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NET ASSETS

Unrestricted	11,152,718
Temporarily restricted	2,160,803

Total net assets	13,313,521
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NET LIABILITIES AND NET ASSETS	\$16,814,634
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Revenue, Expenses, and Net Assets 2001–2010 (Thousands of USD)

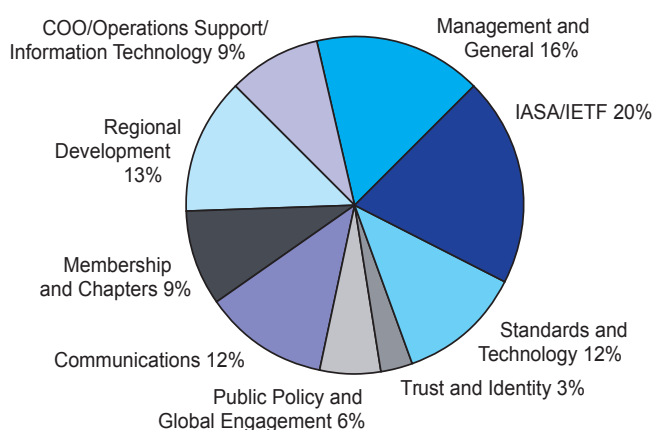
Statement of Activities and Changes in Net Assets*

FOR THE YEAR ENDED 31 DECEMBER 2010

The accompanying figures reflect Internet Society activities only and do not include activities of its affiliate, Public Interest Registry.

*All figures cited in U.S. dollars (USD).

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS 2010
REVENUE			
Programme support	\$19,000,000	2,000,000	\$21,000,000
Organizational and Individual Membership dues	1,066,684	–	1,066,684
IETF Meetings and miscellaneous IETF revenue	3,031,983	–	3,031,983
Registration, sponsorship, and other revenue	625,370	124,916	750,286
Realized and unrealized loss/gain	114,774	–	114,773
Interest/dividend income	231,629	–	231,629
Net assets released from restriction	27,958	(27,958)	0
Total support, revenue, and gains	24,098,398	2,096,958	26,195,356
EXPENSES			
IASA/IETF	4,526,728		4,526,728
Standards and technology	2,673,433		2,673,433
Trust and identity	781,369		781,369
Public policy and global engagement	1,459,494		1,459,494
Communications	2,787,820		2,787,820
Membership and chapters	1,960,782		1,960,782
Regional development	2,921,577		2,921,577
COO, operations support, and information technology	1,931,913		1,931,913
Management and general	3,543,635		3,543,636
Total expenses	22,586,751	–	22,586,751
Change in net assets	1,511,647	2,096,958	3,608,605
Net assets, beginning of year	9,704,916	–	9,704,916
NET ASSETS, END OF YEAR	\$11,216,563	\$2,096,958	\$13,313,521



Programme Expenditures in 2010

Management and General: USD 3,543,635

CEO Department • Finance • Human Resources
Administration • Legal and Governance

IASA/IETF: USD 4,526,728

IETF Secretariat and Meetings • RFC Services
IETF/IAB/IRTF Support • IASA Support • IETF Trust

Standards and Technology: USD 2,673,433

Open Standards Process • Security and Stability of the Internet
Global Addressing • Internet On (ION) Conference Series

Trust and Identity: USD 781,369

Trust and Identity Initiative • Network Confidence
User Managed Identity Solutions

Public Policy and Global Engagement: USD 1,459,494

Public and Member Briefings • Internet Policy Outreach
Global and Regional Policy Development • Internet Governance
Coordination Engagement with International Organizations
Next Generation Leaders

Communications: USD 2,787,820

Corporate Communications • Publications and Campaigns
Event Planning • Postel Service Award
Network & Distributed System Security Symposium

Membership and Chapters: USD 1,960,782

Organizational Member Support • IETF Meeting and Programme
Sponsorship • Chapter Development and Support
(additional Chapter support reflected within other programme areas)

Regional Development: USD 2,921,577

Regional Bureau Activities • INET Regional Meetings
Project Funding • Education and Development Programmes
Technical Capacity Building Programmes
ISOC's Fellowships to the IETF

COO/Operations Support/IT: USD 1,931,913

COO Department • IT and Internal Communications
Foundation and Grants Research

Notes on Financial Information

Summary of Significant Accounting Policies and General Information

The Internet Society (ISOC) is a non-profit organization founded in 1992 to provide leadership in Internet related standards, education and policy. With offices in Washington, D.C., USA and Geneva, Switzerland, it is dedicated to ensuring the open development, evolution and use of the Internet for the benefit of the people throughout the world. ISOC is a 501(c)(3) nonprofit corporation incorporated in the District of Columbia on December 11, 1992. ISOC is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued accounting guidance to enhance fair value measurement disclosures by requiring the reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reason for the transfers. Furthermore, activity in Level 3 fair value measurements should separately provide information about purchases, sales, issues and settlements rather than providing that information as one net number. This guidance is effective for financial statements issued for periods beginning after December 15, 2009, with the exception of the enhanced Level 3 disclosures, which are effective for reporting periods beginning after December 15, 2010. ISOC does not expect the application of this guidance will have a material impact on the consolidated financial statements.

Classification of net assets

Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets, and the changes therein, are classified and reported as such:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the organizations and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed

stipulations that will be met by the actions of the organizations and/or the passage of time.

When a restriction expires, 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.

Revenue Recognition

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

Contributions are recorded as revenue when payment is received from the donor. Contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with donor-imposed restrictions and satisfaction of time restrictions. Contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements. The Internet Engineering Task Force (IETF) meeting sponsor contributions and attendee registration fees are recognized in the year in which the associated conference occurs.

Cash and cash equivalents

ISOC 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.

Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2010:

Public Interest Registry	
IETF Support Fund	\$2,000,000
Postel Network Operator's Scholarship Fund	30,087
Jonathon B. Postel Service Awards	1,825
Dr. Jun-Ichiro Hagino Fund	42,806
Nominet	86,085
	<u>\$2,160,803</u>

Net Assets Released from Restrictions

The following temporarily restricted net assets were released from donor restrictions by incurring expenses

which satisfied the restricted purposes specified by the donors:

Nominet	\$27,958
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Lease Commitment

On March 11, 1999, ISOC entered into a seven-year office lease agreement for its Reston, Virginia office. This lease commenced on June 23, 2001 and ended on June 30, 2008. On April 1, 2008, ISOC executed an agreement to extend and modify its office lease. Under the terms of this agreement, ISOC relocated its offices within the current building, increasing the amount of rented space from 5,003 square feet to 10,083 square feet.

On November 16, 2009, ISOC executed a second amendment to the Reston lease. This amendment increased the amount of space to 14,083. The landlord provided a construction allowance of \$50.25 per square foot and abated rent on the new space until August 13, 2010.

The lease, as amended, terminates on January 31, 2016. The annual escalation rate of 3% per year continued. PIR sublets a portion of the space.

Related Party Transaction

ISOC is the sole incorporator of Public Interest Registry (PIR). PIR is a non-stock corporation organized under the laws of the Commonwealth of Pennsylvania Nonprofit Corporation Law of 1988 as a 501(c)(3) on October 7, 2002.

PIR is the registry for the .ORG top-level domain pursuant to an agreement with the Internet Corporation for Assigned Names and Numbers (ICANN). As a registry, PIR maintains a master directory for all domain names in the .ORG top-level domain. The mission of PIR is to manage the .ORG domain in a way that supports the continuing evolution of the Internet as a research, education and communications infrastructure, and to educate and empower the noncommercial community to most effectively utilize the Internet.

The Internet Engineering Task Force (IETF) is a large, international community of network designers, operators, and researchers responsible for developing and defining the standards and protocols that make up the Internet. ISOC has been the operational home of the IETF since ISOC's inception; however the Secretariat function and other administrative duties were performed

by other helper organizations. In early 2005, as part of a long-term restructuring plan, the IETF decided to create an IETF Administrative Support Activity (IASA), to replace the helper organizations and formally structure their administrative support functions within ISOC. To complete the restructuring process, on December 15, 2005 the IETF Trust was formed to hold the intellectual property rights associated with the IETF's standards process. ISOC hosts conferences on behalf of the IETF. The revenue and expenses related to these conferences and the IASA functions are reflected in the statement of activities.

Subsequent Events

ISOC evaluated subsequent events through August 2, 2011, the date these financial statements were available to be issued and identified the following subsequent events:

On June 6, 2011, the Executive Committee of ISOC's Board of Trustees approved a new contract for the President and Chief Executive Officer for the period beginning February 2011 through January 31, 2014 (the "2011 Contract"). The 2011 Contract includes provision for compensation for either Switzerland or the United States, depending on the CEO's location of residency during the term of the contract. It provides for a base salary and a variable compensation component to the compensation package. CEO compensation is supported by an opinion letter as well as a number of other compensation studies obtained by ISOC.

On May 20, 2011, ISOC agreed to a nonbinding term sheet to expand the Reston office, which resulted in a lease amendment dated July 14, 2011. This amendment will increase the amount of space by 4,873 feet to a total of 18,956 square feet. The annual rental rate on the additional 4,873 feet will be \$30.00 per square foot. The landlord will abate the initial 6 months' rent for the additional space. The existing lease was extended by an additional 25 months so the entire lease ends on March 31, 2018. The landlord has also agreed to abate the rent for March 2017 and eliminate the 3% annual rate escalation on the existing space for the last 25 months. PIR will continue to sublease a portion of this space.