

STATEMENT OF FINANCIAL POSITION

	31 DECEMBER 2005	31 DECEMBER 2004
ASSETS		
Cash and cash equivalents	\$1,451,012	\$1,136,400
Endowment–Public Interest Registry	2,540,338	3,365,827
Accounts receivable	100,178	51,422
Prepaid expenses	28,435	35,536
TOTAL CURRENT ASSETS	4,119,963	4,589,185
Furniture, equipment, leasehold (Net)	203,545	73,488
OTHER ASSETS		
Deposits	8,213	118,717
TOTAL ASSETS	\$4,331,721	\$4,781,390
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$199,520	\$191,086
Accrued salaries and benefits	111,612	93,555
Security deposits payable	12,118	12,077
Deferred revenue	235,826	159,922
TOTAL CURRENT LIABILITIES	559,076	456,640
OTHER LIABILITIES		
Endowment payable–Public Interest Registry	2,540,338	3,365,827
TOTAL LIABILITIES	3,099,414	3,822,467
NET ASSETS		
Unrestricted	1,185,001	812,399
Temporarily restricted	47,306	146,524
TOTAL NET ASSETS	1,232,307	958,923
TOTAL LIABILITIES AND NET ASSETS	\$4,331,721	\$4,781,390

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 DECEMBER 2005

(WITH SUMMARISED TOTALS FOR THE YEAR ENDED 31 DECEMBER 2004)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS 2005	TOTALS 2004
REVENUE				
Programme support	\$3,400,000	–	\$3,400,000	\$2,400,000
Organisation Members and Platinum sponsors	994,621	–	994,621	1,013,678
Individual Member donors	13,375	–	13,375	7,375
Individual Member dues	5,100	–	5,100	5,325
Conferences and miscellaneous	114,342	66,641	180,983	324,398
Net assets released from restrictions	165,859	(165,859)	–	–
TOTAL REVENUE	4,693,297	(99,218)	4,594,079	3,750,776
EXPENSES				
Direct programme costs	3,459,193	–	3,459,193	2,516,953
General and administrative	841,502	–	841,502	626,047
Postel Award	20,000	–	20,000	20,000
TOTAL EXPENSES	4,320,695	–	4,320,695	3,163,000
Change in net assets	372,602	(99,218)	273,384	587,776
Net assets, beginning of year	812,399	146,524	958,923	371,147
NET ASSETS, END OF YEAR	\$1,185,001	\$47,306	\$1,232,307	\$958,923

NOTES ON FINANCIAL INFORMATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

The Internet Society was incorporated as a nonprofit membership organisation in the District of Columbia on December 11, 1992, to provide leadership in Internet-related standards, education, and public policy. It is exempt from 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 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 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 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 support, since the donor stipulates the use of the donated funds. Once 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 the Public Interest Registry (PIR) to operate the .ORG registry. PIR was incorporated as a Pennsylvania nonprofit 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 Internal Revenue Service and was granted tax-exempt status. In January 2003, the Internet Society became custodian of a \$5,000,000 grant given to it on behalf of 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 for the establishment of an endowment that will 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.

Internet Administrative Support Activity

In 2005, the Internet Engineering

Task Force (IETF), which 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, restructured its support operations within the Internet Society. The Internet Society has always considered itself the organisational home of the IETF; however, the secretariat function and other administrative duties were performed by other helper organisations. In early 2005, as part of a long-term restructuring plan, the IETF decided to create the Internet Administrative Support Activity (IASA) to replace the helper organizations and formally structure its administrative support functions within the Internet Society.

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 dedicated service to the community over his 30-year career.

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 consist of:

	2005	2004
Security Expert Initiative (EU)	\$47,232	\$146,450
Jonathan B. Postel Service Award	74	74

NET ASSETS RELEASED FROM RESTRICTION

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

	2005	2004
Security Expert Initiative (EU)	\$145,859	\$77,828
Jonathan B. Postel Service Award	20,000	20,000