

REVENUE, EXPENSES, AND NET ASSETS 2000–2009

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Statement of Financial Position

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

31 DECEMBER 2009

ASSETS

Cash and cash equivalents	\$3,362,618
Certificates of deposit	6,161,962
Accounts receivable	153,625
Prepaid expenses	630,280

Total current assets

10,308,485

NET FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

1,941,552

OTHER ASSETS

Deposits	192,086
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TOTAL ASSETS

\$12,442,123

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$1,306,608
Accrued salaries and employee benefits	450,545
Security deposit	4,035
Deferred revenue	401,213
Deferred rent	139,557
Deferred construction allowance	435,250

Total current liabilities

2,737,207

TOTAL LIABILITIES

2,737,207

NET ASSETS

Unrestricted	9,641,071
Temporarily restricted	63,845

Total net assets

9,704,916

TOTAL LIABILITIES AND NET ASSETS

\$12,442,123

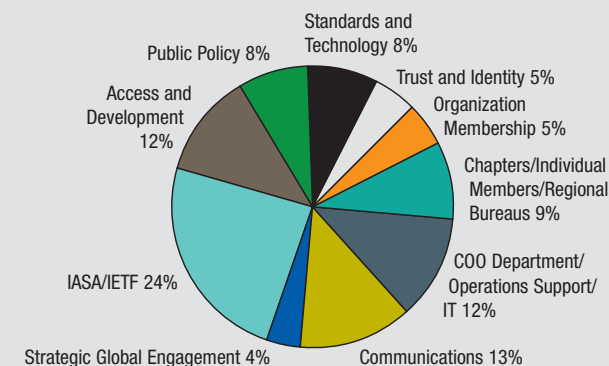
Statement of Activities and Changes in Net Assets*

FOR THE YEAR ENDED 31 DECEMBER 2009

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.

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS 2009
REVENUE			
Programme support	\$14,000,000	—	\$14,000,000
Organization Members and Platinum Sponsors	1,174,572	—	1,174,572
Contributions	4,792	\$87,766	92,558
Individual Member dues	8,456	—	8,456
IETF Meetings and other IETF miscellaneous revenue	3,189,072	—	3,189,072
Other meetings and programme revenue	157,052	—	157,052
Investment income and other revenue	107,467	—	107,467
Net assets released from restrictions	68,064	(68,064)	0
Total revenue	18,709,475	19,702	18,729,177
EXPENSES			
COO department, operations and support	876,459		876,459
Information technology and internal communications	1,436,435		1,436,435
Access and development	949,180		949,180
Enabling Access initiative	1,174,102		1,174,102
Regional bureaus	570,814		570,814
Chapters and Individual Members	1,094,463		1,094,463
Organizational Members	808,636		808,636
Public policy	1,349,743		1,349,743
Standards and technology	1,307,808		1,307,808
InterNetworks initiative	58,922		58,922
Trust and Identity department	759,229		759,229
Trust and Identity initiative	108,318		108,318
Strategic global engagement	688,836		688,836
Communications	2,251,617		2,251,617
NDSS and Postel Service Award	104,112		104,112
IASA/IETF	4,405,613		4,405,613
Total expenses	17,944,287	0	17,944,287
Change in net assets	765,188	19,702	784,891
Net assets, beginning of year	8,920,025		8,920,025
NET ASSETS, END OF YEAR	\$9,685,213	\$19,702	\$9,704,916



PROGRAMME EXPENDITURES IN 2009

Organization Membership: USD 808,636

Org Member Support • IETF Meeting and Program Sponsorships

Chapters/Individual Members/Regional Bureaus: USD 1,665,277

Chapter Development and Support • Regional Bureau Activities
Project Funding • INET Regional Meetings (Additional Chapter and Regional Bureau support is reflected within other program areas)

COO Department/Operations Support/IT: USD 2,312,894

COO Dept • IT and Internal Communications • Foundation and Grants Research

Communications: USD 2,355,729

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

Strategic Global Engagement: USD 688,836

Engagement w/International Organizations • Internet Governance Forum
and IGF Ambassadors • Internet Governance Coordination

IASA/IETF: USD 4,405,613

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

Access and Development: USD 2,123,282

Enabling Access Initiative • Education and Development • Technical Capacity Building
Programs • ISOC's Fellowships to the IETF

Public Policy: USD 1,349,743

Policy and Member Briefings
Global and Regional Policy Development • Internet Policy Outreach

Standards & Technology: USD 1,366,730

InterNetworks Initiative • Common and Open Internet
Global Addressing • Security and Stability of the Internet

Trust and Identity: USD 867,547

Trust and Identity Initiative • Network Confidence
User Managed Identity Solutions

Notes on Financial Information

Summary of Significant Accounting Policies and General Information

The Internet Society (ISOC) is a nonprofit 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) non-profit 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

Effective in 2009, the Financial Accounting Standards Board (FASB) issued new guidance to establish the FASB Accounting Standards Codification (ASC) as the single source of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting standards in the United States (the "GAAP hierarchy"). ISOC's adoption of this guidance had no material impact on the 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 consolidated 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, 2009:

Postel Network Operator's Scholarship Fund	\$30,087
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Jonathan B. Postel Service Award	1,725
Dr. Jun-Ichiro Hagino Fund	24,004
Nominet	8,029
	<hr/> \$63,845

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	\$68,064
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Lease Commitment

On November 16, 2009, ISOC executed a second amendment to the Reston lease. This amendment increased the amount of space to 14,083 square feet. 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.

ISOC entered into a five-year office lease agreement for its Geneva, Switzerland office. This lease commenced in February 2009 and will end on December 31, 2013.

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 non-commercial community to most effectively utilize the Internet.

The Internet Engineering Task Force 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 June 17, 2010, the date these financial statements were available to be issued and identified the following subsequent event:

On January 14, 2010, ISOC executed a third amendment to the Reston lease. This amendment increased the amount of space to 14,792 square feet. The lease term was not extended, terminating January 31, 2016. PIR will continue to sublease a portion of the space.