



## Year End 2015 Financial Statements & Management Discussion

This report provides financial information and commentary for the year ended December 31, 2015. The Management Discussion focuses on the full year result. The complete financial statements included at the end of this report are (1) the Statement of Activities through December 31 and (2) the Statement of Financial Position as of December 31.

### Summary

ISOC's Net Surplus (in the Statement of Activities) and its Unrestricted Net Assets (in the Statement of Financial Position) remained strong throughout the year with a Net Unrestricted Surplus of \$976K. These favourable financial results are reflective of both higher than budgeted Unrestricted Revenues and lower than expected departmental expenditures.

As summarized in the table below, ISOC's Surplus for 2015 was \$1.143 million before interest and \$976K after interest.

<b>Internet Society</b>				
<b>ISOC Statement of Activities Summary</b>				
<b>Year Ended December 31, 2015</b>				
	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>	<b>YTD %</b>
<b>Unrestricted Revenues</b>				
ISOC Generated (incl IETF)	\$ 9,867,531	\$ 9,522,842	\$ 344,689	4%
PIR Contribution to ISOC	29,695,008	29,500,000	195,008	1%
<b>Total Unrestricted Revenues</b>	<b>39,562,539</b>	<b>39,022,842</b>	<b>539,697</b>	<b>1%</b>
<b>Expenses</b>				
Departmental Expenses	\$ 32,080,716	\$ 32,710,842	\$ 630,126	2%
Board Governance	433,930	300,000	(133,930)	-45%
IETF	5,904,419	6,012,000	107,581	2%
<b>Total Expenses</b>	<b>38,419,065</b>	<b>39,022,842</b>	<b>603,777</b>	<b>2%</b>
<b>Net Surplus (Deficit) before Interest</b>	<b>\$ 1,143,474</b>	<b>\$ -</b>	<b>\$ 1,143,474</b>	
Other Revenue (Expense) - Interest and Currency	(167,068)	500,000	(667,068)	-133%
<b>Net Unrestricted Surplus/(Deficit)</b>	<b>\$ 976,406</b>	<b>\$ 500,000</b>	<b>\$ 476,406</b>	<b>95%</b>

ISOC Generated Revenue (defined as all revenues other than PIR contribution) exceeded the revenue budget by \$345K for the year. IETF revenue comprised the majority of this surplus.

Total Expenses to-date are \$604K less than the budget, primarily due to personnel savings throughout the year. Savings in personnel costs were partially offset by increased program spending for the year.

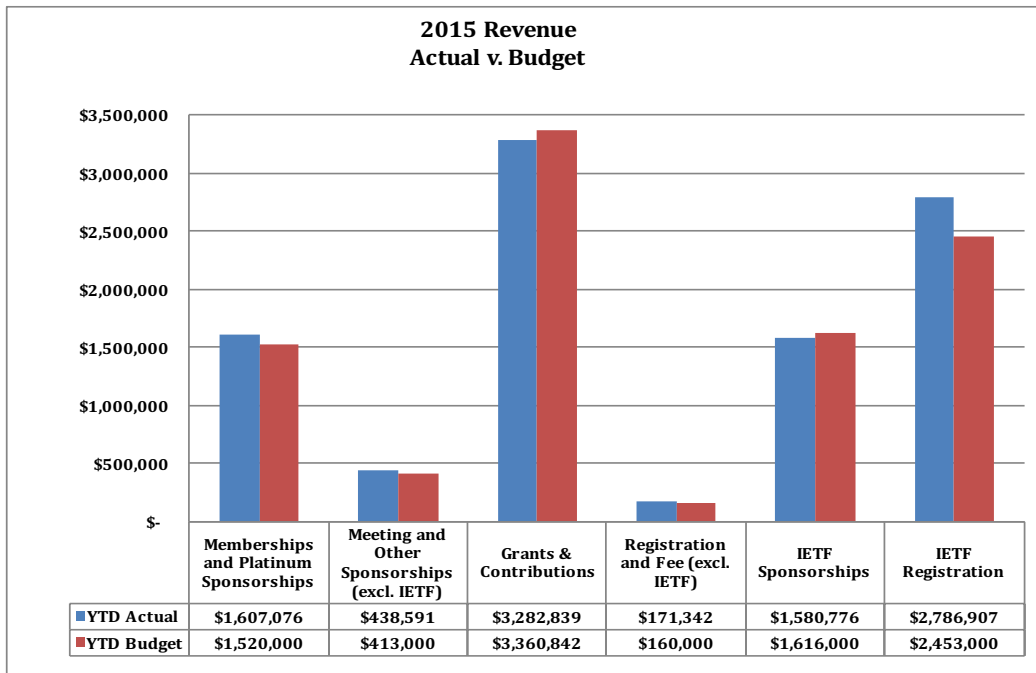
Investment losses for the year were \$137K, while currency exchange losses were \$30K.

**Revenues**

Revenue exceeded the budget for the year by \$539.7K. Of particular note:

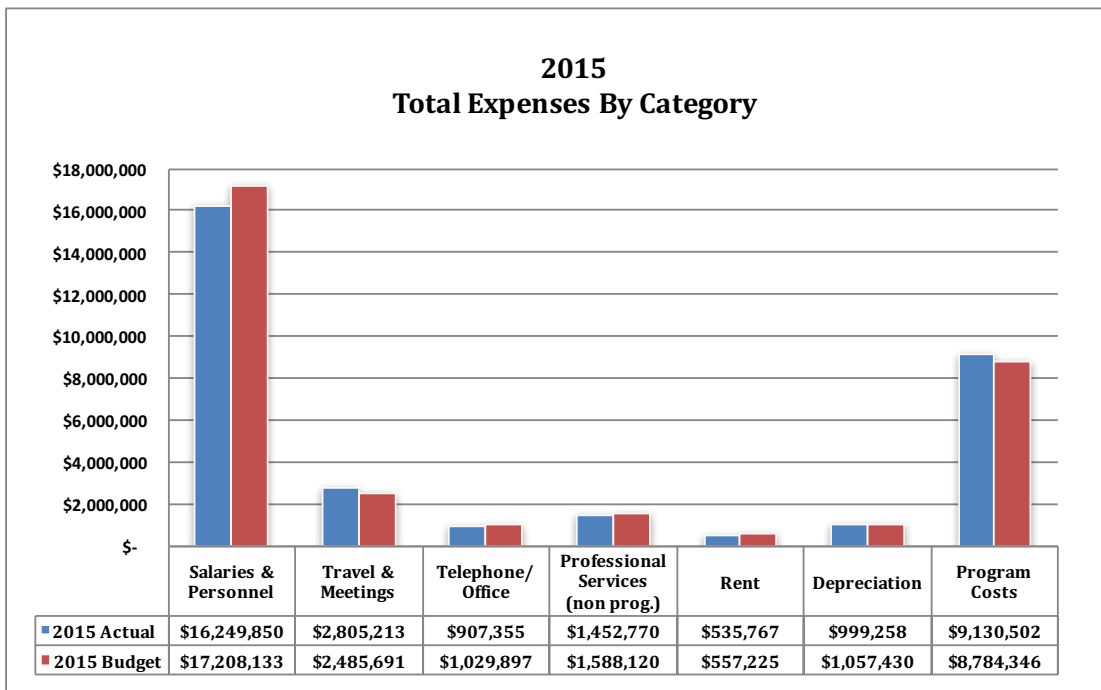
<b>Internet Society</b> <b>Sources of Revenue - Unrestricted (000's)</b> <b>Year Ended December 31, 2015</b>			
	YTD Actual	YTD Budget	Variance
<b>Revenues</b>			
Org Membership/Platinum Sponsorships	\$ 1,598.6	\$ 1,500.0	\$ 98.6
Individual Member Dues & Donations	8.4	20.0	(11.6)
Meeting & Other Sponsorships (excl IETF)	438.6	413.0	25.6
Grants & Contributions	3,282.8	3,360.8	(78.0)
Registration and Fee Revenue (excl IETF)	171.3	160.0	11.3
IETF Meeting Hosts & Sponsors	1,580.8	1,616.0	(35.2)
IETF Meeting Registration & Other Revenue	2,786.9	2,453.0	333.9
<b>Total ISOC-Generated Revenues</b>	<b>\$ 9,867.5</b>	<b>\$ 9,522.8</b>	<b>\$ 344.7</b>
PIR Contribution to ISOC	29,695.0	29,500.0	195.0
<b>Total Unrestricted Revenues</b>	<b>\$ 39,562.5</b>	<b>\$ 39,022.8</b>	<b>\$ 539.7</b>

- Organizational Memberships revenues were better than budget by \$98.6K for the year due to better than expected Org Membership upgrades and new Org Memberships. Individual member donations fell short of the annual budget by \$11.6K.
- Meeting and Other Sponsorships (excluding IETF) ended the year \$25.6K better than budget. The favourable results consist primarily of higher funding for AfPif (\$17.7K over budget).
- Grants and Contributions revenues were \$78K below the 2015 revenue budget. Causes included lower valuation of donated ITE equipment and the timing of funded program expenditures, offset by higher funding for Cryptech and the annual Marketing Grant. In each case, these revenue impacts were offset by similar departmental expenses, resulting in minimal bottom line impact to ISOC.
- ISOC event registration revenue was better than budget due to another successful NDSS symposium in February.
- IETF Sponsorship Revenues were under budget by \$35.2K due to lower than planned Bits-n-Bytes and Welcome Reception sponsors for IETF Dallas and Prague, partially offset by higher than anticipated hotel commissions for Dallas.
- IETF Registration and Other Revenues were better than budget by \$333.9K due to higher meeting registrations for Dallas and Prague and hotel rebates (\$95K) for the Dallas meeting.
- PIR Contribution to ISOC was higher than budget by \$195K due to unbudgeted sales of Single Character Domain Names.



**Expenses by Cost Category**

The Internet Society budgets and reviews operating expenses across the organization according to natural expense categories.



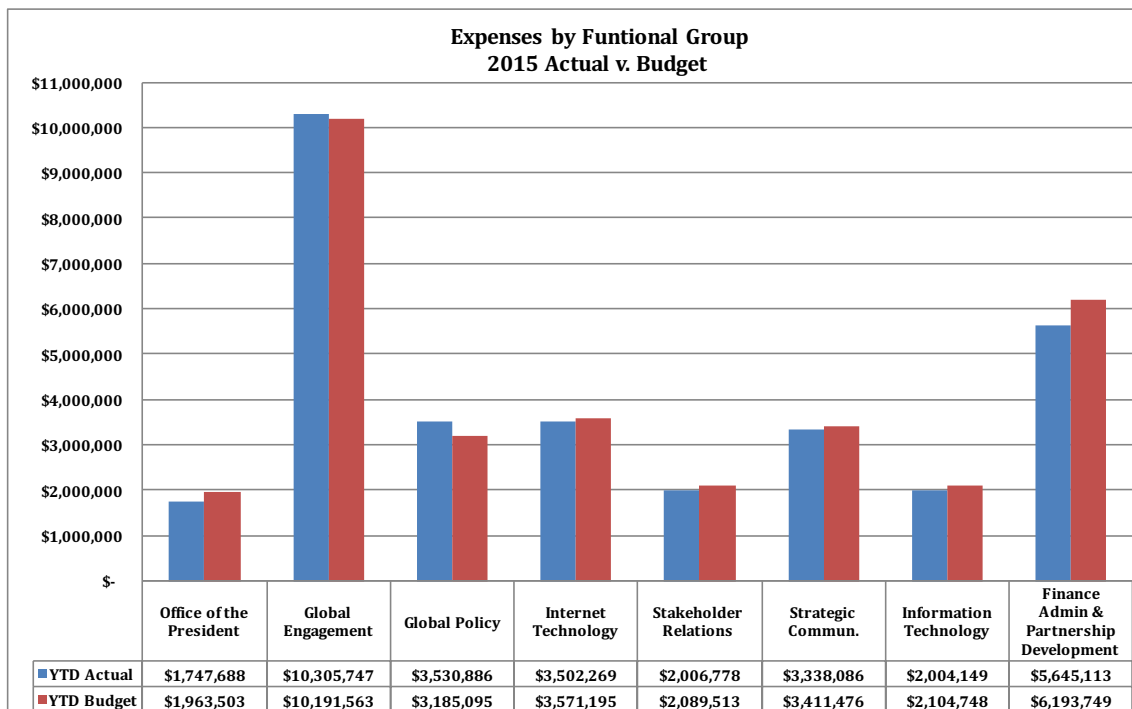
- Salaries and Personnel costs were \$958K better than budget, due to the impacts of turnover and delays in hiring, primarily in the Internet Technology, Strategic Communications and Middle East Region departments.
- Travel & Meeting costs year-to-date were \$320K higher than budget (13%) primarily in Global Policy, Stakeholder Relations, and Strategic Communications. As in the past, the location and

timing of major meetings (e.g., InterCommunity 2015 and IETF meetings) impacted staff travel costs.

- Telephone/Office/Other Internal costs year-to-date were \$122.5K better than that budget.
- Program costs represent external costs of delivering on projects. For 2015, these costs were higher than the budget by \$346.2K. Additional program spending was undertaken to meet program commitments in spite of the lower staffing for the year. In the fourth quarter we added spending in support of such projects as AFNOG, AFREN, W4C Nepal, and an expanded WSIS +10 recognition campaign surrounding the meeting in New York City.

### **Expenses by Functional Group**

For reporting purposes, we also present expenses separated into “Functional Groups”.



#### **Office of the President**

Expenses for the year in the Office of the President are better than budget (\$216K). However, the CEO has authorized use of these funds by other Functional Groups (e.g., see Global Engagement and Global Policy).

#### **Global Engagement**

Global Engagement (GER) consists of Regional Bureaus, Chapter Relations, Development, and Internet Leadership Programs. Spending for the year was higher than budget by \$114.2K primarily due to slightly higher Regional program spending.

#### **Global Policy**

Global Policy expenditures to-date were over budget by \$345.8K due to a use of budget funds from the Office of the President for a joint policy outreach program with Diplo and programs in support of Internet Rights, as well as higher than budget travel costs.

### Internet Technology

Internet Technology was \$68.9K better than the budget due to lower program spending and open staff positions (\$341K), partially offset by higher contributions for Strengthening the Internet-Cryptech (\$270K which was funded by outside sources).

### Stakeholder Relations

Due to lower discretionary program costs, partially offset by higher travel costs, expenditures for this functional group were \$82.7K under budget.

### Strategic Communications

Expenditures for this functional group were \$73.4K under budget primarily due to open staff positions. Year-end efforts in support of building ISOC's visibility and recognition at WSIS+10 (Strategic Objective 4) were undertaken within this budget.

### Information Technology

Information Technology expenditures were under budget by \$101K.

### Finance, Administration & Partnership Development

This functional group accounts for the cost of general & administrative activities (including depreciation, office rent, legal, accounting, human resources, recruitment) and fundraising costs. For the year, this functional group was \$549K under budget. The variance was primarily comprised of underspending Partnership Development personnel costs (open position), plus lower Finance and Administration professional services and office costs.

## **Board Governance Expenses**

Board Governance costs were higher than the annual budget by \$133.9K due to higher than expected travel for the InterCommunity2015 event and September retreat, as well as the unusual pattern of three Board meetings in the Asia Pacific region.

## **IETF**

IETF Sponsorship revenues were under budget by \$35.2K due to lower than planned Bits-n-Bytes and Welcome Reception sponsors for IETF Dallas and Prague partially offset by higher than anticipated hotel commissions for Dallas. IETF YTD Registration revenue was \$333.9K higher than budget due to greater than anticipated number of registrants for IETF Dallas and Prague, as well as, hotel rebates for IETF Dallas.

IETF Expenses were \$107.6K better than budget due to lower meeting, IASA support, software tools maintenance, and vendor transition expenses.

	<u>YTD Actual</u>	<u>YTD Budget</u>	<u>YTD \$ Var</u>	<u>YTD %</u>
<b>IETF Summary of Results (included in ISOC results)</b>				
<b>IETF Sponsorships</b>	\$ 1,580,776	\$ 1,616,000	\$ (35,224)	-2%
<b>IETF Registrations</b>	2,786,907	2,453,000	333,907	14%
<b>IETF Expenses (excluding Capital)</b>	(5,904,419)	(6,012,000)	107,581	-2%
<b>IETF Capital Expenditures</b>	(167,200)	(215,000)	47,800	-22%
<b>ISOC's Contribution to the IETF</b>	<b>\$ (1,703,936)</b>	<b>\$ (2,158,000)</b>	<b>\$ 454,064</b>	<b>-21%</b>

## **Restricted Funds**

The revenue recognized in the charts earlier in this report are considered “Unrestricted Revenues”. For multi-year donations or purpose-restricted funds, we delay recognition of donated funds until they have been used for their restricted purpose. Until that time, those funds are added to a separate accounting for “Restricted Funds”, per accounting convention.

As shown below, the balance of Restricted Funds at the end of 2015 (\$1,238K) is comprised of \$376K for Internet Protocol Journal publication, \$505K for depreciation of donated IETF equipment, \$130K for the IXP Toolkit grant, as well as, \$162K from IEEE for educational program funding, plus smaller grants. All of these amounts are available to fund future programmatic work of ISOC.

<b>Internet Society Statement of Activities - Restricted For the Year Ended December 31, 2015</b>	
	<b>YTD</b>
<b>Restricted Funds Received</b>	
IEEE	\$ 305,000
Internet Protocol Journal	436,677
Enhancing the Internet	350,000
Internet Leaders	63,334
Latin America Program Extension	248,428
Other	3,784
<b>Total Restricted Revenues</b>	<b>1,407,223</b>
<b>Funds Used for Directed Purposes</b>	
Internet Protocol Journal	\$ 393,877
Enhancing the Internet	420,000
IETF Donated Equipment	275,268
Latin America Program Extension	248,428
IXP Toolkit	140,070
IEEE	142,790
Other	141,481
<b>Total Funds Used for Directed Purposes</b>	<b>1,761,914</b>
<b>Net Change in Restricted Balance</b>	<b>\$ (354,691)</b>
<b>Beginning Restricted Fund Balance</b>	<b>1,592,749</b>
<b>Ending Restricted Fund Balance</b>	<b>\$ 1,238,058</b>

<b>Internet Society Temporarily Restricted Assets Balance At December 31, 2015</b>	
	<b>YTD</b>
<b>Restricted Funds Received</b>	
IEEE	162,210
Internet Protocol Journal	376,126
IETF Donated Equipment	504,658
IXP Toolkit	129,542
Other	65,522
<b>Total Restricted Revenues</b>	<b>\$ 1,238,058</b>

**Board Designated Funds**

ISOC reports a separate Statement of Activities for “Board Designated Funds”. This Statement shows the Board designation and ISOC spending for specific projects including the Branding Project, Three Year Technology Improvement Program (TYTIP), Curator Project, and additional funds to support the Beyond the Net Program (formerly Community Grants).

These are multi-year programs. At the end of 2015, ISOC still had:

- \$1.37 million of the \$1.44 million TYTIP funds,
- \$1.24 million of the \$1.69 million Branding project funds,
- \$176K of the \$300K Curator project funds, and
- \$200K of the designated funds for expanding the Beyond the Net program.

<b>Internet Society Statement of Activities - Designated For the Year December 31, 2015</b>	
	<b>YTD</b>
<b>Beginning Balance</b> (TYTIP Board approved in 2014)	\$ 1,447,400
<b>Designated Projects Added During Period</b>	
Branding Project	1,695,500
Curator Project	300,000
Beyond the Net	200,000
<b>Total Funds Designated During Period</b>	<b>2,195,500</b>
<b>Funds Used for Designated Purposes</b>	
Three Year Technology Project	72,811
Branding Project	455,625
Curator Project	123,985
Beyond the Net	-
<b>Total Funds Used for Designated Purposes</b>	<b>652,421</b>
<b>Net Change in Designated Funds</b>	<b>\$ 1,543,079</b>
<b>Ending Balance - Designated Funds</b>	<b>\$ 2,990,479</b>

<b>Internet Society Designated Fund Balance At December 31, 2015</b>	
<b>Designated Projects</b>	
Three Year Technology Improvement Plan	\$ 1,374,589
Branding Project	1,239,875
Curator Project	176,015
Beyond the Net	200,000
<b>Designated Funds - Ending Balance</b>	<b>\$ 2,990,479</b>

**Cash and Investments** (Refer to Statement of Financial Position below)

At December 31, ISOC held cash totalling \$29.44 million. Of this amount:

- \$14.4 million is invested as the Continuity Funds (after investment losses year-to-date),
- \$9.613 million (representing the non-recurring \$10 million contribution from PIR less the spending to-date on TYTIP and Branding) is invested in short-term fixed return assets,
- \$439K temporarily restricted funds (designated by donors) remains in money market funds,
- \$97K in permanently restricted IETF Endowment funds are invested according to the Endowment Investment Policy.
- Operational funds exceeding \$4.9 million comprises the remainder of our cash balance and are invested in money market funds. Year end cash balances are high due to due to the YTD Surplus.

**DETAILED UNRESTRICTED FINANCIAL STATEMENTS FOLLOW:**

<b>Statement of Activities - Unrestricted</b>				
<b>Year Ended December 31, 2015</b>				
	YTD Actual	YTD Budget	YTD \$ Var	% Var
<b>Unrestricted ISOC Revenues</b>				
<b>Memberships and Platinum Sponsorships Meeting and Other Sponsorships</b>	\$ 1,607,076	\$ 1,520,000	\$ 87,076	6%
IETF Sponsorships	1,580,776	1,616,000	(35,224)	-2%
Other Sponsorships	438,591	413,000	25,591	6%
<b>Total Meeting and Other Sponsorships</b>	<b>2,019,367</b>	<b>2,029,000</b>	<b>(9,633)</b>	<b>0%</b>
<b>Grants &amp; Contributions</b>	<b>3,282,839</b>	<b>3,360,842</b>	<b>(78,003)</b>	<b>-2%</b>
<b>Registration and Fee Revenue</b>				
IETF Registration	2,786,907	2,453,000	333,907	14%
Other Registration	171,342	160,000	11,342	7%
<b>Total Registration and Fee Revenue</b>	<b>2,958,249</b>	<b>2,613,000</b>	<b>345,249</b>	<b>13%</b>
<b>Total ISOC-Generated Revenues</b>	<b>9,867,531</b>	<b>9,522,842</b>	<b>344,689</b>	<b>4%</b>
<b>PIR Contribution to ISOC</b>	<b>29,695,008</b>	<b>29,500,000</b>	<b>195,008</b>	<b>1%</b>
<b>Total Unrestricted ISOC Revenues</b>	<b>\$ 39,562,539</b>	<b>\$ 39,022,842</b>	<b>\$ 539,697</b>	<b>1%</b>
<b>Functional Group Expense (excl IETF)</b>				
Office of the President	1,747,688	1,963,503	215,815	11%
Global Engagement	10,305,747	10,191,563	(114,184)	-1%
Global Policy	3,530,886	3,185,095	(345,791)	-11%
Internet Technology	3,502,269	3,571,195	68,926	2%
Stakeholder Relations	2,006,778	2,089,513	82,735	4%
Strategic Communications	3,338,086	3,411,476	73,390	2%
Information Technology	2,004,149	2,104,748	100,599	5%
Finance Administration & Partnership Development	5,645,113	6,193,749	548,636	9%
<b>Total Functional Group Expense</b>	<b>32,080,716</b>	<b>32,710,842</b>	<b>630,126</b>	<b>2%</b>
<b>Board Governance</b>	<b>433,930</b>	<b>300,000</b>	<b>(133,930)</b>	<b>-45%</b>
<b>Total ISOC Expense (excl IETF)</b>	<b>32,514,646</b>	<b>33,010,842</b>	<b>496,196</b>	<b>2%</b>
<b>IETF Expenses(excluding Capital)</b>	<b>5,904,419</b>	<b>6,012,000</b>	<b>107,581</b>	<b>2%</b>
<b>Net Surplus (Deficit) Before Interest</b>	<b>1,143,474</b>	<b>-</b>	<b>1,143,474</b>	<b>#DIV/0!</b>
<b>Other Revenue (Expense) - Interest and Currency</b>	<b>(167,068)</b>	<b>500,000</b>	<b>(667,068)</b>	<b>-133%</b>
<b>NET UNRESTRICTED SURPLUS/(DEFICIT)</b>	<b>\$ 976,406</b>	<b>\$ 500,000</b>	<b>\$ 476,406</b>	<b>95%</b>



**INTERNET SOCIETY**  
**Statement of Financial Position**  
**December 31, 2015**

<b>ASSETS</b>	<b>December 31, 2015    December 31, 2014</b>	
<b>Current</b>		
Cash & Cash Equivalents (incl Restricted Funds)	\$ 29,442,866	\$ 27,729,518
Accounts Receivable	1,495,575	1,090,201
Interest Receivable	-	-
Prepaid Expenses	852,147	974,686
<b>Total Current</b>	<u>31,790,588</u>	<u>29,794,405</u>
<b>Long Term</b>		
Furniture, Equipment, Leaseholds (Net)	1,896,970	3,302,919
<b>Total Long Term</b>	<u>1,896,970</u>	<u>3,302,919</u>
<b>Other Assets</b>		
Deposits	133,625	133,625
<b>Total Other Assets</b>	<u>133,625</u>	<u>133,625</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 33,821,183</b></u>	<u><b>\$ 33,230,949</b></u>
<b>LIABILITIES &amp; NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable	2,507,148	2,303,037
Accrued Employee Benefits	1,586,552	1,842,615
Deferred Rent	223,114	211,477
Deferred Construction Allowance	702,249	913,613
Security Deposit Payable	4,035	4,035
Deferred Revenue	1,686,537	874,399
<b>Total Current Liabilities</b>	<u>6,709,635</u>	<u>6,149,176</u>
<b>NET ASSETS</b>		
Unrestricted Fund Balance	22,786,488	23,955,400
Designated Fund Balance	2,990,479	1,447,400
Restricted Fund Balance	1,238,058	1,592,750
Permanently Restricted Fund Balance	96,523	86,223
<b>Total Net Assets</b>	<u>27,111,548</u>	<u>27,081,773</u>
<b>Total LIABILITIES &amp; NET ASSETS</b>	<u><b>\$ 33,821,183</b></u>	<u><b>\$ 33,230,949</b></u>
<b>BEGINNING NET ASSET BALANCE - 1 January</b>	\$ 27,081,772	\$ 25,922,989
<b>NET CHANGE IN NET ASSETS (Unrestricted/Restricted)</b>	29,776	1,158,784
<b>ENDING NET ASSET BALANCE</b>	<u>\$ 27,111,548</u>	<u>\$ 27,081,773</u>