

2011 Year End Performance Review

ISOC Board of Trustees Teleconference

16 January 2012

Part 1: 2011 Year End Financial Overview

Year End Financial Outlook– Summary Overview

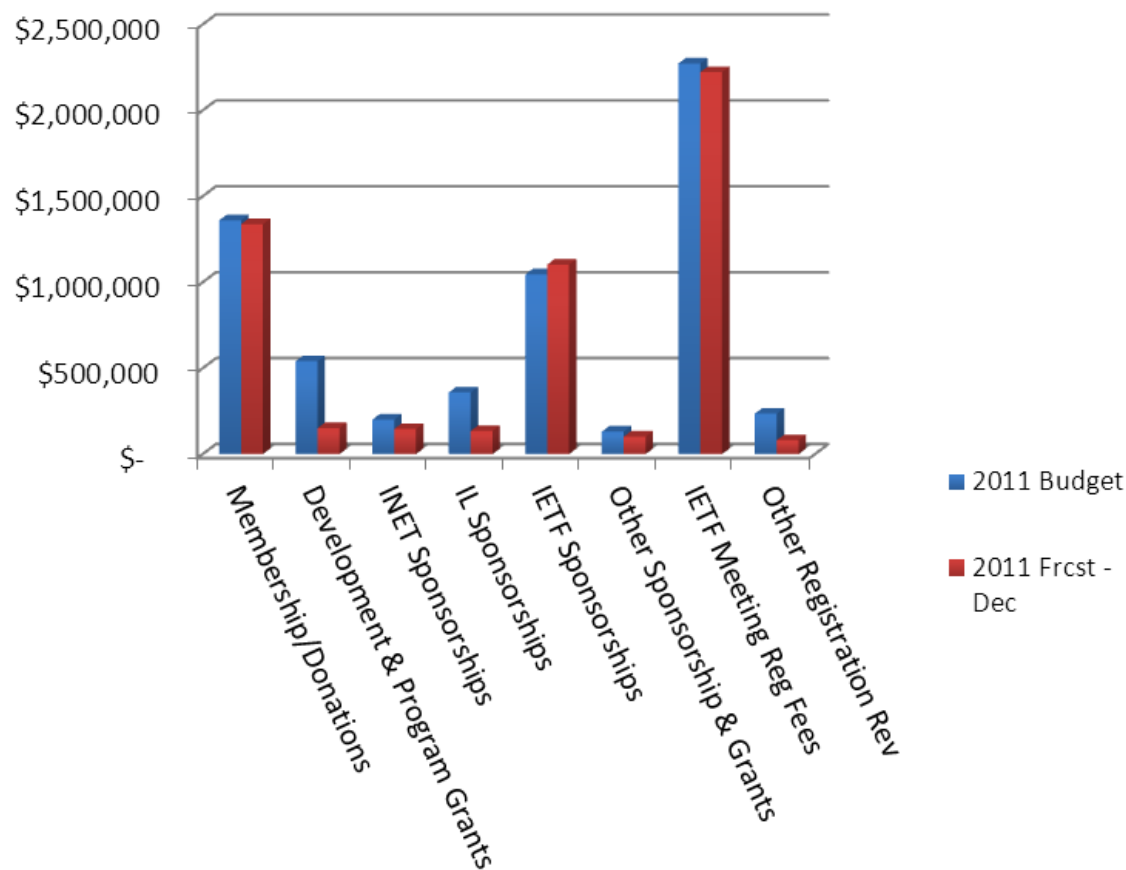
- Revenue expectations for FY2011 remain largely unchanged from the October forecasts.
- 2011 Net Operating Surplus projected at \$2m, and Unrestricted 2011 Cash Balance forecast at \$13.2m, exceeding 2012 cash reserve requirements as we enter that year

	2011 Budget	2011 Forecast - December	2011 Y/E Budget Change
Unrestricted Revenues (including IETF)			
<i>Memberships and Contributors</i>	\$ 1,360,000	\$ 1,337,000	\$ (23,000)
<i>Sponsorships and Grants</i>	2,273,000	1,632,943	(640,057)
<i>Registration and Fee Revenue (including IETF)</i>	2,507,000	2,301,780	(205,220)
<i>PIR Contribution to ISOC</i>	24,250,000	24,250,000	-
PIR Restricted Funds Applied for Directed Use	400,000	-	(400,000)
Total Revenues (UNRESTRICTED)	30,790,000	29,521,723	(1,268,277)
ISOC Department and Program Expenses (excl IETF)			
<i>Operations Group</i>	10,507,500	9,530,861	976,639
<i>Strategic Group</i>	11,198,254	10,191,358	1,006,896
<i>Other Program Expenses (DOHub, Leadership, NDSS)</i>	2,775,450	1,929,519	845,931
Total Department and Program Expenses (excl IETF)	24,481,204	21,651,738	2,829,466
<i>Standards Development Organization Contributions</i>			
IASA/IETF Expenses (excluding Capital)	5,003,000	4,818,000	185,000
Other Contributions - Standards Development Orgs	1,000,000	1,000,000	-
Total Unrestricted Expenses	30,484,204	27,469,738	3,014,466
Net Operating Surplus (Deficit)	305,796	2,051,985	1,746,189
Other Revenue (Expense) - Interest & Currency	260,000	-	(260,000)
ISOC Unrestricted Surplus (Loss) or Change in Net Assets	\$ 565,796	\$ 2,051,985	\$ 1,486,189
Balance in Unrestricted Net Assets, Beginning of Period	\$ 11,178,609	\$ 11,172,717	\$ (5,892)
Balance in Unrestricted Net Assets, End of Period	\$ 11,744,405	\$ 13,224,702	\$ 1,480,297

- Total ISOC Expenses are forecast at \$27.5m, 90% of plan.
- Department and Programme expenses projected at \$21.7m, 88% of plan, variance in expense budget due largely to:
 - Impact of currency exchange rates
 - Open staff positions
 - Some reductions in project expenses, including cancellation of Deliberative Poll.

Year End ISOC-Driven Revenue Forecast by Category

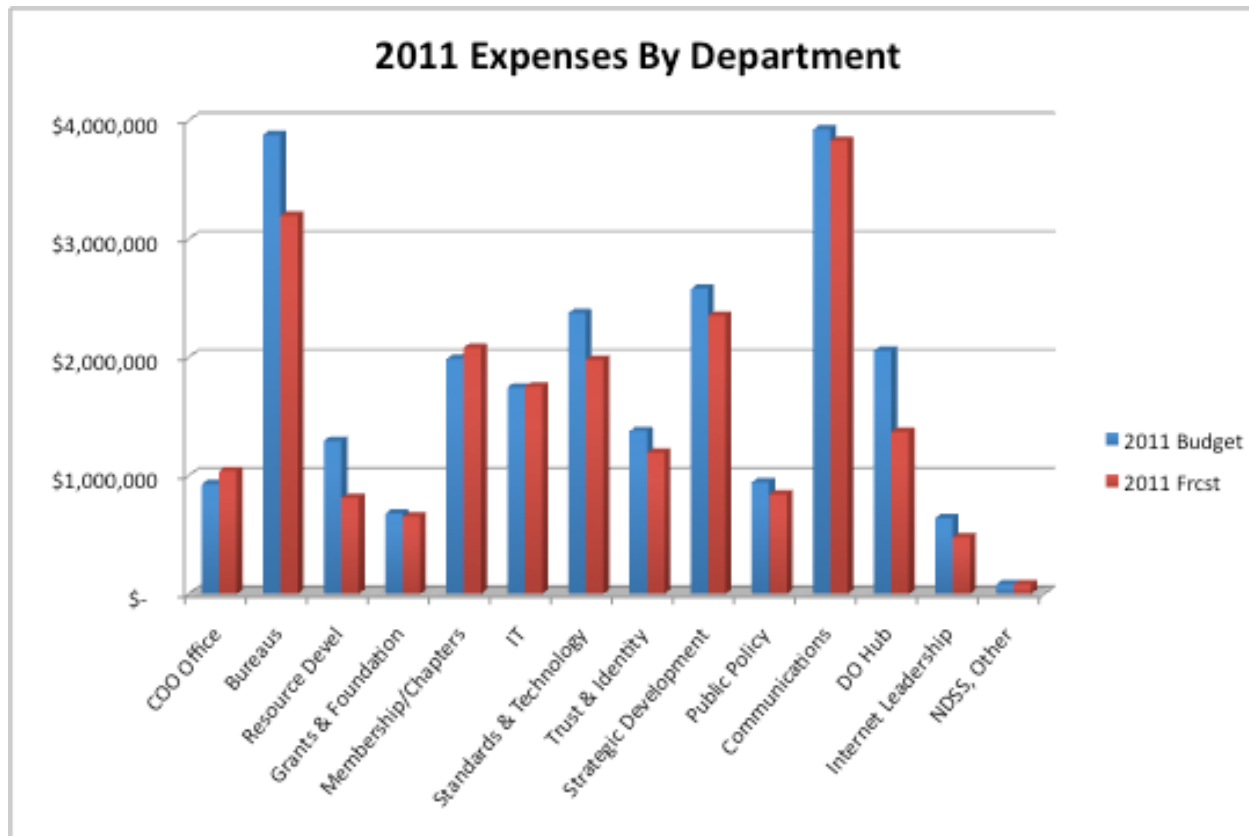
2011 Revenue Forecast - Budget to December Forecast



- Total ISOC-driven revenue (ie. Non PIR) projected at \$5.27m.
- Membership Revenue will achieve \$1.3m, 99% of budget goal.
- Total Sponsorship and Grant revenue expected to achieve \$1.6m, 88% of budget goal. Variance to budget largely due to:
 - Delays by targeted funding prospects in opening project funding opportunities.
 - Accrual accounting requirements for funds awarded for multi-year projects.
- IETF Registration Fees will come in slightly under budget due to \$164k shortfall in expectations for the Taipei meeting.

Year End Expense Forecast by Department

- Total Departmental Expenses (exc. IETF and W3C contributions) forecast to be \$21.7 million vs \$24.5 budget, in line with previous forecasts. Key variance-to-budget drivers include:



- Regional Bureaus – Recruitment for staff positions in Africa, Asia, and Senior Director of Global Services; cancellation of deliberative poll; and reduced project costs.

- Resource Development – Lower direct personnel costs.

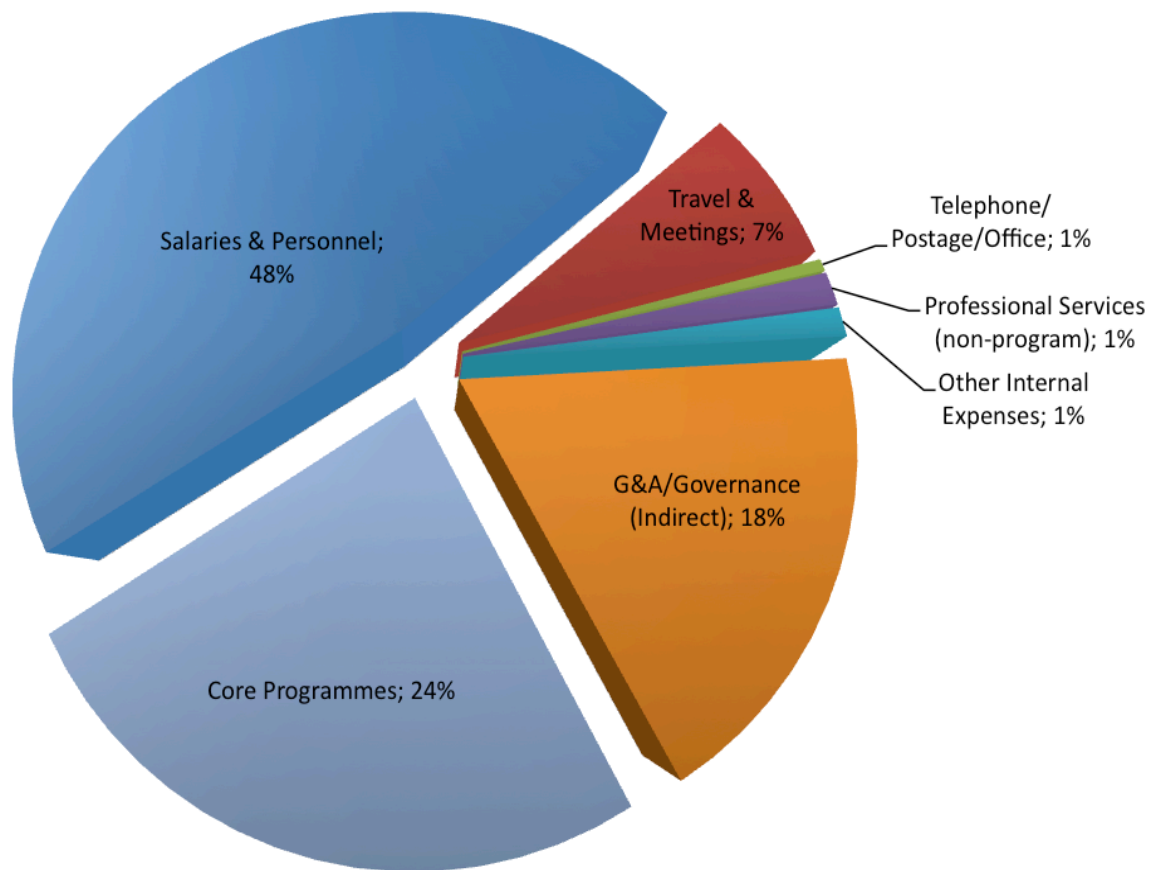
- Standards & Technology – Transfer of some functions to DOHub/Deploy360 Programme, including ION events.

- Internet Leadership: Savings on expenditure for professional and consulting services for programme development, and more lead time needed for certain pilot programmes.

2011 Expenses by Category (excluding IETF)

- ISOC's expense breakdown by category has remained generally consistent from prior years.

2011 Expenses by Category (excludes IETF)



- Core programmes and ISOC staff expenses comprise 72% of total ISOC expenses.

- ISOC's travel and meeting expenses have held stable at under 10%, reflecting prudent cost control in light of expanding staff and international engagements

- Non-programme professional services, communication costs, and G&A, comprise less than 25% of expenses, representing prudent control of overhead costs.

2010 Public Support Test Filing (filed 2011)

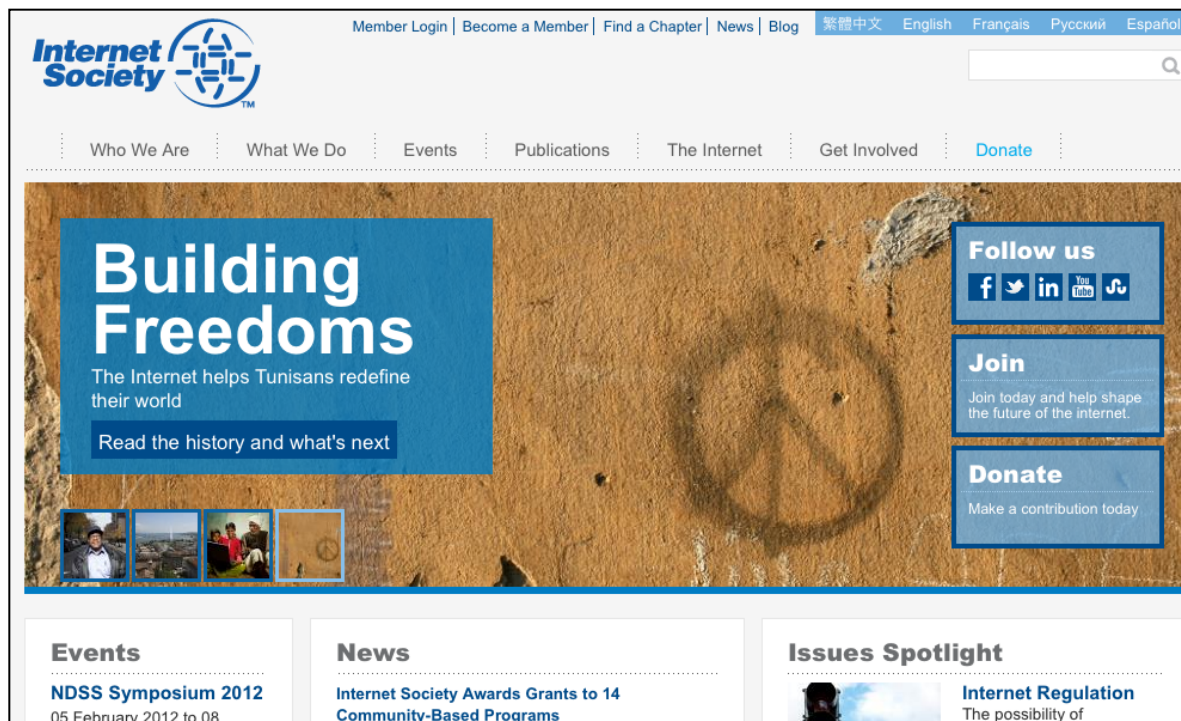
- ISOC's 2010 tax return (filed November 2011) reflected a Public Support factor of 13.95%.
- The current forecast, based on this business plan and conservative future year assumptions, shows that the percentage calculation will stabilize at this level, and begin to rise in future years.
- We will continue to review this factor, particularly as we investigate the potential for an IETF endowment fund in 2012.

Part 2: 2011 Q4 Programme Accomplishments

The following slides provide an overview of key Q4 programme accomplishments since the October 2011 CEO and Presidents' Report.

Launch of New ISOC Website: 15 December

- The new website, launched 15 December, is the most significant redesign of ISOC's web presence in over 5 years.
- Chapter and Member accomplishments, ISOC achievements, and key information featured in a more engaging, intuitive, and user-oriented manner.



- IPv6 accessible (as was previous site)

- Multilingual content is and will be further developed in English, French, Spanish, Russian, Chinese and Arabic.

- New regionally-focused pages will complement and enhance our regionalization strategy.

Launch of New ISOC Website: 15 December (continued)

- In the two weeks after launch, ISOC gained over 100 additional Facebook followers and 150 new Twitter followers, five times the average in comparable timeframes.
- Highly positive feedback has been received from Chapters and Members



- Content will continue to be migrated, updated, and developed for the new site over the next several months.
- Starting 1 January, and through 2012, ISOC's website and on-line content will be badged with ISOC's 20th Anniversary logo. Multilingual 20th Anniversary badges will be made available for Chapters and Members.



Programme Highlights: Mission Integral Programmes

Do Hub / Deploy360

- The **DO Hub** programme achieved all its **Q4 milestones**, and is progressing well towards becoming a global resource for industry and user communities in the adoption of new standards and to spread awareness of IETF outputs. Q4 achievements included:
- **Programme name finalization: Deploy360.** “DO Hub” had served as a working title for the initiative, with the intent of identifying a more suitable name prior to public launch. In Q4, staff undertook a branding study for the project in conjunction with CoreBrand, a technology-focused branding firm. **Deploy360** was selected amongst a range of well-researched and creative options for its clear connection to the programme's intent, memorability, and availability across a range of media, including Facebook and Twitter, among others.
- **Deploy360 web portal launched**, featuring hands-on technical resources and educational articles, operational best practices, case studies, and in-depth deployment information. Initially, Deploy360 will focus on IPv6 and DNSSEC deployment issues. The team is working with content creators and has established a review panel for vetting newly featured deployment content.



<http://internetsociety.org/deploy360>

Programme Highlights: Mission Integral Programmes

Do Hub / Deploy360 (continued)

- **Two Internet ON! (ION) events held successfully in Q4.** The Buenos Aires ION was co-located with LACNIC/LACNOG and attracted 150 active participants. The Toronto ION was co-located with the Canadian ISP Summit and attracted 125 active participants. The programme was also actively **promoted through speaking engagements at high profile industry events** such as CES, USENIX/LISA and others.

World IPv6 Day Follow-on Event

- Building on the success of 2011 World IPv6 Day, staff have been working with major content providers, access providers, and CPE vendors to foster agreement on terms for a follow-on World IPv6 event in 2012.
- As of December 2011, there is agreement among key content providers, access providers, and CPE vendors to under take an event in mid-2012 to drive operational scale and deployment further and showcase progress towards joint goals.
- There has been strong community support for ISOC's role, and **we will again host the World IPv6 event in 2012.** Staff are working with anchor participants towards an announcement on the 2012 event, with details, in early January.
- To augment the event, ISOC plans to undertake related IPv6 awareness campaigns and community outreach activities, including in conjunction with Members and Chapters.

Programme Highlights: Mission Integral Programmes

Open Standards & IETF Awareness

- The Internet Leadership team produced a 7 minute video “*Open Standards and Why they Matter*” to advance ISOC educational efforts about the importance of open Internet standards and the role of the IETF. The video will be reviewed by IETF leadership before public release and will be translated into multiple languages.



Trust and Identity

- In Q4, the Trust and Identity team initiated a multi-stakeholder examination of the Identity Ecosystem and committed to a coordinating role in advancing collaboration among the key parties in the Identity Ecosystem. This work will advance technical, policy, and governance solutions that support Internet scale identity management.

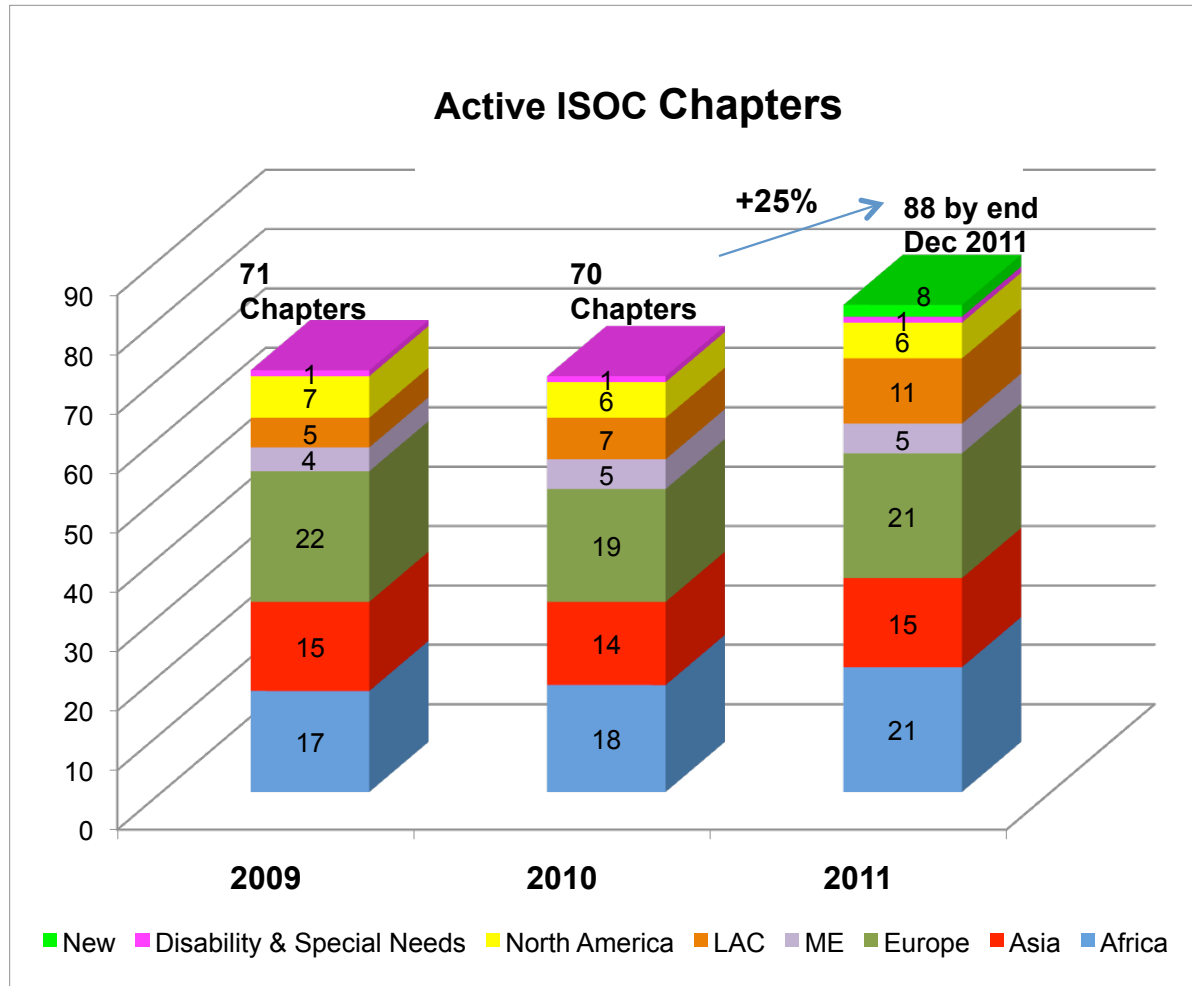
Programme Highlights: Mission Integral Programmes

Public Policy

- Developed and released an ISOC [statement](#) opposing the US Protect-IP Act (PIPA) and Stop Online Piracy Act (SOPA). (See supplemental document for additional SOPA discussion.)
- In Q4, staff strongly advanced preparations for the upcoming World Conference on International Telecommunications (WCIT), including launching ISOC web resources dedicated to WCIT and the ITRs: <http://www.internetsociety.org/itr> , and deepening engagement with the IETF, ISOC Members and Chapters, including launching mailing lists for Chapter and Org. Member discussions. The lists have already attracted 103 and 71 participants, respectively.
- ISOC marked UN Human Rights Day (9 December, 2011) with a press release highlighting the importance of an open, global, and accessible internet to basic human aspirations for freedom and social development. To support the release, a story was also developed featuring Board Member Khaled Koubaa and his firsthand experience in Tunisia on the significance of freedom of expression.
- In support of the IETF, ISOC issued a [public announcement](#) highlighting the milestone achieved by the IETF in the specification of MPLS-TP. In December, ISOC organized and led a delegation to ITU SG 15 that included IETF Routing Area Directors, the IETF-ITU Liaison and IETF-ITU Liaison coordinator for MPLS.

Membership and Chapters: 2011 Year-End Update

Internet Society Chapters in 2011:



- 88 active Chapters expected by end of 2011; a 25% increase over 2010 bettering the annual goal by 5%
- 8 new Chapters in 2011: Bolivia, Portugal, Singapore, Somalia, Qatar, Trinidad+Tobago, Gambia, and Brazil
- 6 rejuvenated Chapters during 2011.

Membership and Chapters: 2011 Year-End Update (cont.)

2011 Chapter Support Accomplishments:

. 5 Regional Chapter workshops conducted in 2011

One per region including additional “All India” Chapters workshop

Expanded length of workshops based on Chapter feedback

Travel Fellowship programme highly valued by Chapter participants

. Enhanced support and interaction

Rejuvenation and Chapter-in-Formation visits: Nepal, Mauritius, Macedonia, & Ukraine, Sweden, Georgia, Azerbaijan, Switzerland, Macedonia and many more

32 E-meetings conducted (social media training, accessibility training and f2f meetings)

. New Supporting services & resources

New webcasting service launched with help from New York Chapter

New webhosting service drafted (launch Q1-2 2012)

Chapter toolkits - NGL toolkit (FR, ES) & scripted presentation, IPv6 toolkit underway

Membership Challenge and promotional membership video for Asia created

28 Chapter Events funded by ISOC Event Funding programme

Outreach kit (Q1-2 2012)

Chapter Letter of Affiliation developed with emphasis on supporting framework of:

Chapter Guide (FR, ES) and Webinars (under development Q4 2011 / Q1 2012)

Chapter Dashboard (release in Beta projected Q1 2012)

Membership and Chapters: 2011 Year-End Update (cont.)

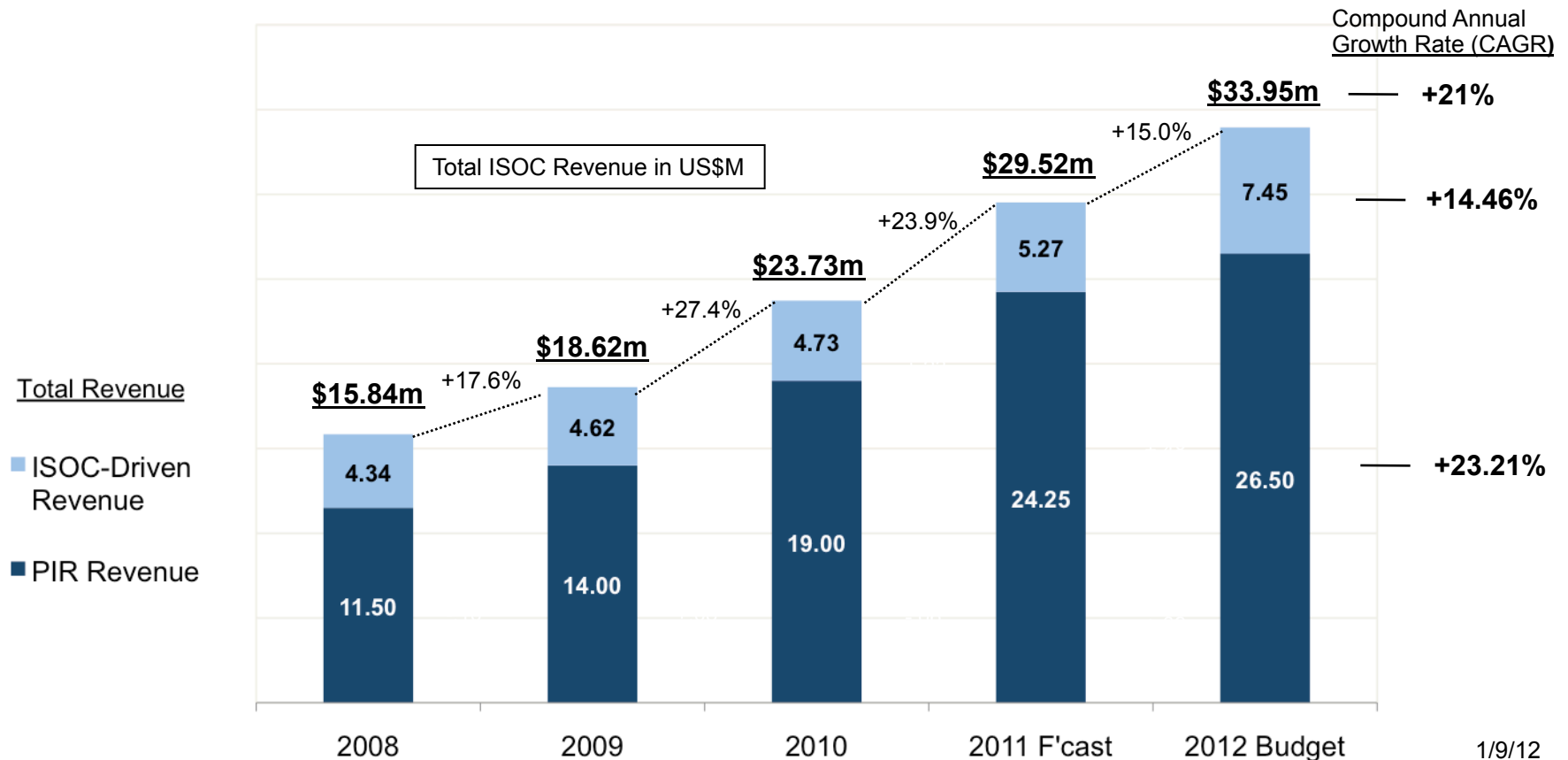
- **28 new Organisational Members acquired in 2011**, exceeding 2011 goal by 3 Members.
- **Organisational Member revenues garnered \$1.3m, meeting 99% of goal and exceeding 2010 levels by 25%.**
- **Advisory Committee engagement further invigorated**, with 50% more meetings in 2011 over 2010, as well as ramped up engagement on policy issues.
- **Individual ISOC Membership grew by 33%** from 43,000 in 2010 to 57,000 in 2011. Significant growth, but will underperform 2011 target of 80,000 members. Accordingly, associated forecast revenue from Individual Members of \$11,000 will fall short of \$35,000 target. Individual Member incentive programmes to be implemented in Q1 2012.

Part 3:

Internet Society Business Plan 2012 – 2014 and 4 Year Historic Data

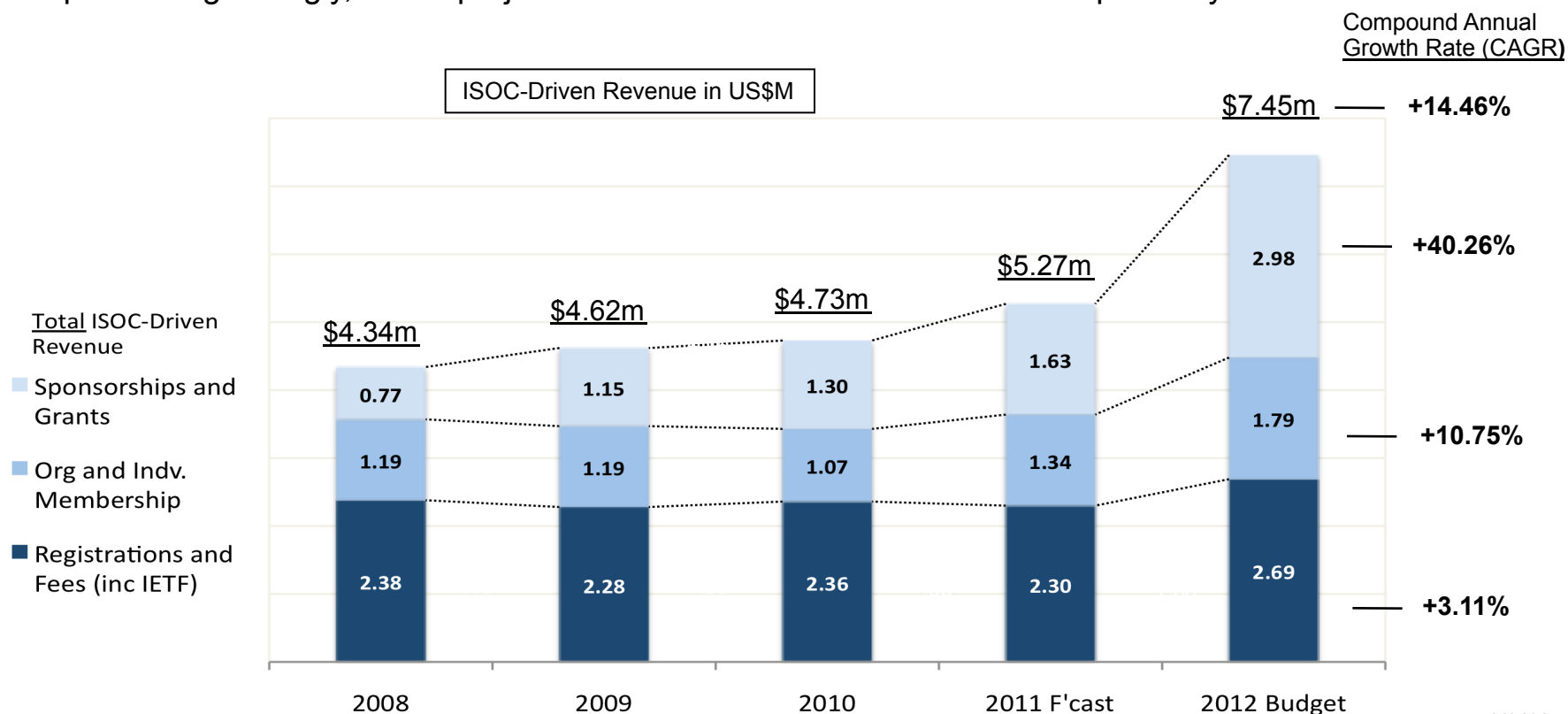
Growth in Total ISOC Revenues 2008 – 2012 (ISOC-Driven and PIR Rev.)

- Total ISOC revenues continue to grow at a strong and steady pace, contributing to overall organisational stability and health.
- Total ISOC annual revenue between 2008 and 2012 will rise from \$15.84m in 2008 to \$33.95m (projected) in 2012, representing a 114% increase over the 5 year period at a compound annual growth rate (CAGR) of 21%



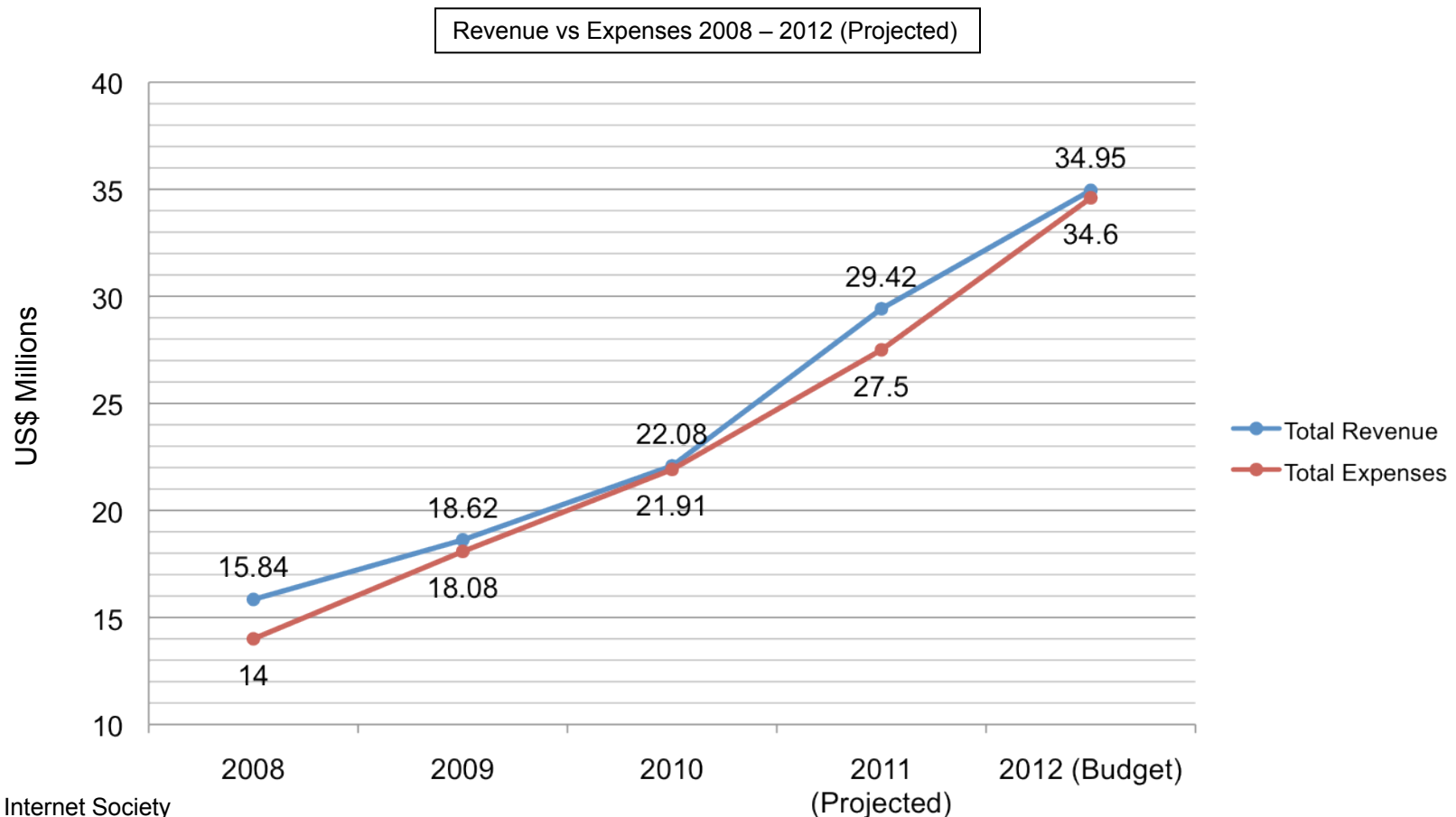
“ISOC-Driven” Revenue Growth 2008 – 2012 (i.e. non-PIR)

- Total ISOC-Driven revenues have also grown steadily over the past 5 years. Between 2011 and 2012 alone, total ISOC-Driven revenue is projected to grow over \$2.3m to \$7.45m
- Taking into account the 2012 revenue plan, the compound annual growth rate (CAGR) for total ISOC-Driven revenue between 2008 – 2012 is projected at 14.46%.
- Growth in the key revenue categories of Sponsorship and Grants and Membership are also performing strongly, with a projected CAGR of 40.26% and 10.75% respectively.



ISOC Revenue vs. Expenses 2008-2012

- Expenses have been well controlled and within annual revenue expectations during this period of significant organisational growth and expansion.
- ISOC has not experienced any unanticipated or consequential budget shortfalls or overages over the period.



Building on Strong Foundations: 2012-2014 Business Plan

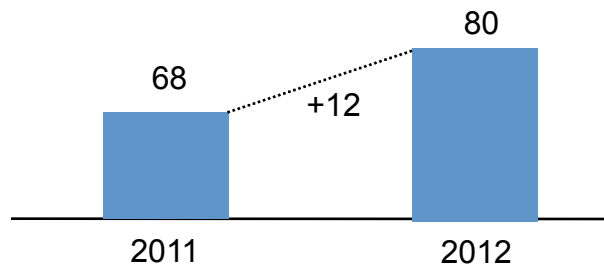
- **Moving from “Activities to Impact”**
 - 2012- 2014 Business Plan further strengthens our emphasis on how we make a substantial and measurable difference towards bettering the Internet.
- **Four Cross-Organisational Strategic Objectives replace “Strategic Initiatives”**
 - Strategic Initiative framework served us well for over 3 years, but less well suited to our growing organisation and growing ambitions.
 - Strategic Objectives aim to better articulate what matters to ISOC, and recognise the cross-disciplinary and cross-organisational nature of our work.
- **Strategic Objectives supported by 2-3 “Impact Statements” describing what we expect to achieve and specific annual goals related to each.**
- **“Key Investment Areas” and departmental activities are the means of achieving our organisational objectives and goals**

A Growing Organisation: 2011 to 2012 Comparisons

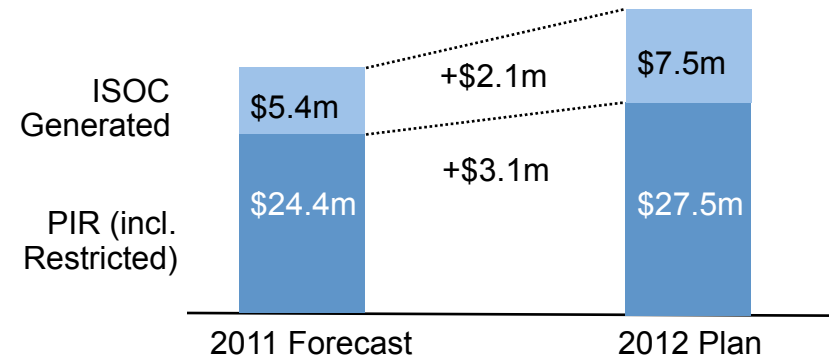
2012 Key Financial and Staffing Stats

- Revenue to grow by US\$5.2m to US \$35m
- Expenses to grow US\$5.5m to US \$34.6
- Planned staff growth of 12 FTEs to 80 FTEs by year-end 2012

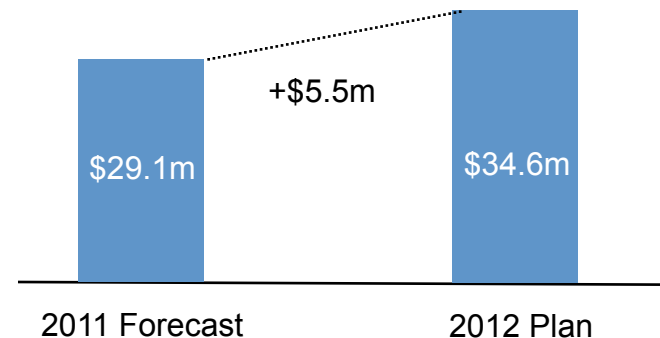
ISOC Staff Growth



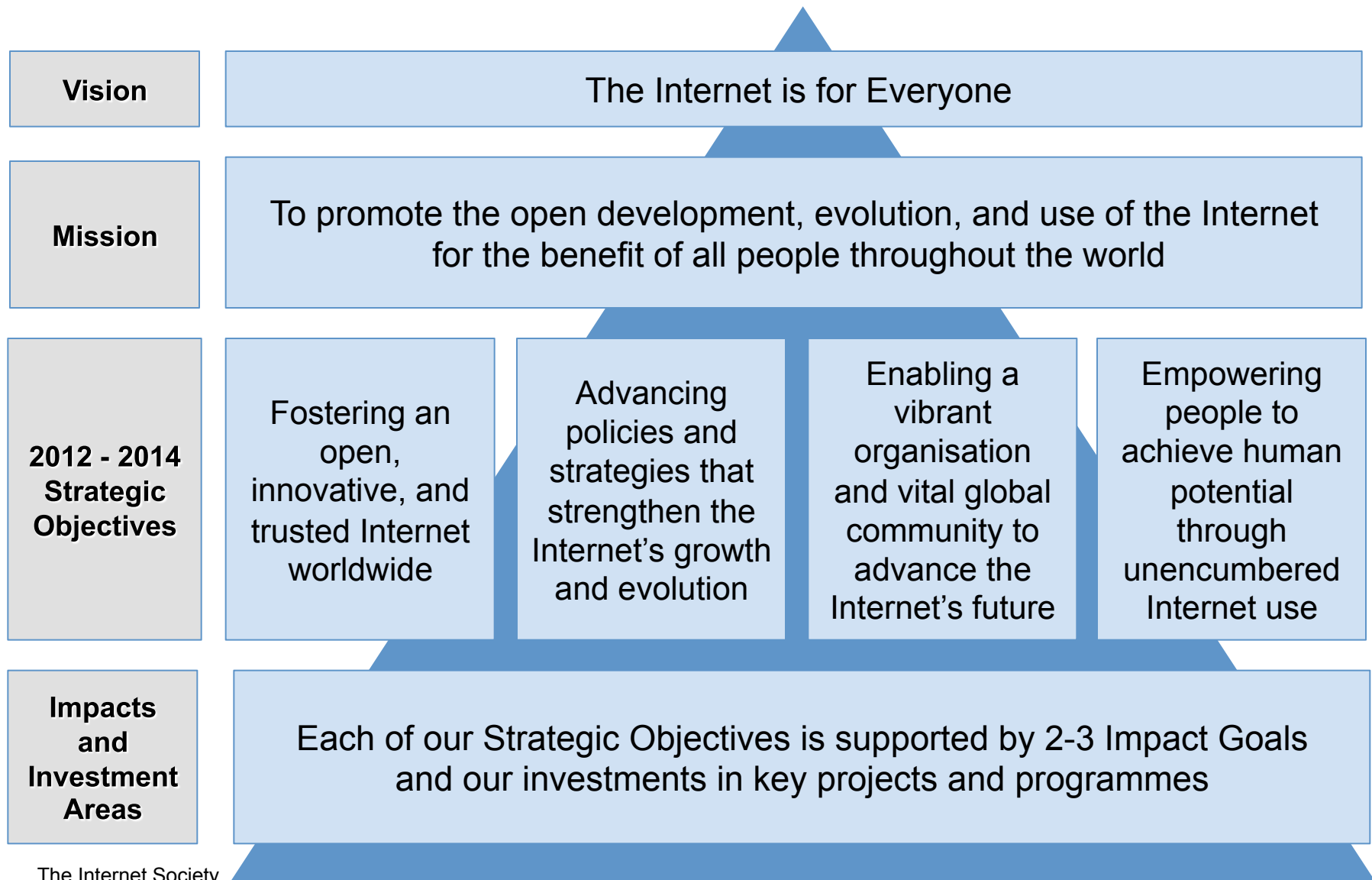
ISOC Revenue Growth



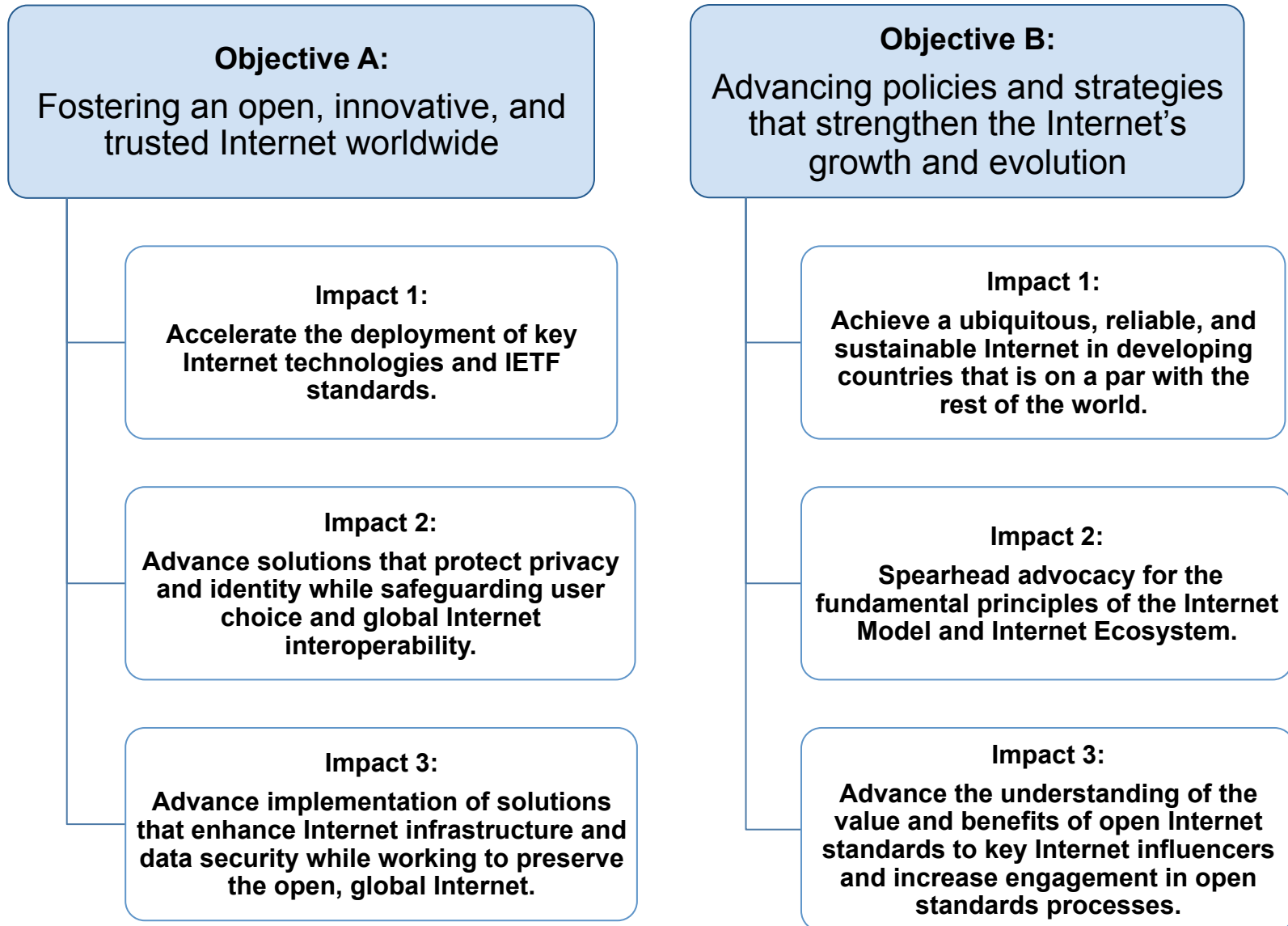
ISOC Expenses



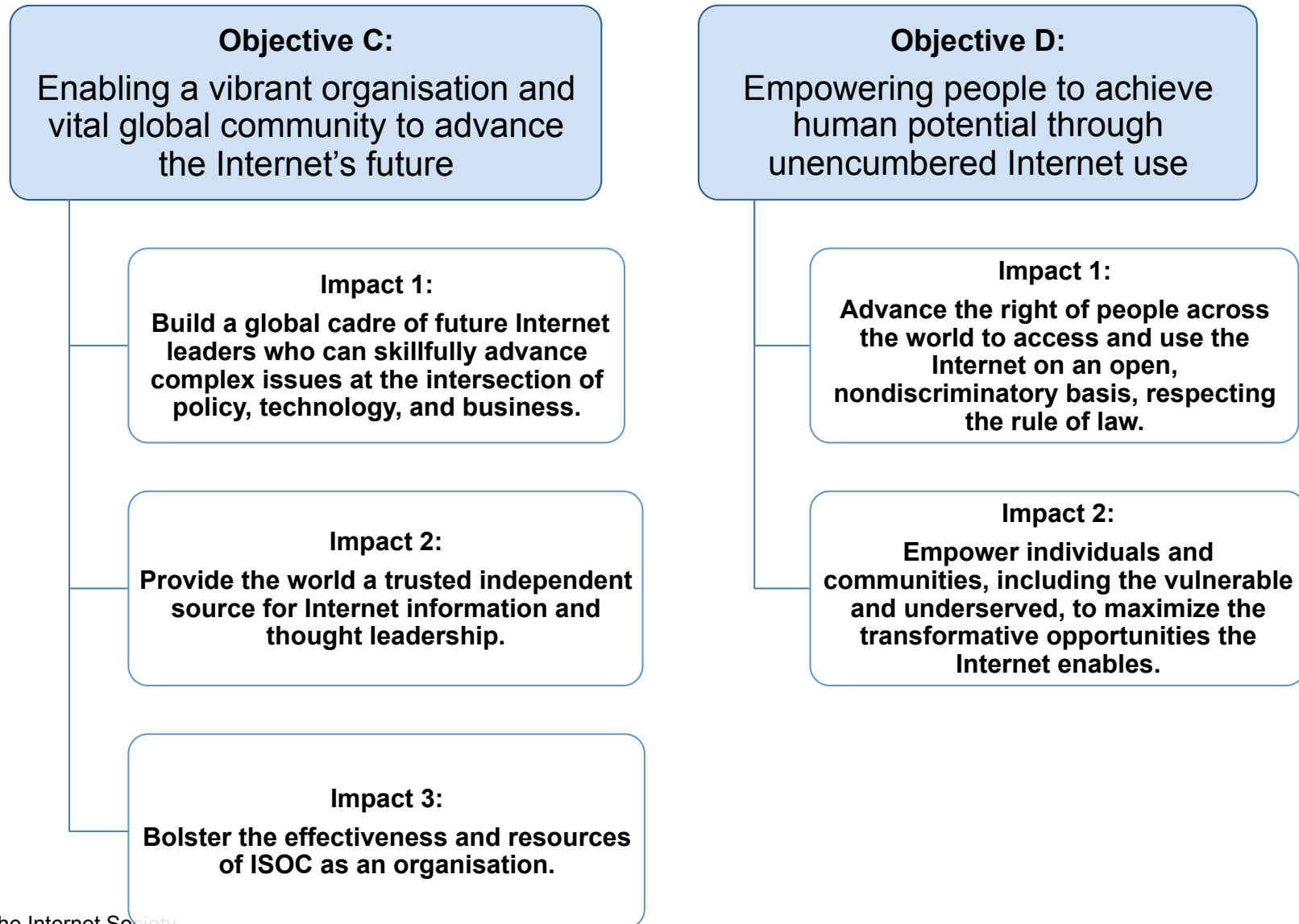
2012 – 2014 Business Plan: A Graphic Guide



Strategic Objectives and Impact Focal Areas



Strategic Objectives and Impact Focal Areas (cont.)



Tracking our Progress: 2012

- We plan to track and report our annual progress on Business Plan commitments through a “scorecard” similar to that presented to the board for 2011.
- The key indicators will be associated with goals set forth in the Business Plan, which are summarized on pages 7 and 8 of the document.

Key Resources and Effectiveness Goals

<i>Financial</i>	
Increase ISOC-Driven revenue to US \$7.4 million – a 37% increase over 2011	<input type="radio"/>
Increase sponsorship and grant contributions (excluding ISOC-secured meeting sponsorships for IETF) to US \$2.0 million in revenue – in excess of 250% growth over 2011.	<input type="radio"/>
Manage ISOC expenses within budget, resulting in an Unrestricted Net Operating Surplus of \$350,000	<input type="radio"/>
Secure US \$0.96 million in IETF meeting host and other sponsorships.	<input type="radio"/>
Establish an Internet Standards endowment and secure \$2M in endowment anchor funds.	<input type="radio"/>
<i>Human Resources</i>	
Achieve significant improvement in key areas of the ISOC's staff survey (measures to be determined on completion of the 2011 survey)	<input type="radio"/>
<i>Membership</i>	
Demonstrate ISOC's value to its membership community by achieving a combined membership revenue of US \$1.8 million from organisational and individual members – a 30% increase over 2011	<input type="radio"/>
Demonstrate ISOC's value to new and continuing organisational members by obtaining 40 new organisational memberships 2012 and retaining 95% of current organisational members.	<input type="radio"/>
Broaden ISOC's base of individual members by doubling individual membership numbers to 120,000	<input type="radio"/>
<i>Chapters</i>	
Grow ISOC's global reach by increasing the number of contributing and engaged ISOC chapters by 20%	<input type="radio"/>
Grow mutual commitment and responsibility between ISOC and its chapters as demonstrated by achieving 100% with ISOC Letters of Affiliation.	<input type="radio"/>

Tracking our Progress: 2012 (continued)

- We plan to report progress on our programmatic goals according to the objective and impact areas outlined in the Business Plan. The tables below are a draft programmatic scorecard.
- A number of distinct programme goals roll-up under each impact outlined below, which are summarized on pages 7 & 8 of the Business Plan. We anticipate that progress reporting will be weighted towards priority areas.

Achievement on Programmatic Goals

Objective A: Fostering an open, innovative, and trusted Internet world wide	
A 1: Accelerate the deployment of key Internet technologies and IETF standards	<input type="radio"/>
A 2: Advance solutions that protect privacy and identity while safeguarding user choice and global Internet interoperability	<input type="radio"/>
A 3: Advance implementation of solutions that enhance Internet infrastructure and data security while working to preserve the open, global Internet	<input type="radio"/>
Objective C: Enabling a vibrant organisation and vital global community to advance the Internet's future	
C 1: Build a global cadre of future Internet leaders who can skillfully advance complex issues at the intersection of policy, technology, and business.	<input type="radio"/>
C 2: Provide the world a trusted independent source for Internet information and thought leadership.	<input type="radio"/>
C 3: Bolster the effectiveness and resources of ISOC as an organisation.	<input type="radio"/>
Objective B: Advancing policies and strategies that strengthen the Internet's growth and evolution	
B 1: Advance ubiquitous, reliable, and sustainable Internet in developing countries that is on a par with the rest of the world.	<input type="radio"/>
B 2: Spearhead advocacy for the fundamental principles of the Internet Model and Internet Ecosystem.	<input type="radio"/>
B 3: Advance the understanding of the value and benefits of open Internet standards to key Internet influencers and increase engagement in open standards processes.	<input type="radio"/>
Objective D: Empowering people to achieve human potential through unencumbered Internet use	
D 1: Advance the right of people across the world to access and use the Internet on an open, nondiscriminatory basis, respecting the rule of law.	<input type="radio"/>
D 2: Empower individuals and communities, including the vulnerable and underserved, to maximize the transformative opportunities the Internet enables.	<input type="radio"/>