

President & CEO Report – August 3-4, 2013

I - Q2 2013 YTD Performance and Preliminary Mid-Year Financial Review

As noted in previous reports, our 2013 Business Plan set forth ambitious goals for the organization. Our Business Plan is intended to extend the impact of our mission through new programmes, greater regional presence, increasing support to chapters, increased engagement with all members, extending and leveraging key policy and development programmes, as well as increasing our revenue base. The attached dashboard gives a snapshot of our Q2 achievements and forecasted progress on key goals for 2013.

Subsequent to the approval of this Business Plan and the 2013 Budget, the CEO announced in January 2013 her plan to step down as President & CEO in February 2014 at the conclusion of her contract. While recognizing that some impact is to be expected over the course of the transition, there are no proposed changes to the plan or the budget. This is a measure of the entire staff's dedication to our Mission.

A preliminary mid-year financial forecast is also provided below. These forecast figures are based on results through May 2013 and precede a full review by management to review costs for the remainder of the year. We intend to meet the budgeted surplus (before CEO search expenses) and will take the necessary actions to do so.

Preliminary Mid-Year Financial Forecast

Note: These financial projections are based on results through May 2013.

The "Q2 Financial Statements and Management Commentary" is due to the Board shortly after the AGM meeting. Therefore, this forecast focuses on a preliminary outlook for the full year 2013. As a brief note regarding expected Q2 results, ISOC's first half results are expected to show that we are near the target for total revenues through June, and under Budget in most expenditure categories. However, for the full year 2013, we expect there will be challenges in meeting goals for some of the major revenue categories and consequently the annual surplus, as discussed below.

Turning to the full year 2013 outlook, we expect to realize substantial impact from our programmes and activities. ISOC continues to build momentum and support for our Mission, within the Internet community and also in the world more generally. Our efforts "at the intersection of policy, technology, and development" are having significant impact across the world.

The Business Plan for 2013 includes goals that are aggressive in both programme deliverables and funding objectives. There continues to be four primary contributors to the revenue growth:

1. PIR's unrestricted contribution will increase from \$26.5 million to \$28.0 million (less than a 6% increase);
2. Org Membership revenues, including Platinum Contributors, new memberships, and individual dues and donations, are budgeted to increase from \$1.5 million to more than \$2.0 million (a 32% increase);
3. Sponsorships (excluding IETF and Global INET) are budgeted to increase from \$508K in 2012 to \$1.48 million (nearly tripling); and
4. Grants are budgeted to increase from \$628K in 2012 to \$1.9 million in 2013 (again, nearly tripling).

Concurrently, four areas represent the primary budgeted uses of these funds: (a) expansion of our regional activities, (b) direct fulfillment expenses for Grant activities, (c) expansion of the Leadership program, and (d) addition of 6 staff members in key areas according to our personnel budget.

To be clear, there are a number of non-recurring issues that are expected to influence 2013 results that are *NOT* reflected in this forecast for 2013:

- We expect to incur CEO search and transition costs of approximately \$500,000 in 2013 (these costs are NOT reflected in the forecast figures to encourage review of ISOC performance before such costs are factored).
- There will likely be non-recoverable costs associated with the cancellation and rescheduling of the Hall of Fame Event and surrounding activities (Business Roundtable, Regional INET, Chapter Workshop). We are endeavoring to mitigate these costs to the greatest extent possible. Since these costs are still under review, and may be mitigated, no additional expense assumption is made here. However, lower event sponsorship revenue is reflected in the revenue forecast.

Overall 2013 Financial Outlook – as of May 2013 financial results

To summarize our financial outlook, while the forecast for ISOC-Generated Revenue is close to plan, we expect 2013 to present challenges in attaining our full budgeted revenue and year-end surplus goals. However, it is still early in the year and we continue to work diligently to meet these ambitious goals. This forecast is intended to provide guidance as we move into the second half of the year and our 2014-2016 Business Plan. A high-level summary follows, while a more detailed accounting is included at the end of this section.

Note: These forecast figures are based on results through May 2013 and precede a full review by management to review costs for the remainder of the year. We intend to meet the budgeted surplus (before CEO search expenses) and are committed to taking the necessary actions to do so.

Internet Society ISOC Statement of Activities Summary Forecast 2013			
	Forecast	Budget	Variance
Unrestricted Revenues			
ISOC Generated (incl IETF)	\$ 8,587,451	\$ 8,949,400	\$ (361,949)
PIR Contribution to ISOC	28,000,000	28,000,000	-
Project 94 form PIR sale of 1-2 character domains	400,000	1,000,000	(600,000)
PIR Restricted Funds(2010) Applied for Direct Use	1,000,000	1,000,000	-
	37,987,451	38,949,400	(961,949)
Expenses			
Subtotal Operations Group	16,842,029	17,117,643	275,614
Subtotal Strategic Group	14,266,119	14,198,461	(67,658)
Other Program Expenses*	1,441,815	1,380,000	(61,815)
IETF	5,274,858	5,274,858	-
	37,824,821	37,970,962	146,141
Net Surplus (Deficit) Before Interest	162,630	978,438	(815,808)
Other Revenue (Expense)	250,000	500,000	\$ (250,000)
Net Unrestricted Surplus/(Deficit)	\$412,630	\$1,478,438	\$ (1,065,808)

*Includes NDSS, Global INET/Hall of Fame Events, Internet Ad Award, Strat Planning & Bd Governance Expenses

What are the primary high-level factors in the forecast? The forecast for ISOC-Generated Revenue is within 4% of the revenue plan. Total expenses are expected to be slightly under the Budget. So what are the factors that affect the total 2013 Surplus?

First, the budget for PIR's "Project 94" auction of 1-2 character domain names was built to reflect a conservative estimate from PIR of expected proceeds from the auctions. Recently, PIR has revised its expectations downward, as the expansion of TLDs and uncertainty about the value of a domain name has dampened the market demand. Our current forecast of

\$400,000 is based on PIR's revised outlook, and we believe this may still be a stretch. PIR continues to work this and we are monitoring their progress closely.

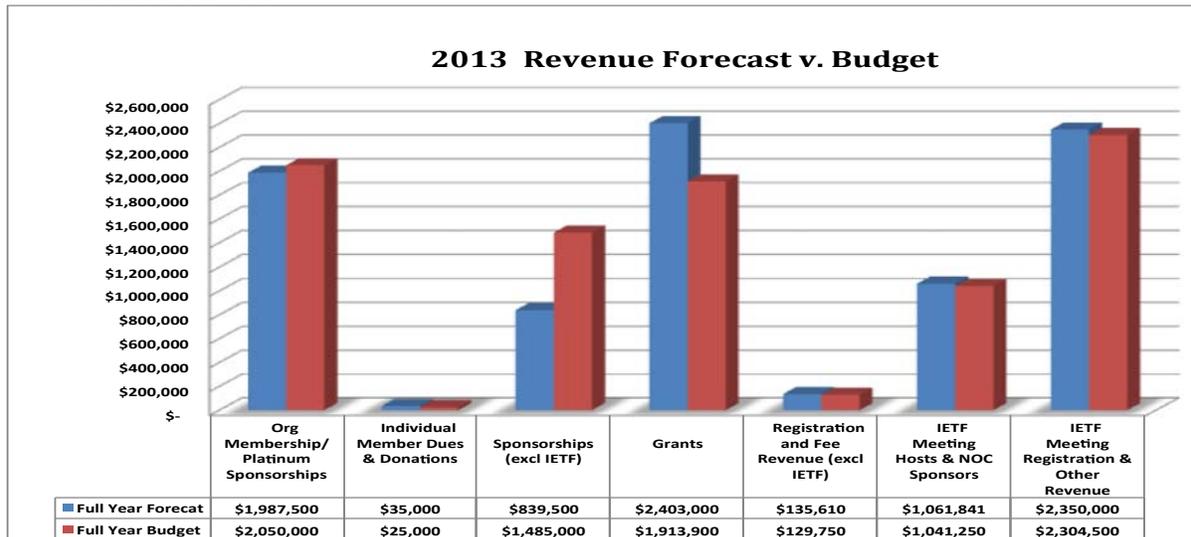
Second, the mix of ISOC-Generated revenue is as important as the amount of revenue. We continue to be successful in obtaining and delivering to sizable grants for ISOC's Internet Traffic Exchange (ITE) work (e.g., IL-LAC, Axis, IXP Toolkit, equipment donations). However, such grants carry expense obligations as well. Therefore, the mix of higher Grant Revenues and lower Sponsorship and Membership Revenues (see below) directly impacts ISOC's expected annual Surplus.

2013 Revenue Outlook

In addition to the PIR contribution, ISOC reflects revenue in three (3) main categories:

- Organization Memberships, Platinum Contributors, and Individual Donations
- Grants, Contributions, and Sponsorships; and
- Registration and Fee Revenue

This report outlines the revenue generating teams' progress to date in the three areas mentioned above.



Organization Memberships, Platinum Contributors, and Individual Donations

Total 2013 revenue from Organization membership is expected to be slightly below the revenue plan, most notably affected by the decision by a long-time Platinum Contributor (\$100,000) to downgrade to Silver level (\$25,000) for business reasons. Revenue forecasts for membership upgrades, including the addition of Platinum contributors, are on track to meet or exceed our revenue targets.

Individual Membership revenue has not kept pace with year-to-date targets, as the launch of the program for member contributions begins in mid-Q3. However, in addition to this standard membership approach, staff will be conducting a crowd-sourcing fund-raising campaign to take advantage of over 200,000 supporters on social media. With the addition of this capability within our Individual Membership funding outreach, we currently expect to meet our Individual Membership revenue targets by the end of the year.

Grants, Programme Contributions, and Sponsorships

As a key priority, the revenue generating teams are focused on securing new organization members, partners and sponsors for the Internet Society. The teams have continued to implement strategies to target new sectors (i.e. security and webhosting companies), as well as continuing to refine the value proposition for new members and sponsors. The team is

also working internally with programme content staff to develop longer-term plans that will allow success in securing more multi-year donors. At the end of Q2, the team has nearly secured 15 new memberships and there is a robust 'pipeline' of prospects in place.

Grant and Programme Contributor support is a significant revenue growth opportunity for the Internet Society. The 2013 revenue budget for this funding source represents a tripling over 2012 revenue (\$508K for 2012 vs. a plan of \$1.9 million in 2013). Despite this stretch target, the revenue generating teams are projecting that \$2.2 million will be secured for this fiscal year, exceeding the revenue plan. This forecast depends on programme implementation by programme staff (ITE projects, AXIS, the Spam workshops, etc.), which in turn dictates revenue recognition in 2013.

Looking ahead to 2014, the Internet Society has already secured \$1.02 million in grant support, with another \$1.3 million in the pipeline and under consideration for funding. Much of this can be recognized in 2014, while some multi-year funding will extend into 2015.

As indicated above, the Sponsorship revenue target for 2013 also represents a tripling over the revenue achieved in 2012 (from \$628K in 2012 to a plan of \$1,485K in 2013). The revenue generating teams have been working closely with Regional Directors and programme staff to reach this very aggressive goal. Our current forecast for 2013 reflects that Sponsorship revenue may be significantly below the budget. Traditionally funded event activities (e.g., AfPif, INETs) that are well known and have a clear value proposition have proven to be very successful in supporting sponsorships. However, sponsorships for Deploy360 and the Leadership programmes have proven to be more difficult to secure, affirming that newer initiatives take time to build up proper support.

Registration and Fee Revenue

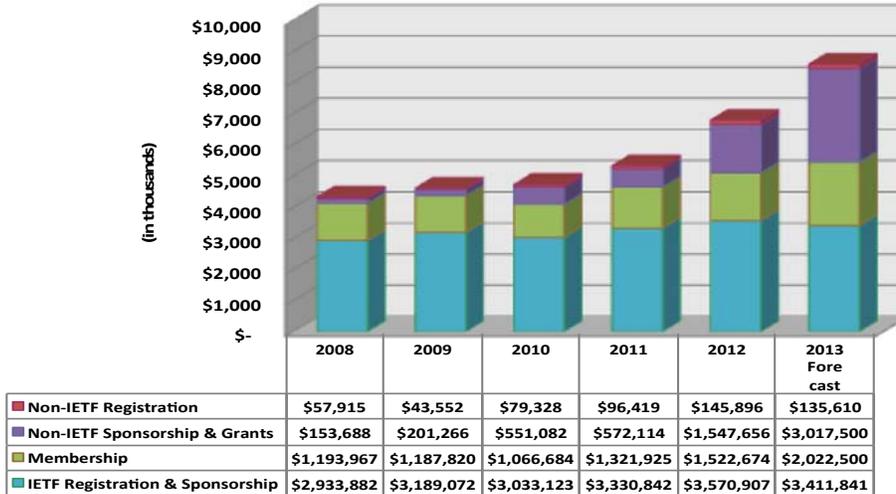
The plan for non-IETF Registration and Fee Revenue is \$129.5K for the year. To-date, we have exceeded that target with the NDSS symposium held in February.

IETF Registration revenues may be impacted by the decision to include VAT in the Berlin registration fee structure and for some meeting sponsorships. However, payment of VAT on Registration Fees will allow ISOC to recoup VAT taxes paid on hotel and other services, muting some of the financial impact. The IAOC is monitoring the impact of this matter.

Summation

In summary, revenue targets continue to be aggressive (see following graphic). The revenue generating teams believe that we are on target for securing new member revenue, and for raising overall grant and programme contribution revenue with the active involvement of the Regional Bureau directors and other program staff. Although we continue to pursue new sponsors for our events and activities, Sponsorship revenue is currently forecast to be short of the 2013 goal. With forecasted successes and shortfalls largely offsetting, we foresee that overall "ISOC-Generated Revenue" for 2013 may be about 4% below budget (approximately \$400K). Of course, we are working actively to close this gap.

Internet Society
ISOC Generated Revenue 2008-2013



2013 Expense Outlook

For the whole of 2013, expenses are currently forecast to be under the budget, even with the higher grant fulfillment costs. Specific comments regarding departmental expenses include:

Potentially Positive Factors

- Personnel savings, even with only six new hires budgeted, will be about \$200,000 due to the timing of bringing on new hires and replacement of open positions.
- Most departments forecast their final 2013 programme spending (those external expenditures used to fulfill ISOC's mission-drive objectives) will be below their budgets. These savings are forecast to be about \$400,000.
- The Leadership group has implemented a new "eLearning Platform", which has been determined to be a capitalizable cost based on its usefulness over future years (\$160,000 impact).

Static or Potentially Negative Factors

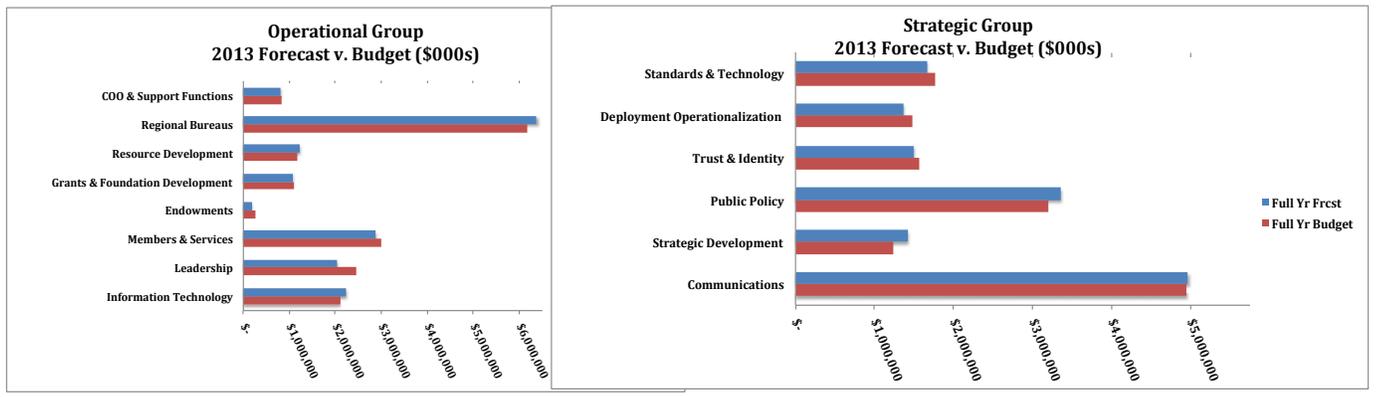
- The largest single impact on departmental expenses is the recognition of the cost of fulfilling a programme to place donated equipment in developing countries. This opportunity arose early in the year, and therefore was not in our expense plan for the year. Specifically, the revenue forecast includes \$475,000 in revenue, but we have to recognize offsetting in-kind expenses for the donated equipment. We have approximately \$375,000 in unused budgeted project expenses that can be allocated to this project. Therefore, the net impact is estimated to be \$100,000 in costs that exceed budgeted amounts.
- Similarly, ISOC Public Policy group sought to introduce a minimum level of spam workshops arising out of interest in the topic at WCIT, by seeking outside funding. The funding of \$117,000 is included in the revenue outlook, offsetting a like amount of expenses (in the Public Policy department expense forecast).
- In fulfilling the 2013 portion of a 2-year IXP Toolkit grant received late last year (after the approval of the Business Plan), we project to earn \$617,000 in revenue for 2013. Much of this work will be performed by ISOC staff and within regional budgets. However, we forecast the need for \$175,000 in additional external costs to deliver on this grant in 2013.
- IT has used short-term contractors to meet much needed improvements in our internal and externally facing systems, without adding permanent personnel. Most of

this work has been expensed, while the budget assumed a greater amount of capital expenditure.

- The 2013 cost of the additional space expected to come on line in October, largely for PIR growth, is forecast to be absorbed by other areas of the General & Administrative budget.

The graphics below reflect the Budgets and 2013 forecast in the various functional areas (including the imbedded costs of funded programmes, as noted above).

To reiterate, these forecast figures precede efforts by management to review costs for the remainder of the year. We intend to meet the budgeted surplus (before CEO search expenses) and will take necessary actions to do so.



Personnel Summary

Personnel-related costs make up approximately 50% of ISOC's operating expenses, as our programmes are dependent upon expert staff. To date, we have hired two of the six positions in the 2013 personnel plan. In addition, we have seen turnover of two members of our staff, one of which will not be replaced in order to meet our overall year-end 2013 target of 91 staff members. Hires to date and currently open positions include:

2013 Hires

Chapter Development Manager, the Americas
 Marketing and Campaign Manager
 Chief Economist
 Director of Chapters
 IL Logistics Coordination (Part-time)

Raquel Gatto
 Nona Phinn
 Michael Kende
 Joyce Dogniez
 Kellee Elkins

2012 Position
 Q2 Planned Hire
 Q2 Planned Hire
 2012 Replacement
 2013 Replacement

Open Positions (7-19-2013)

Trust & Identity Programme Hire
 Director of Foundation Relations
 Regional Programme Coordinator (Asia Pacific)
 Manager, Regional Affairs (Europe)
 Director, Deployment and Operationalization (DO)
 Sr. Advisor/Director - Arab Matters

2013 Position
 2013 Position
 2013 Position
 2013 Position
 2013 Position

Q2 Planned Hire
 Q2 Planned Hire
 Q3 Planned Hire
 Q3 Planned Hire
 2013 Replacement
 Q3 Planned Hire

Other Financial Factors

IETF/IASA Review for 2013

The 2013 Budget continued a consistent level of support for the IETF. The IAOC Chair presents IETF/IASA activity separately. In brief, ISOC's contribution to IETF is forecast to be close to target for 2013, although the total revenue for Berlin (IETF 87) is forecast to fall short

of goal in host sponsorships. NOC Sponsors for IETF 88 (Vancouver) have yet to be finalized, but we are confident commitments will be secured.

Other Revenue (Expenses) for 2013

This category of the Statement of Activities includes income from investment activities as well as exchange rate gains or losses. ISOC has a conservative investment policy that allows for investment solely in short and intermediate term investment grade bonds. Although we have maintained the fixed income holdings in largely shorter-term holdings, bond returns for 2013 to-date have been negative. In addition, ISOC has yet to call upon the \$10 million funding from PIR. Consequently, we forecast that the 2013 full-year earnings from investments will be half of the planned \$500,000 for the year.

USD/CHF exchange rates have been positive thus far in 2013. This impact has been a mildly positive contributor to our overall global expenses. However, since we hold very little in cash in global currencies, we have realized little exchange rate income.

Cash and Reserves

Our target for the end of 2013 in Continuity Funds is \$15.6 million. This does not include any restricted funds, or (when received) non-recurring funds whose use is yet to be determined. The 2013 beginning balance in Continuity Funds was approximately \$14 million. With the current forecast in unrestricted surplus falling short of the 2013 budget, we would expect the 2013 Continuity Funds to similarly fall short of the year-end 2013 goal (reiterating that this forecast does not include the estimated \$500,000 CEO search and transition costs, nor management efforts to reduce second half expenses). We are working to improve this and remain hopeful we will close at least some of this gap.

2014 Budget Envelope and Guidance

Finance Committee Guidance

Staff will develop the 2014 Budget based on the guidance from the Finance Committee:

1. *The general theme is to basically keep things "steady state" (status quo) until a new CEO is in place, after which we believe it is fair to expect that the budget will be re-assessed over some period of time as the new CEO comes up to speed.*
2. *No increase in the number of employees or contractors (unless the contractors are directly due to / required by a particular grant).*
3. *Limited growth in employee compensation, not to exceed the rate of inflation in the US and EU (or other region where the employees are located).*
4. *No increase in spending of ISOC programs/projects (unless due to / required by / paid for a particular grant).*

2014 Budget Assumptions and Baselines

In light of this guidance, we propose to use the following financial assumptions for the 2014 Budget:

- Expense Baseline: The 2013 budget and the current forecast are very similar, at approximately \$32.7 million, plus \$5.3 million for IETF expenditures.
 - To this 2013 amount, we have projected that expenses will increase \$2.1 million due to time-related factors
 - The resultant Expense Baseline is, therefore, approximately \$40.1 million.
- Revenue Baseline: We will strive for growth in ISOC-Generated Revenue. However, for prudent budget purposes, we assume 2014 ISOC-Generated revenues to be approximately equal to the 2013 Revenue Plan of \$8.9 million and total 2014 revenue to be approximately \$38.9 million.
 - Since two components of PIR's 2013 contributions decline or end in 2014, total PIR contributions will be flat for 2014.

- Continuity Funds: According to funding guidelines established by the Board, ISOC strives to generate at least \$1 million in annual Surplus (plus investment income), to be used to build Continuity Funds.
- Grant-Funded Programme Accounting: Projects funded by Grants and major Contributions will be moved to separate lines in the 2014 budget to better segregate the impact of funded programmes and their related expenses.
- Specific Board approval will be required for use of PIR non-recurring funds.

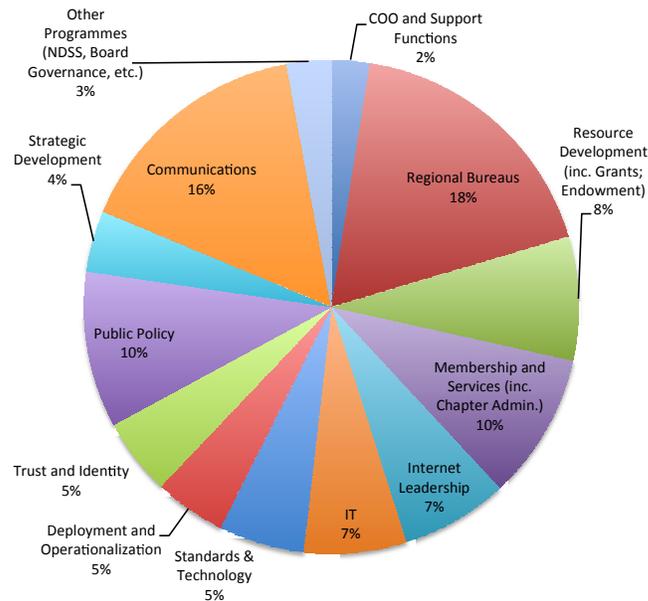
Preliminary Budget Constraints

The result of these assumptions, even with “status quo” assumptions, will require that ISOC seek off-setting reductions to bridge the projected \$2.2 million gap (\$40.1 Revenue Baseline less \$38.9 Expense Baseline plus \$1 million in target Surplus).

Possible sources to close this 2014 budget gap may include:

- Close monitoring of the impact of existing programmes and projects, leading to sun-setting or reducing existing programmes;
- Reduction in travel and event costs;
- Reallocation of staff and resources to implement Board-approved programmes for strategic use of PIR-non-recurring funds.

We currently anticipate that operational departmental and functional expenditures will remain generally consistent by proportion, with some adjustment as a result of staff programmatic assessment and strategic planning implementation. The following graphic shows the 2013 Budget for expenditures by major area.



Use of Non-Recurring Funds – 2014-2016

The management team continues to review potential uses of these non-recurring funds as part of our effort to develop a long-term strategic plan. Potential strategic uses are being prepared for Board input and approval. We expect that use of these funds will be incurred over several years, likely making about \$2-3 million available per year for the next several years.

While the strategic uses being presented will be new and not for ongoing operational needs, these programmes may give us an opportunity to realign some staff and other resources.

Public Support Test

ISOC's Public Support Test factor (see background information on the Board wiki site) has hovered around 13-14% since 2010. This is well above the minimum factor of 10%, while the ideal long-term target is 33%. We have been consistently able to accurately forecast the long-term trend of this factor.

The ISOC Accounting team is currently completing the 2012 US tax return (Form 990). Preliminary calculations show that the PST factor will be close to our prior projection of about 14%. This would be a slight improvement over the 2011 factor. As previously projected, the expected \$10 million non-recurring contribution in 2013 would move the PST factor back under 14% (to approximately 13.75%) for 2013, after which it is forecast to improve (the factor is a five-year moving average, so the impact of a non-recurring contribution declines over time). We have used conservative revenue forecasts for future years (both for PIR contributions and for assumptions regarding other revenue sources) in arriving at this outlook.

Tracking our Performance: Mid-Year Key Resource and Effectiveness Goals (and Year- end Projections)

<i>Financial</i>	Year-end Projection
<p>Increase ISOC-Driven revenue to US \$8.95 million</p> <ul style="list-style-type: none"> For the first half of the year, ISOC-Generated revenues are expected to fall short of the targets for Memberships Revenue and Grant funding, while funding from Sponsorships and Registration Fees will be very close to YTD revenue budgets. Revenue targets will be increasingly aggressive (or “stretch”) as the year progresses. However, Grants will bolster overall Revenue. At this time, we are forecasting a shortfall of 4% from the full-year 2013 Budget, resulting in forecast ISOC-Driven revenue of \$8.5 million. 	
<p>Increase grant contributions to \$1.9M</p> <ul style="list-style-type: none"> Grant Revenue for the first half is expected to be below budget, but exceed budget by year-end. Two applications for grants were not awarded due to a change in focus of the funder, and one grant has been delayed and is expected to move into 2014 (a follow-up grant in Latin America). We expect nearly half of the multi-year \$1.33 million IXP grant will be recognized in 2013, and have received a commitment to place ITE equipment that will be recognized as a grant contribution in 2013. As a result, we forecast 2013 Grant Revenue of nearly \$2.2 million. 	
<p>Increase sponsorship contributions to \$1.5M (excluding IETF meeting sponsorships)</p> <ul style="list-style-type: none"> YTD Sponsorship revenue is expected to be near target despite the delay in the Internet Hall of Fame Event. This largely represents Leadership sponsorships and sponsors for INET Bangkok. While associated revenue will be booked in Q3, AfPIF sponsorship commitments have already attained over 100% of the target. Sponsorship targets will be increasingly aggressive (or “stretch”) as the year progresses. We currently forecast Sponsorship Revenue to be approximately \$900K for the year. 	
<p>Secure US \$1.04M in IETF meeting host and other sponsorships</p> <ul style="list-style-type: none"> IETF Sponsorship Revenue for IETF 86 (Orlando) was lower than budget by \$10K due to lack of sponsor for Welcome Reception, and total revenue for IETF 87 (Berlin) is expected to be \$60-\$80K below budget due to lower host revenue. We are confident that we will secure IETF 88 (Vancouver) NOC sponsors. Bits n Bites Sponsors and Hotel Commissions will help narrow this gap. 	
<p>Manage ISOC expenses within budget, resulting in a Net Operating Surplus of \$978,000</p> <ul style="list-style-type: none"> Expenses for the first half of the year will be under budget in many functional areas. Some of this variance is related to the lower Grant Revenue to-date, while timing variances for several areas of programme spending have contributed. For the year, however, we expect operating expenses to be very near to the Budget. Savings in areas of personnel costs and some programme costs are expected to be offset by programme expenses associated with the higher Grant revenue. CEO search and transition expenses are expected to negatively impact ISOC’s Surplus for the year, as these costs were not included in the 2013 Budget. Expected shortfall in Project 94 Revenues (not included in revenue goals above) are forecast to negatively impact the Surplus by as much as \$600K. 	
<p>Attain \$15.5M in Continuity Reserve funds</p> <ul style="list-style-type: none"> The contribution to Continuity Funds is dependent upon an Operating Surplus and positive returns on investments. Including the impact of the CEO search costs, we expect to fall short of this 2013 target on the way to the overall goal of \$20 million by 2015, noting that CEO Search costs are still to be deducted from this goals. 	
<p>Advance the Internet Endowment/Campaign for an Open Internet by securing endowment Co-Chairs, establishing an endowment committee of the Board of Trustees, and pursuing a minimum investment of \$2M.</p> <ul style="list-style-type: none"> Invitations to become Co-Chairs have been extended to four well-known CEOs in the Internet world and all have declined for reasons of over commitment and lack of time to dedicate fully to our efforts to raise an endowment for the IETF. Vint Cerf, Google and Lynn St. Amour, the Internet Society will host an event for individuals interested in and committed to the work of the IETF and raising an endowment for its sustainability. The event will take place in Washington, D.C. On August 20th. 	

Tracking our Performance: Mid-Year Key Resource and Effectiveness Goals (and Year- end Projections)

<i>Membership</i>	Year-end Projection
<p>Demonstrate ISOC’s value to its membership community by achieving combined membership revenue of US \$2.08M from organizational and individual members</p> <ul style="list-style-type: none"> • <i>Combined Individual and Organizational membership revenue will be below Q2 targets. Membership revenue is projected to increase as platinum and high-level metal members make their annual contributions in quarters 3-4. In addition, the pipeline for membership upgrades will very likely meet or exceed the target of \$250K. Full-Year Membership revenue is forecast to exceed \$2 million.</i> • <i>Individual membership has a three-message campaign revolving around Internet Society stories and, with extended maintenance of the membership database, is expected to provide a professional message to all members, customized by Region</i> 	
<p>Broaden ISOC’s base of individual members by attaining 10,000 new individual members</p> <ul style="list-style-type: none"> • <i>We remain on track for 2013 attainment of 10,000 new members.</i> • <i>Supporters and members now number over 200,000 on social media and membership database.</i> • <i>A Crowd-funding project is underway to attract supporters from social media to support the ISOC Spam project.</i> 	
<i>Chapters</i>	
<p>Strengthen the ability of Chapters to contribute to ISOC’s mission (globally and locally), including by extending Chapter support services and tools, demonstrating increased global and regional input from Chapters, and increasing mutual engagement on project/issues of interest.</p> <ul style="list-style-type: none"> • <i>The European and Arab Chapter Workshop (in Istanbul) were cancelled and a virtual Chapter workshop held with participation of 75% of those who would have attended Istanbul. Workshop conducted in a Collaborative Leadership Exchange format was highly praised by participants.</i> • <i>In anticipation of the passing of the by-laws, discussions are underway between chapters and staff regarding minimum performance standards, peer review processes and overall performance metrics. A Working Group for Chapter Administrative Support has been formed.</i> 	
<p>Chapter Development and Support</p> <ul style="list-style-type: none"> • <i>The goal of Chapter Development and Support is to assure that chapters are highly engaged quality contributors to all aspects of the Internet Society’s mission and goals. New chapter applications have been received from Mongolia, Paraguay and Zimbabwe.</i> 	

Tracking our Performance: Q2 Achievements on Programmatic Goals – Objective A (and Year- end Projections)

Objective A: Fostering an open, innovative, and trusted Internet world wide

Year-end
Projection

A1: Accelerate the deployment of key Internet technologies and IETF standards

- In Q2, we marked the anniversary of World IPv6 Launch with a broad outreach campaign, highlighting the progress shown in the Launch's measurements – many operators continue to show increasing volumes of IPv6 users and traffic on their networks, for example measurements from our sources now show more than 25% for Verizon Wireless.
- We supported and helped shape the ENOG5 meeting that was held in St. Petersburg, Russia, 27-28 May, that gathered together 320 attendees. The program included topics like IPv6, Peering and interconnection as well as policy and regulation related discussions, in particular a session on traffic blocking and black lists, following a recently adopted changes to the law for child protection. It was encouraging to see that the Russian government uses the ENOG as a platform to at least explain its position if not to establish a dialogue with the technical community.
- Deploy360 – created new content, and heavily promoted the need to deploy IPv6 and DNSSEC through social media and in person meeting engagement around the globe.
- Significantly grew our Best Current Operational Practices (BCOP) work in the area of community recognition and support. The work of the Internet Society in this space is causing a renewed enthusiasm for documenting best practices in some regional network operator groups, and generating first time activity with other regional groups. This work documents best practices for deploying IPv6, DNSSEC, and other standards and advances our efforts to accelerate the deployment of key Internet technologies and IETF standards.
- The African Bureau co-facilitated a training workshop in Kampala, Uganda from April 8-11th on IPv6 and Advanced Routing for NRENs .
- The African Bureau hosted an IPv6 Webinar on the topic "IPv6 in the real World" on June 6th with 34 attending. ARB also held a meeting to plan 2013 IPv6 Webinar series topics with AFRINIC during the June 2013 Africa Internet Summit meeting in Lusaka. ARB will follow up with Orange and AFRINIC on format for next webinar, to take place in July/August. The African Bureau held an IETF session at the African Internet Summit meeting in Lusaka with more than 20 people attending. Jan Zorz and Martin Levy were on the panel.
- ISOC organized a workshop in partnership with TATT (the Trinidad and Tobago regulator) on IPv6 deployment. Christian O'Flaherty and Shernon Osepa presented to an audience of more that 35 people, among them government officials and ISP representatives. There is also interest on other issues such as DNSSEC, IXPs and RPKI. As a corollary of the TATT workshop, a meeting for students of the University of West Indies in Trinidad and Tobago was organized to promote the deployment of IPv6 and participation at the IETF.
- Christian O'Flaherty took part remotely in a panel organized in Mexico City by CUDI, the Mexican NREN, on IPv6 in April. The LAC Bureau also promoted and funded the participation in this panel of Fernando Gont, an ISOC's IETF fellow.



A2: Advance solutions that enhance privacy and identity while safeguarding user choice and global Internet interoperability

- The Internet Society has contributed to the development of the modernized Council of Europe Convention 108 and is actively involved in the implementation of the APEC Cross Border Privacy Rules system designed to facilitate trans border data flows while protecting privacy.
- Trust and Identity Initiative staff provided a keynote speaker for the TERENA Networking Conference, on the topic of Regulation, Innovation and Privacy. The session resulted in invitations to deliver keynotes in Estonia and Copenhagen in Q3.
- Leveraging the successful launch of the Identity Tutorials in Q1 <<http://www.internetsociety.org/manage-your-identity>> focused on educating end-users on Identity and Privacy topics, feedback was integrated from a focus group led by our Kolkata chapter, and updated modules will be translated into French and Spanish for a Q3 launch. The "Protecting your Identity" tutorial was the 6th most popular page of the site with a total of 18,034 views (from April 1st - May 31st) representing a 190% increase compared to Q1.
- The Trust and Identity team provided leadership and support for the progression of signing and encryption standards for use in the widely deployed JSON format within the IETF and via liaisons with W3C.



<ul style="list-style-type: none"> Continuing engagement on topics including privacy, personal data management, the effects of data correlation, and technical solutions for trusted exchange in policy forums such as the OECD, APEC, and the Council of Europe as well as with the W3C, the IETF, and NIST and the IDESG. 	Year-end Projection
<p>A3: Advance implementation of solutions that enhance Internet infrastructure and data security while working to preserve the open, global Internet</p> <ul style="list-style-type: none"> The Anti-spoofing panel we organized @RIPE66 (May 13-17, Dublin, Ireland) raised awareness about the issue and provoked intense discussions in the audience. One of the follow-up discussions is related to better measurement of anti-spoofing capabilities of networks and possible role of projects like MIT Spoofer and RIPE Atlas. We organized a panel session "Routing Resilience: understanding vulnerabilities and opportunities", at TNC2013. Technology, Data, Compliance and Collaboration were called out as the main areas where progress could be made. There was an overall consensus that Collaboration is crucial and has highest priority, followed by the need for better understanding the system (Data). WTPF - we utilized the WTPF as an opportunity to update some of our policy messaging on IPv6, particularly in terms of updating the Fine Balance Paper as well as the data around the IPv6 launch. The final WTPF Opinions on IPv6 were adopted easily and reflect a growing recognition by governments of the importance of IPv6 deployment. Issues paper on Intellectual Property Rights: the paper introduced a set of best practices, including inclusiveness, transparency and the rule of law. Key to this document was the introduction of the nexus between open standards and intellectual property where the former assists the latter in encouraging new business models based on innovation and creativity. WIPO: WIPO has expressed in bilateral discussions great interest in how the Internet should be seen as a facilitator of intellectual property. This is an ongoing activity. ISOC participation in the IAB Privacy Program, which developed "Privacy Considerations for Internet Protocols" An ISOC staff member has taken on a co-chair role for the W3C Privacy Interest Group. PING is developing privacy guidance for W3C specifications and starting to undertake privacy reviews of drafts. ISOC has contributed to the development of the modernized Council of Europe Convention 108 (data protection) and is actively involved in the implementation of the APEC Cross Border Privacy Rules system designed to facilitate trans border data flows while protecting privacy. An ISOC staff member is fulfilling the role of Secretariat to the Joint Oversight Panel of the CBPR system. ISOC staff members are engaged in the OECD WPISP Security Expert Group for the review of the 2002 Security Guidelines. ISOC's IGF "cyber security" workshop proposal received high ranking from the MAG and has been accepted. 	



Tracking our Performance: Q2 Achievements on Programmatic Goals – Objective B (and Year- end Projections)

Objective B: Advancing policies and strategies that strengthen the Internet’s growth and evolution

Year-end
Projection

B1: Achieve a ubiquitous, reliable, and sustainable Internet in developing countries that is on par with the rest of the world

- *“Lifting Barriers” Report:* We released a report about the importance of lifting barriers to connectivity in Sub-Saharan Africa in May. This report brought in \$30,000.00 in funding from Google.org due to their interest in seeing developing infrastructure and the importance of a holistic communications environment. The report generated interest across the globe and has spurred interest from other regions, and is synergistic with an OECD Report that ISOC staff coordinated with APNIC, RIPE, ICANN and Netnod related to “Cables, Gateways, IXPs and Cross-border Connectivity”.
- *ARB Activities:* The African Regional Bureau continues to implement the AXIS project, supporting IXP development in Africa. Best Practice Workshops also continue throughout Africa, particularly in the following countries: Swaziland, Mauritania; Gambia, Guinea, Burkina Faso; Namibia and Burundi. Technical Aspects workshops were held in Guinea, Mali, and Togo. An expression of interest was submitted to the African Union for a Phase II Axis Project, and ISOC was shortlisted and submitted a proposal for Phase II (July).
- *LAC IPv6 and IXP Work:* The LAC Bureau continues to assist in promoting IPv6 and team members spoke at meetings in Mexico and Trinidad. We continue to promote the creation of IXPs in the region and support the creation of an IXP in Bolivia, Trinidad and Tobago, and Honduras. The LAC RB helped organize a LAC-IX meeting in Medellin, Colombia (May) that was well attended. We are working to develop a regional peering forum on how to strengthen LACNOG. LAC is working across the region to promote IETF standards, particularly in CITEI, and is working to strengthen LACNOG.
- *APAC INET Bangkok, WEF and ASEAN Collaboration:* The APAC Bureau held a successful INET in Bangkok (6-8 June). The INET brought members of the Thai Government, technical companies and experts, university experts, and civil society. APAC staff participated in a WEF meeting held in Burma (June 5-7) where the team served as a moderator for a technical session at this high-level regional event. The team is actively collaborating with ASEAN to examine a partnership for training and IXP development. APAC continues its Asian Internet Symposia (AIS) series and held an AIS in Philippines (May) and Kathmandu (September).



B2: Spearhead advocacy for the fundamental principles of the Internet Model and Internet Ecosystem

- **High-level Engagement at ECOSOC:** ISOC’s advocacy for openness and sustainability hit a new high with our written and oral statement at the High Level Segment of the 2013 Substantive session of the UN Economic and Social Council (ECOSOC on the contribution of science, technology and innovation for promoting sustainable development and achieving the Millennium Development Goals. ISOC’s contribution emphasizes the importance to foster an open and sustainable Internet as a means for the Internet to support sustainable development: <https://www.internetsociety.org/site...-4july2013.pdf>.
- **Launch of the Open & Sustainable Internet program:** ISOC launched a cross-organizational campaign on “The value of Openness for a Sustainable Internet” aiming to address current and emerging challenges to the Open Internet model, recognizing that over the coming 18-24 months, the sustainability of the open Internet will be challenged at the technical, governance/political, commercial and developmental levels. Our goal is to execute a common communications, policy, development and technical approach to emerging challenges under a collective umbrella of openness and sustainability.
- **Active advocacy on the value of Multi-stakeholder governance models – WSIS Forum 2013, CSTD and WTPF:** Consistent with our leadership role during the WCIT, ISOC continues to ISOC make substantive, widely-recognized contributions to the global International Internet Public Policy dialogue at major international meetings (WSIS Forum, CSTD, WTPF). Building on these successes, we are ramping up to IGF, WSIS+10 and WTDC with a variety of events and projects to engage the entire ISOC community in this effort: ITAC/OECD newsletter, consultation on multistakeholderism, call for academic papers, social media campaign, roundtables with members, etc.
- **LAC Regional Engagement:** During the eLAC 2013 Ministerial meeting held in Montevideo in April, a revised set of ICT-related goals for the region’s countries was set, in order to help the administrations reaching the 2015 UN MDGs (see <http://www.cepal.org/elac2015/default.asp?idioma=IN>). Of particular importance, the final Declaration of Montevideo included recognition of the importance of the Regional IGF preparatory process (LACIGF), in which the governments agreed to be part of the Steering Committee; and the renewal of the mandate of representative of the Internet technical community



(LACNIC in this case) as observers to the eLAC's follow-up mechanism.

B3: Advance the understanding of the value and benefits of open Internet standards to key Internet influencers and increase engagement in open standards processes

- *At the request of the IAOC, ISOC created a proposed 2-year plan of activities to support awareness and regional participation for an IETF in the LAC region in 2015. Other Q2 activities include working with the Germany chapter and technical universities and professors to design and pilot a University Outreach programme for IETF 87 in Berlin. Depending on interest, this may be a model for future IETF meetings to engage students.*
- *A presidential order for the full implementation of IPv6 in the public sector passed in Costa Rica, following the advice of the Internet Society. This is expected to accelerate deployment.*



B4: Foster a digital content environment that respects the Internet's fundamental attributes and empowers user creativity, while providing reasonable mechanisms for managing creative rights

- **Intellectual Property – Issues Paper Released:** *Following considerable outreach to the ISOC community ISOC released an Issues paper on Intellectual Property on June 14 and also authored a number of blogs for [ISOC](#), [CircleID](#) and the [Disruptive Competition Project](#). This paper provides a basis for our long-term digital content initiative and argues that principles of transparency, multistakeholder participation, open standards, rule of law and the Internet's architecture should form the basis of Intellectual Property Frameworks in the Internet age.*
- **Local content:** *ISOC, in partnership with OECD and UNESCO is launching in phase II of the local content study. The Internet Society will provide a technical perspective, focusing on how the Internet architecture assists in the creation, hosting, dissemination and preservation of local content.*
- **Copyright Working Group:** *Following the release of the 2011 Report on Responses of Copyright Infringement, the Internet Society has set a working group to update this report. The updated report is expected to be released before the end of the 2013.*



Tracking our Performance: Q2 Achievements on Programmatic Goals – Objective C (and Year- end Projections)

Objective C: Enabling a vibrant organisation and vital global community to advance the Internet’s future	Year-end Projection
<p>C1: Build a global cadre of future Internet leaders who can skillfully advance complex issues at the intersection of policy, technology, and business</p> <ul style="list-style-type: none"> • Completed the successful launch of the Learning Management System (LMS) in Q2. The launch also included updated content with enhanced visual design and instructional design elements. New delivery methods such as self-paced and mobile e-Learning (m-learning) are available as well • Launched five moderated e-Learning classes in three languages in Q2, including one funded country-specific class. A Preliminary User Group (PUG) comprised of staff members, chapter members, Advisory Council representatives, and others in community has been identified and will begin qualitative assessment of the LMS beginning in early Q3. 	
<p>C2: Provide the world a trusted independent source for Internet information and thought leadership</p> <ul style="list-style-type: none"> • Our media outreach activities resulted in more than 300 unique articles placed and more than 1500 media hits achieved in Q2, for a total of 470 unique articles more than 3000 total media hits year to date. • Our online engagement and reach grew globally with 358,000 unique website visitors in Q2--an increase of 58% over Q2 2012--for a total of more than 700,000 in the first half of the year. Notably, visits by Spanish speakers increased 310% over the same time last year. Social media followers increased by 20% during 2013Q2, and we now reach 187,000 people through social media channels. • Key accomplishments during the 2013 Q2 included: executing a coordinated campaign around WTPF that led to significant engagement and interaction among the Internet Society community and beyond, with more than 693,000 impressions via Internet Society social media channels during the event itself; Significant leveraging of the Global Internet User Survey (including around WTPF) with an online data explorer (http://www.internetsociety.org/surveyexplorer/) and—in coordination with the ISOC France Chapter—in support of key privacy messages; and, in conjunction with key participating organizations, recognition of the doubling of IPv6 use on the occasion first anniversary of World IPv6 Launch. 	
<p>C3: Bolster the effectiveness and resources of ISOC as an organisation.</p> <p style="color: red; font-style: italic;">See detail under “Key Resource and Effectiveness Goal” slides.</p>	

Tracking our Performance: Q2 Achievements on Programmatic Goals – Objective D (and Year- end Projections)

Objective D: Empowering people through unencumbered Internet use

Year-end
Projection

D1: Advance the right people across the world to access and use the Internet on an open, non-discriminatory basis, respecting the rule of law



- **World Press Freedom Day:** In partnership with its local Chapter, ISOC organized a session at the annual UNESCO World Press Freedom Day event in Costa Rica (2-4 May). The session focused on the role of intermediaries for freedom of expression online. The event was an excellent opportunity for ISOC to further expand its thought leadership on the importance of an Open Internet sustained by multistakeholder frameworks as a backbone for freedom of expression online. <http://www.internetsociety.org/human.../press-freedom>
- **Human Rights Council panel on Internet freedom, development and security** (31 May): The Internet Society co-organized this panel with the Government of Sweden to advance the dialogue on Internet governance, security and free expression. The session, including speakers from UNESCO, ICANN, government, civil society and ISOC, provided a follow-up to the Human Rights Council "Internet Resolution" 20/8 (adopted in August 2012), which re-emphasizes that fundamental rights in the offline world are just as applicable online: <http://youtu.be/KduvqZJM-0Q>
- **Spam Project:** This is a post-WCIT effort to address concerns raised by many developing countries during the WCIT. Our goal is to leverage the expertise of the global Internet technical and policy community into capacity building sustainable exchanges for developing countries at the local and regional level. First phase of the project is seminars for policy makers in Africa and Latin America in Q4.

D2: Empower individuals and communities to maximize the transformative opportunities the Internet enables



- First round of the 2013 Community Grants Programme completed resulting in funding eleven projects that will enhance the Internet ecosystem in underserved communities around the world.
- Community Grant awards include three Chapter based projects and eight individual member projects with four based in Asia, three in Africa, two in the Middle East, and one each in Latin America/Caribbean and North America.
- Projects include promoting child online safety in Uganda, encouraging university students to teach ICT courses at Indonesia's rural high schools, updating and refurbishing a computer learning center destroyed by the tsunami in Thailand, creating a virtual mentorship program to encourage women to pursue careers in STEM fields in Kenya, and establishing a wireless mesh network in rural Panama.

**Statement of Activities - Unrestricted
2013 Forecast**

	2013 Forecast	2013 Budget	FrcstVariance	Frcst % Var
Unrestricted ISOC Revenues				
Memberships and Platinum Sponsorships				
Org Membership/Platinum Sponsorships	\$ 1,987,500	\$ 2,050,000	\$ (62,500)	-3%
Individual Member Dues & Donations	35,000	25,000	10,000	40%
Memberships and Platinum Sponsorships	2,022,500	2,075,000	(52,500)	-3%
Sponsorships				
Regional INET & Business Roundtable Sponsorships	280,000	240,000	40,000	17%
AFPIF	130,000	100,000	30,000	30%
ION Sponsorships	22,500	40,000	(17,500)	-44%
NDSS Sponsorships	31,000	40,000	(9,000)	-23%
Global INET and Hall of Fame	155,000	200,000	(45,000)	-23%
Other Sponsorable Programs	221,000	865,000	(644,000)	-74%
IETF Sponsorships	1,061,841	1,041,250	20,591	2%
Sponsorships (excluding IETF)	1,901,341	2,526,250	(624,909)	-25%
Grants & Contributions				
Major Grants & Contributions				
ITE Programmes (including AU AXIS)	916,000	561,000	355,000	63%
Latin America Program	130,000	502,900	(372,900)	
Marketing Grants and Awards	480,000	480,000	-	0%
Other Grants & Awards	652,000	370,000	282,000	
Grants & Contributions	2,178,000	1,913,900	264,100	14%
Registration and Fee Revenue				
Hall of Fame & Global INET Registrations	-	24,750	(24,750)	
NDSS Registrations	135,610	95,000	40,610	43%
Other Registrations	-	10,000	(10,000)	
IETF Meeting Registration & Other Revenues	2,350,000	2,304,500	45,500	
Registration and Fee Revenue	2,485,610	2,434,250	51,360	2%
ISOC-Generated Revenues	8,587,451	8,949,400	(361,949)	
PIR Contribution to ISOC	28,000,000	28,000,000	-	0%
Project 94 from PIR sale of 1-2 character domain	400,000	1,000,000	(600,000)	
PIR Restr Funds Applied for Unrestricted Use	1,000,000	1,000,000	-	0%
Total Unrestricted ISOC Revenues	37,987,451	38,949,400	(961,949)	-2%
Department & Program Exp (excl IETF)				
Departmental Expenses				
Operations Group				
COO & Support Functions	818,235	837,626	19,391	2%
Regional Bureaus	6,379,271	6,168,266	(211,005)	-3%
Resource Development	1,232,774	1,180,208	(52,566)	-4%
Grants & Foundation Development	1,077,442	1,108,223	30,781	3%
Endowments	187,307	264,320	77,013	29%
Members & Services	2,877,463	2,998,353	120,890	4%
Leadership	2,036,191	2,458,659	422,468	17%
Information Technology	2,233,345	2,101,988	(131,357)	-6%
Total Operations Group	16,842,029	17,117,643	275,614	2%
Strategic Group				
Standards & Technology	1,663,039	1,767,075	104,036	6%
Deployment Operationalization	1,366,638	1,473,304	106,666	7%
Trust & Identity	1,499,296	1,565,550	66,254	4%
Public Policy	3,351,435	3,204,682	(146,753)	-5%
Strategic Development	1,422,318	1,242,323	(179,995)	-14%
Communications	4,963,393	4,945,527	(17,866)	0%
Total Strategic Group	14,266,119	14,198,461	(67,658)	0%
Total Departmental Expenses	31,108,148	31,316,104	207,956	1%
Other Program Expenses				
NDSS	116,815	90,000	(26,815)	-30%
Global INET/Hall of Fame Event	210,000	210,000	-	0%
Internet Advertising Award Expenditures	480,000	480,000	-	0%
CEO Search	-	-	-	
Strategic Planning and Board Governance	635,000	600,000	(35,000)	-6%
Total Other Program Expenses	1,441,815	1,380,000	(61,815)	-4%
Total ISOC Department & Program Exp	32,549,963	32,696,104	146,141	0%
IETF Expenses(excluding Capital)	5,274,858	5,274,858	-	0%
Net Surplus (Deficit) Before Interest	162,630	978,438	(815,808)	-83%
Other Revenue (Expense)	250,000	500,000	(250,000)	
NET UNRESTRICTED SURPLUS/(DEFICIT)	\$ 412,630	\$ 1,478,438	\$ (1,065,808)	-72%