

2007 Budget

Please see the 2007 – 2009 submission from the previous agenda item as it includes much of the rationale for the 2007 budget request as well as program descriptions. This section includes some additional 2007 specific analysis as well as some background information to help familiarize one with ISOC's budgeting and/or accounting methodology.

Budget Submission - Income Statement

Total Revenues :

ISOC has a small number of concentrated sources of Revenue. Our largest single source of revenue is from the Public Interest Registry (PIR). The second most important source has historically been organizational member dues - the traditional funding source of ISOC. With the new IETF model coming into place the P&L now shows another major revenue stream – IETF meeting registration fees. These fees will be used to support the IETF and the additional requirements for funding for the IETF will be met from other sources within ISOC as well as from specific sponsorship/fundraising activities undertaken under the IETF value proposition. Individual memberships while clearly important for other reasons, contribute less than 1% of ISOC funding.

Public Interest Registry Surplus

In 2001-2002, ISOC prepared a successful bid to ICANN to operate the .org registry. Following the model proposed in the bid, ISOC created the Public Interest Registry (PIR) organization with ISOC as its Sole Member. The actual registry operations for PIR are conducted by their partner Afiliias under strategic direction from PIR. PIR with Afiliias markets the .org top-level domain and manages relationships and policies with the registrars and with ICANN. PIR also has a policy responsibility in which ISOC expects it to take leadership positions on registry issues and registrant rights issues.

Under an agreement with ISOC (and in line with what was in the original bid), any net surplus is to be used by ISOC to support programs in support of ISOC and PIR's mission (as they are very similar), in line with ISOC's historical activities in the public interest. The surplus is determined after appropriate reserve and net asset targets (currently the equivalent of 6 months operating expenses as a Total Net Asset position) have been met.

PIR accrues the per domain name per year fee over the length of time for which the name is registered, recognizing income proportionately. Therefore, PIR's financial positions based on cash vs. accrual were quite different in the first few years and will continue to be different (although less so) unless growth rates should level out.

PIR's forecasted contributions to ISOC are shown below, 2006 – 2009 are forecasts. As you can see 2006 was the pivotal year for ISOC with respect to the .org contributions and this is accentuated over the coming years. This has allowed ISOC to increase staff and increase resources to other initiatives.

\$M USD	2003	2004	2005	2006	2007	2008	2009
	1.8	2.4	3.4	6.1	9.7	11.0	12.0

Intend to decrease dependency on .ORG revenues

ISOC must develop new revenue streams. As we have always said, we do not want to be and should not be solely dependent upon the .ORG contributions. 2007 will mark the year when we take our biggest step to date. We will enter 2007 with an expanded, and the most senior, membership department ISOC has ever had. Coming on the heels of our increased responsibility to the IETF, as well as our successes in the Public Policy arena, will give us a much more solid foundation from which to expand our membership efforts. In addition, the increased resources we are now applying across all our activities will also aid us in this fundraising task, not only by giving us more activities to promote but also by increasing the breadth and sheer number of organizations we are likely to become known to.

.ORG Contract Renewal with ICANN

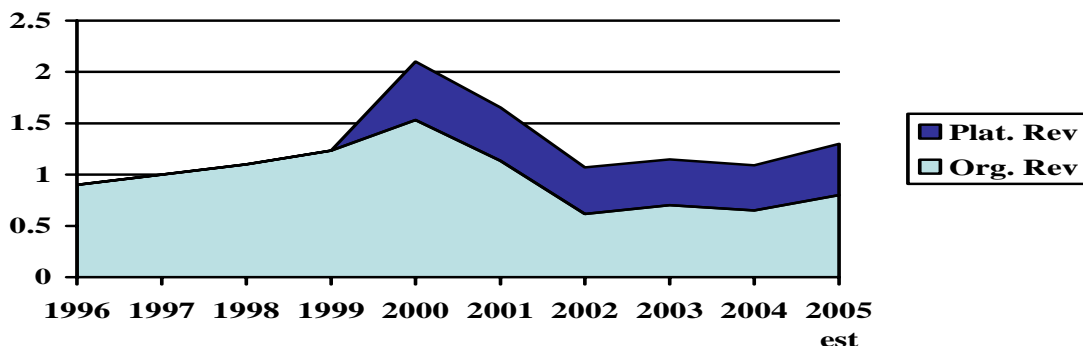
PIR and ICANN are engaged in renegotiating the contract for the .ORG TLD registry. This follows similar activities at the other gTLD's and includes a move to somewhat more simplified contracts. The Board has previously been apprised of key developments so these are not reported here. The draft of the .ORG contract can be found at: <http://www.icann.org/announcements/announcement-24oct06.htm>. The key changes to the document include a new restriction on the use of "traffic data" in the context of the operation of .BIZ, .INFO and .ORG as "thick" registries (meaning they publish additional registrant - supplied contact details in their public WHOIS services), and the acceptance of a 10% cap on price increases along the lines of the .NET and proposed .COM registry agreements. ICANN is inviting comments on the proposed revised agreements through 14 November 2006 when the ICANN Board is scheduled to consider the proposed revisions and any public comments at its meeting on 14 November 2006.

Organizational Member Revenues

Organizational member contributions to ISOC have mirrored the .com boom of the late 1990s and the .com bust of 2001 and beyond. In the chart just below, the light blue at the bottom reflects the organizational member cash revenues in millions while the dark area at the top reflects the effect of the platinum program revenues. Two new sources have been split out, 1 – miscellaneous program sponsorships to support some of our policy and education efforts and, 2 – a category called ISOC's IETF sponsorships which reflects new efforts to raise money tied directly to a cost/benefit model for the IETF. The companies participating in the organizational member dues programs have largely been those associated with active participants and leaders in ISOC and the IETF. There are however many large and well-known companies which are benefiting from ISOC and IETF programs and are not yet contributing to ISOC or to the IETF. Reaching them and convincing them to join ISOC and/or support the IETF will be a key focus.

For just over a decade, total organizational member revenues have hovered at approx. \$1.0 million except for the rescue plan put into effect in 2000 for the RFC Editor.

\$M USD Member Related, IETF and .ORG Revenues



ISOC Member related revenues are built on slightly aggressive historical growth rates (20% 2007 over 2006 increasing to 25% growth in 2008), yet when combined with the additional fundraising tasks for the IETF and misc. program sponsorships it represents a growth of 59% in 2007, returning to 18% in 2008 once the initial impact of the increased fundraising support to the IETF is built into the base. Management believes this is achievable, as the IETF meeting model has been changed/expanded to support a higher level of fundraising. The model was expanded because 1 - it is believed that the current model is not sustainable in the long-term and, 2- it was specifically expanded to facilitate getting sponsorships from more sources. The results of this model are already paying off as we have recently signed a sponsor for the IETF welcome reception at the San Diego IETF meeting (thanks go to Afiliias) and have verbal commitments from two sponsors for a total of \$175K to host the Prague meeting in the spring of 2007. These actions collectively reduce the funding necessary for the IETF from ISOC's traditional sources and moves them to a more appropriate cost/benefit model for the IETF. More such activities are planned for the future.

Accounting Treatment:

Organizational member dues must be recognized on an accrual basis. Therefore, an organizational member renewing in November has only a 2/12^{ths} impact on the current year and a 10/12^{ths} impact on the next year. This accrual method of accounting for organizational member dues has smoothed the recent declines in organizational member revenue and extended the time we have to deal with them. And conversely, it also slows down bottom line recognition of future increases in new member revenues.

Not all organizational members pay dues. A few of the organizational members of ISOC are there because of no-charge cross membership arrangements. And others provide in kind services, such as the ISOC Geneva office, in lieu of direct cash contributions.

The Platinum Sponsorship Program

Following a difficult INET conference in 1999, ISOC began an extraordinary fundraising campaign among organizational members in 2000 called the Platinum Sponsorship program in order to fund payments to the RFC Editor and address past-due ISOC accounts payable¹. In this program, much like a capital campaign,

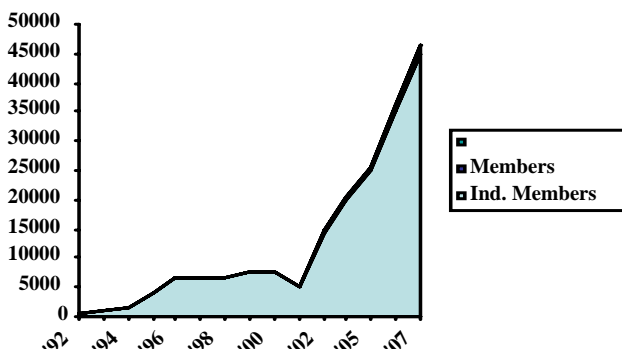
¹ See <http://www.isoc.org/members/platinum.shtml> for more information

organizational members were asked to make a special contribution to ISOC. Doing so at the \$100K level gave them special platinum status and privileges, including the ability to designate or direct their contributions to certain ISOC programs. Because funds were designated, ISOC is able to recognize these funds not on a yearly basis but as they are spent against particular projects/pillars. The majority of the platinum designations have been for IETF support. The platinum sponsorship program has been continued due to continuing interest on the part of these organizations to dedicate funds to specific significant activities within ISOC. The Platinum Sponsorship program has augmented ISOC's traditional membership revenue stream. From the graph above, one can see that support for this program has remained quite steady, it is the more traditional organizational member support that has declined and that is where we must work to rebuild and expand our support.

Individual Members

Individual Members and Chapters are very important to ISOC and many activities are planned to increase our support to them as well as their participation in ISOC activities and vice versa. These are documented in the pillar sections of this budget book.

Individual Membership was stagnant for years - with the introduction of the Global member program we saw significant increases and we intend to build on this. Below is the commitment that was made last year and we are on target to meet these commitments,



IETF Administrative Support Activity (IASA): see report submitted by the IAOC for more specifics

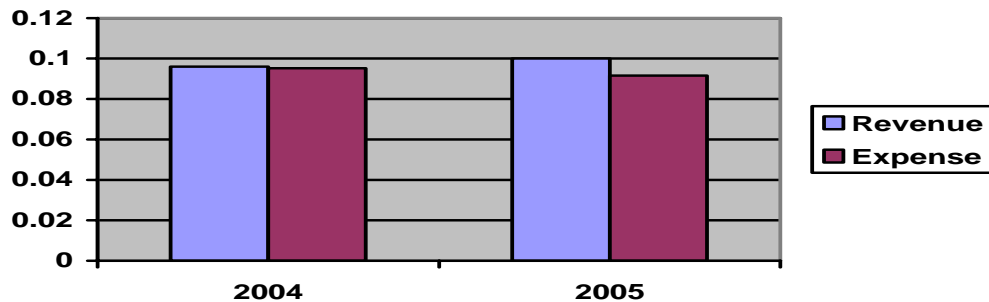
Other Sources of Revenue

This category is essentially self-funding and includes our Annual Networking and Distributed Systems Security Symposium (NDSS).

Networking and Distributed Systems Security Symposium (NDSS)

ISOC sponsors the Networking and Distributed Systems Security Symposium annually in February in San Diego. This is a very specialized conference and historically revenues approximately equal expenses, including overhead. The actuals for 2004 and the budget for 2005 are shown below.

Networking and Distributed Systems Security Symposium (NDSS)



Public Support Test or the ‘Related Parties Issue’

For the year ending December 31st, 2006, ISOC’s tax filing is forecasted to show approximately 40% as our Public Support percentage (reminder it is calculated on a four year lookback 2002 – 2005). 2005 was 58% and was calculated on 2001 - 2004. For the year ending December 31st, 2007, ISOC’s tax filing is forecasted to show approximately 27% as our Public Support percentage. As the percentage is slightly under the requirement of 33.33%, we may need to submit a business plan with our 2007 tax filing as part of the alternative "facts & circumstances" test. As has been previously reviewed with the Board, this is not seen as posing a threat to ISOC’s Public Charity status, and it is something we can build back up in subsequent years.

At the last Board meeting, we reviewed the current situation with respect to the Public Support Test. This was with a view to understanding the options available to us as the amount of funds to be contributed to us from PIR grew, and in light of our intent to fund a small number of major strategic initiatives. ISOC does have options that would ensure we do not fall into a difficult situation with respect to the Public Support Test. In addition, the fundraising we will undertake as a part of our normal business as well as for the Major Strategic Initiatives will also count as good revenue and help with our Public Support calculations. We will continue to apprise the Board as appropriate.

Possible Endowment Campaign for ISOC:

At the last Board meeting the Treasurer asked that we keep the discussion on an Endowment campaign for ISOC on the table. The CEO and President and the Director of Finance met with the Treasurer to review this possibility. The purpose would be to have it as part of a long-term financial strategy for ISOC. We would be expected to work with the appropriate resources (largely external as this is a very specialized type of fundraising at the level we are talking about) to put in place a campaign that would ultimately be able to support the core activities (TBD) of ISOC through the investment income stream alone. I support this in principle as part of a longer term financial strategy, but have some reservations with respect to implementing it in the shorter term largely due to not having had the chance to research it more thoroughly. It will also draw attention away from our continued restructuring and our core activities, as well as potentially compete with the same resources for the Major Strategic Initiatives. Both the Treasurer and I would appreciate your thoughts and more discussion on this topic.

Total Revenues:

Total Revenues are expected to increase quite significantly over the next three years due mainly to an increase in the .ORG contribution, which in turn increased due to both the renegotiation of the contract with Afiliias as well as market growth. 2007 will see a larger increase than later years due to the first time impact of the renegotiated contract with Afiliias. The analysis below also includes the IETF registration fees that are collected by ISOC on the IETF's behalf, so it is an apples to apples comparison.

\$ M USD	2006 F/C	2007 Bud	2008 Bud	2009 Bud
Total Revenues	9.8	14.1	15.7	17.2
.ORG revenues included above - \$ / %	6.1 / 62%	9.7 / 69%	11.0 / 70%	12.0 / 70%
IETF related revs. (regs & sponsorships) = \$ / %	2.4 / 25%	2.8 / 20%	2.8 / 18%	3.0 / 17%
Membership Related \$ / %	1.0 / 10%	1.4 / 10%	1.7 / 11%	2.0 / 12%
% growth – total revs. Year on year	-	44%	12%	10%

Expenses

ISOC traditionally groups expenses by pillars representing different aspects of the ISOC mission: standards, education, and policy; in 2006 we also split out Organization Member expenses, and Chapter and Individual Member expenses, and we have followed this same convention for the 2007 budget. At the request of the Treasurer though we further split our Organization Member expenses from the expenses ISOC incurs through the participation in the IETF as a part of discharging our duties to the IETF as well as any participation necessary to support other core work of ISOC. (Note: these costs were always split this way in our internal financial statements (General Ledger) but for ease they were combined when reporting our financial performance to the Board.) They have been broken out and are shown separately for 2007. In addition, we added another category for the Strategic Initiatives.

The table below shows how our major activities are accounted for in the budget. Detail by category can be seen in the budget submission below and the related activities and programs are explained in the individual (or pillar) sections of this Budget submission.

'PILLAR' ACTIVITY SCHEDULE to distinguish activities by pillar

ISOC Standards support	IASA	Education	Policy	Chapters and Members	Organization Members
ISOC's participation in and support to IETF activities	IETF/IASA Support Meetings, NSS, tools, etc.	Workshops – NOG's, ccTLD's	Policy Briefings & Publications	Chapter Support , Chapter Dev't. Program	Org. Member support
IETF awards, etc	RFC Editor	NDSS	Internet Governance	IM Support	Fundraising
	IAD	ISOC Workshop Ctr.	Policy Council	Project Funding	AC
	IETF Trust (separate legal entity)	Technical Briefings	Policy Forums	Regional Bureaus	
		Education to Policy Makers			

2007 Expenses over 2006

The 2007 expense budget shows a \$5.5M (68%) increase over the 2006 Forecast and this is mainly due to:

- o An increase in staff salaries due to carrying the full year costs for the new hires made in 2006 as well as the addition of 3.5 FTE headcount (closer to a net increase of 3 if you count Mike Nelson's considerable efforts as a volunteer VP) = approx. \$2.2M. The growth in headcount in 2007 will be in the Chapter Development Program where an additional senior hire is planned, as well as engaging an additional senior Policy/Education Manager and an Events manager. In addition, we will add a shared resource in the book keeper/systems administration role in support of our increased membership activities (although this shows up under G&A). Terry Weigler will move into a full-time office manager position as a result of increased support requirements due to the increase in staff overall. I expect approx. 1/2 of our resources to be located outside the US, especially with the growing number of regional activities and bureaus. The deterioration of the USD exchange rate impacts our salary bill fairly significantly but the expertise, the benefits of a more multi-cultural organization, and the extended time zone coverage far outweigh the additional costs (and exchange rates will change over time).
- o External Program costs have doubled from \$1.0M to \$2.1M due to an increase in programs, expected Chapter/Member Development activities and a number of smaller substantial or cross-pillar activities expected to be in the areas of security, multi-lingualism and content, and/or access. The program costs are detailed on a separate financial schedule and the rationale for the investments is included in the individual departmental (pillar) submissions.
- o Major Strategic Initiative - we expect to identify one or maximum two very strategic, long-term projects and the funds in this line (\$1.0) reflect the amount of funds we are proposing be allocated to these projects. We fully expect to bring in other partners and sources of support but it is too difficult to identify or quantify these without additional information.

- G& A increase of \$0.4M (45%) due largely to \$230K of amortization expense from the development of tools for the IETF hitting in 2007, as well as additional resources in the G&A space (a CFO and book-keeper/systems admin.), and to an increase in the depreciation expense due to a donation of equipment badly needed by the IETF from Cisco. The individual line items are detailed quite thoroughly in the attached G&A schedule, so I will not cover them any further here.
- IASA – an increase of just over \$300k but this is expected to be offset by targeted sponsorships. More detail on the expenses are covered in the IASA section so I will not repeat them here.
- Professional Services, Consultants, Legal and Communication and Marketing support are rising from a forecasted \$190K to approx. \$550K in 2007 mainly due to the review and expected revamping of all our Membership activities.

IETF Administrative Support Activity (IASA): see report submitted by the IAOC for more specifics

While the requirement to support the IETF overall is increasing 6% on average over the period 2007 – 2009 (with the largest increase in 2007 at 9%) we have been able to hold the contribution required from ISOC's traditional revenue sources virtually flat or even slightly decreased in 2007. The IASA activities and funding requirements are reviewed separately in the IASA section, so let me simply review here the trends for support from ISOC:

\$K	2006 F/C	2007 Bud	2008 Bud	2009 Bud
ISOC's IETF sponsorship	50	325	325	325
ISOC other sources	1,417	1,325	1,405	1,479
ISOC's total % cont'n to IETF	39%	40%	41%	40%

As mentioned elsewhere, we are looking at additional activities to fundraise for the IETF using a direct IETF related cost/benefit, and more information will be forthcoming soon. Note: there is no intent to hold the ISOC contribution to 40%, it is just difficult to affect any significant change given the requirements of the organization.

IETF Trust

Note: the figures above include financial and legal support from ISOC to the IETF Trust and the IETF Trust is reviewed elsewhere in a submission from the IETF Trust Chair.

\$K	2006 F/C	2007 Bud	2008 Bud	2009 Bud
IETF TRUST expenses	41	24	26	29

A final comment on expenses. ISOC operates under a project cost methodology. All staff account for their time by project and all identifiable expenses (phone, travel, comms, etc.) are assigned to projects. Only standard General and Administration (G&A) and Governance charges (largely Board related) are charged to G&A/Governance. This G&A is then allocated across 'pillars' on the basis of direct salaries as this is a pretty 'standard' support base.

Further information on expenses can be seen in the Budget spreadsheet and are discussed in the individual submissions.

2006 – 2009 Balance Sheet and Net Asset Projections

ISOC has a very sound Balance Sheet. For a non-profit organization like ISOC, to operate to sound accounting principles we should have a min. of 6 months of operating expenses in unencumbered cash reserves as part of our net asset balance. Six (6) months of an Operating Reserve Target for 2007 would be approx. \$4.3M cash based on the 2007 expenses including the commitment we made to the IETF in RFC 4071 to cover in addition twice the recent average for IETF meeting contract guarantees. We believe meeting the increase required in 2007 is quite achievable.

Our 2006 year-end net worth is forecasted to increase by approx. \$1.7M to \$2.9M with further significant increases during the period 2007 – 2009 where by year end 2009 we are expecting to be at \$4.8M.

Management believes the 2007 budget is very solid and makes the right investments for ISOC and our future. We also believe the 2008 and 2009 budget shows the right balance of “traditional investment” vs. long-term strategic investment. We look forward to your comments and are available to answer any questions you may have.

The 2007 Budget and Supporting Schedules follow.

INTERNET SOCIETY
2007 BUDGET

Revenue: 2007

Member/Member Related Revenue

Platinum	\$ 400,000	
Organization Member	800,000	
Individual member @ \$75	10,000	
Individual member donations	5,000	
Misc. Sponsorships	150,000	
Member/Member Related Revenue		1,365,000

IETF Revenues

IETF Registration Revenues & Other	2,477,500	
ISOC/IETF Sponsorships	325,000	
Total IETF Revenues		2,802,500

PIR and Other ISOC Revenue

.org Surplus Contribution	9,700,000	
NDSS	111,225	
Interest & Other Misc. revenue	93,000	
Postel Award	20,000	
PIR and Other ISOC Revenue		9,924,225

Total Revenue \$ 14,091,725

Expenses:

	<u>Total</u>	<u>Org.</u>	<u>ISOC's IETF</u>	<u>Chap/Indiv</u>	<u>Education</u>	<u>Public</u>	<u>IASA</u>	<u>Misc.</u>
		<u>Members</u>	<u>Support</u>	<u>Members</u>		<u>Policy</u>		<u>Strategic</u>
								<u>Initiatives</u>
ISOC Salaries & related costs	(1) 3,881,632	643,311	146,230	998,918	868,047	1,037,045	-	188,081
ISOC's IETF Staff /Travel/Registration fees & misc.	43,600	-	43,600	-	-	-	-	-
IETF Journal - ISOC	35,500	-	35,500	-	-	-	-	-
IETF/IASA Budget expenses	(2) 4,040,350						4,040,350	
Travel, Phone, Meetings, Other Misc.	415,000	32,500	10,000	145,500	125,000	102,000	-	-
Prof'l Svc./Consultants/legal - ISOC	259,804	-	-	136,204	73,600	50,000	-	-
Comm/Mktng, Promotion,Shipping, Printing	296,290	158,750	20,000	48,750	35,040	33,750	-	-
NDSS (excluding salaries)	80,700	-	-	-	80,700	-	-	-
External Programs	1,917,000	50,000	20,000	500,000	692,000	655,000	-	-
Smaller Substantial/Cross Pillar Initiatives	200,000	-	-	-	-	-	-	200,000
Major Strategic Initiative	1,000,000	-	-	-	-	-	-	1,000,000
Funding of Postel Award	20,000	20,000	-	-	-	-	-	-
Total Direct Expenses	12,189,876	904,561	275,330	1,829,372	1,874,387	1,877,795	4,040,350	1,388,081
G&A/Governance	(3) 1,454,206	232,673	58,163	363,552	290,841	363,552	87,257	58,168
Total Expenses	13,644,082							
Surplus (Loss)	\$ 447,643							

Notes:

- (1) (2) (3) ISOC salaries are found in all of these lines. Total fully loaded salaries projected for 2007=\$4.7M.
(2) Even though the IETF Trust is a separate legal entity; it has no income of its own, but receives all its support from ISOC; therefore, we have combined its expenses with the ISOC budget. Its costs are included with the IETF/IASA budget items.

INTERNET SOCIETY
2007 BUDGET

<u>Program Description</u>	<u>Org.</u> <u>Members</u>	<u>ISOC's IETF</u> <u>Support</u>	<u>Chap/Indiv</u> <u>Members</u>	<u>Education</u>	<u>Public</u> <u>Policy</u>	<u>Misc.</u> <u>Strategic</u> <u>Initiatives</u>
Chapter Activities/Projects:						
World Summit Youth Awards			50,000			
Chapter/Member Project Funding			200,000			
Chapter Development Activities/Symposium			150,000			
Hall of Fame/Internet Pioneers			100,000			
Workshops/Capacity Building						
NOG Activities				130,000		
AfriNIC				40,000		
Regional INETS				18,000	20,000	
ccTLD workshops				118,000		
Small Misc Workshops/Projects				50,000		
Workshop Resource Center				45,000		
FRIDA Small Grants				75,000		
Pan Asia Small Grants				100,000		
Other Education Projects:						
IETF Fellowship Mentoring Program				80,000		
Gen/Tech Newsletter				11,000		
User Centric Internet: Total \$200,000						
Paper Studies					50,000	
Technical Roundtables/briefings (4)					30,000	
Thought leader w/shops (4)					80,000	
Participation/speakers at major conf.					40,000	
Internet Governance: Total \$260,000						
IGF Rio Ambassador's program (15) people					60,000	
IGF Rio Internet Pavilion					40,000	
Regional Preparatory meetings (3) regions					90,000	
Internet Governance Newsletter (quarterly)					20,000	
Chapter IG Engagement Support & Misc.					50,000	
Other Programs:						
Bureau Project Work				25,000	25,000	
Policy Councils/Regional Policy Advisory Groups					50,000	
Misc. Projects:						
Policy Internships, spam & Other					100,000	
Org. Member Projects	50,000					
ISOC's IETF support projects		20,000				
Misc. Initiatives:						
Smaller Substantial Initiatives						200,000
Major Strategic Initiative						1,000,000
TOTALS	50,000	20,000	500,000	692,000	655,000	1,200,000

Internet Society
General & Administrative/Governance Summary
2006 Budget vs. Forecast
2007 Budget & 2008-2009 Projections

	<u>2006 Budget</u>	<u>2006 Forecast</u>	<u>2007 Budget</u>	<u>2008 Projection</u>	<u>2009 Projection</u>
<u>GOVERNANCE COSTS</u>					
Legal fees	\$ 20,000	\$ 5,000	\$ 5,500	\$ 5,775	\$ 6,064
Directors & Officers Insurance	5,000	3,800	4,000	4,200	4,410
Board Mtgs., travel & election exps.	73,000	97,755	107,500	112,875	118,519
Board telephone & committee calls	28,000	20,100	22,110	23,216	24,376
Misc (postage, copying, etc.)	5,000	5,675	5,959	6,257	6,570
Total Governance	\$ 131,000	\$ 132,330	\$ 145,069	\$ 152,322	\$ 159,938
<u>G & A COSTS</u>					
Legal, Insurance & Accounting	\$ 35,000	\$ 72,000	\$ 79,200	87,120	95,832
Repairs & Maintenance	30,000	23,800	26,180	28,798	31,678
Travel	6,000	7,207	7,928	8,324	8,740
Misc. Consultants	-	23,292	5,000	5,000	5,000
Depreciation and Amortization	165,668	88,220	190,982 (1)	226,349	253,046
Rent	158,000	161,216	166,052	171,034	176,165
Telephone	20,000	12,200	13,420	14,091	14,796
Materials & Supplies	35,000	21,276	25,531	28,084	30,893
Bank, Credit Card and Payroll fees	14,000	17,500	19,250	20,213	21,223
Computer fees, IT/outsourcing fees	117,250	86,666	110,300	115,815	121,606
Office expenses	30,000	40,422	54,506	63,232	72,393
Misc (postage, copying, employ train)	45,000	40,555	75,083	78,837	82,779
	\$ 655,918	\$ 594,354	\$ 773,433	\$ 846,897	\$ 914,150
Less: Sublease-PIR & NET GAIN	(57,490)	(70,912)	(59,221) (2)	(61,005)	(62,842)
Less: PIR Facilities Agreement	-	(40,254)	-30,000 (2)	-30,000	-30,000
Total G&A (Before Salaries)	\$ 598,428	\$ 483,188	\$684,212	\$755,892	\$821,308
Total Gov and G&A	\$ 729,428	\$ 615,518	\$ 829,280	\$ 908,214	\$ 981,247
Add: G&A/Gov Salaries	426,893	385,000	624,926 (3)	713,423	762,877
Total Gov/G&A	\$ 1,156,321	\$ 1,000,518	\$ 1,454,206	\$ 1,621,637	\$ 1,744,124

2006 Notes:

Projected G&A/Gov is 13% lower than budget primarily due to the fact that several staff hires came on board in Q4; therefore the higher materials, supplies & telephone charges were not incurred. The CFO will be hired late in 2006, yet his salary was budgeted for 9 mos., so we incurred a labor variance in this category. In addition, PIR was budgeted for one quarter of rental income; instead they remained in the ISOC suite for the entire year.

2007 Notes:

- (1) Depreciation increased significantly due to \$100K of Cisco equipment donated to ISOC as well as amortization of \$230K of IETF tools development, and capitalization of upgrades to the ISOC membership system and a new phone system.
- (2) PIR will relocate to the space adjoining ISOC on Jan 1. They expect to use 50% of the previous "facilities agreement"--- approx. \$2,500 per month.
- (3) Budget provides for hiring of a CFO plus additional bookkeeping/administrative support, plus a reclassification of a current employee from 100% Chapters/IM support to 100% G&A as office manager in 2007.

2008 and 2009 Notes:

Includes normal increases over prior years.

INTERNET SOCIETY
2007-2009 High Level Financial Plan

Revenue:

	YE F/C 2006	2007	2008	2009
Platinum	\$ 300,000	\$ 400,000	\$ 500,000	\$ 600,000
Organization Member	700,000	800,000	1,000,000	1,200,000
Individual member @ \$75	7,500	10,000	11,250	13,125
Individual member donations	1,500	5,000	6,000	6,500
IETF Registration Revenues	2,331,500	2,477,500	2,477,500	2,665,000
ISOC/IETF Sponsorships	50,000	325,000	325,000	325,000
NDSS	71,801	111,225	115,000	120,000
.org Surplus Contribution	6,060,300	9,700,000	11,000,000	12,000,000
Security Expert Initiative (SEINIT)	160,236	-	-	-
Misc. Sponsorships	5,000	150,000	157,500	165,375
Interest Income & Other Misc. Revenue	89,116	93,000	97,650	102,533
Postel Award	-	20,000	20,000	20,000
Total Revenue	\$ 9,776,953	\$ 14,091,725	\$ 15,709,900	\$ 17,217,533

Expenses:

ISOC Salaries & related costs	(2) 1,740,969	3,881,632	4,200,000	4,600,000
ISOC's IETF Staff Travel/reg.fees & misc.	40,307	43,600	50,000	55,000
IETF Journal - ISOC	-	35,500	37,500	40,000
IETF/IASA Budget expenses	(1) (2) 3,697,292	4,040,350	4,057,056	4,244,180
Travel, Telephone, Meetings, Other Misc.	133,620	415,000	435,000	460,000
Prof Svcs/Consultants/Legal - ISOC	122,339	259,804	273,000	280,000
Comm/Marketing, Promotion, Shipping, Printing	65,000	296,290	350,000	400,000
NDSS (excluding salaries)	55,459	80,700	85,000	90,000
Security Expert Initiative (SEINIT)	117,119	-	-	-
External Programs	1,085,000	1,917,000	1,900,000	2,000,000
Smaller Substantial/Cross Pillar Initiatives	-	200,000	200,000	200,000
Major Strategic Initiative	-	1,000,000	2,000,000	2,500,000
Funding of Postel Award	20,000	20,000	20,000	20,000
Total Direct Expenses	7,077,105	12,189,876	13,607,556	14,889,180
G&A/Governance	(2) 1,000,518	1,454,206	1,621,637	1,744,124
Total Expenses	8,077,623	13,644,082	15,229,193	16,633,304
Surplus (Loss)	\$ 1,699,330	\$ 447,643	\$ 480,707	\$ 584,229

Notes:

- (1) Even though the IETF Trust is a separate legal entity; it has no income of its own, but receives all its support from ISOC; therefore, we have combined its expenses with the ISOC budget. Its costs are included with the IETF/IASA budget items.
- (2) Fully loaded salaries are included in the three budget lines preceded by (2).