



Dear Trustees,

This budget proposal brings you a snapshot of the Internet Society in the middle of a major period of growth and change.

From the very beginning, the mission of the Internet Society has been to promote the open development, evolution, and use of the Internet for the benefit of all people throughout the world. Recent developments in our pursuit of that mission include two significant changes to our internal resource structure: adding the Standards & Technology Department and engaging an expert to lead our Strategic Global Engagement activities. These additions supplement other key hires in 2007 in Membership, Communications, Public Policy, and Finance.

Most importantly, our financial position is healthy and stable. As diversity in program funding sources remains a key objective, we are planning a number of activities in the development of new revenue streams.

As you know, ISOC has traditionally presented its activities within a three “pillar format” (Standards, Public Policy, and Education). As the Organization grows to take on new challenges and ambitions, we are necessarily expanding our focus and activities, and we will depend ever more heavily on cross-organizational teams. This has led us to develop a small set of longer term, more strategic activities. These Initiatives will supplant much of the traditional pillar model for organizing our activities and largely serve as the basis for the 2008 budget structure.

For 2008-2010, we have defined a small number of high level strategic “Initiatives”:

- *Enabling Access* to the Internet – through policy, standards and technology, and new resources;
- *InterNetWorks* – so that the Internet remains an open end-to-end entity – with all of the associated technological, policy, social and business benefits.

Furthermore, at the Board’s recent Strategic Retreat on Trust, there was considerable interest in examining contributions ISOC might make, leading to our third strategic initiative:

- *Trust & Identity* – identifying and promoting activities that resolve some of the persistent issues in this critical area.

The Internet Society works with many individuals and organizations around the world, and these partners - in addition to our Organizational and Individual Members, Chapters, the IETF and its related bodies - are key participants in our ongoing activities. We intend to significantly step up our engagement with all stakeholders, through tighter linkages

and more specific outreach programs. Key to this is an even greater sharing of this responsibility across the organization, creating deeper, more substantive relationships with all our stakeholders. This is central to the continued success of the Organization.

In conjunction with the major Initiatives, the Internet Society will continue to increase our focus and dedication of resources on chapter development activities, and we will continue the work begun in 2007 on creating more value and benefits for our individual and organizational members. In addition, we continue to evolve and improve our support to the IASA and the IETF.

Finally, a major and critically important area for ISOC is to continue our efforts to build an organization where employees, members and stakeholders feel valued, and where contributions from all are maximized, recognized, and rewarded. We are expanding our efforts to engage and integrate chapters and members, as outlined above. In 2008, we will also include an inward-facing development effort. As the organization's activities expand and mature, the organizational culture must evolve as well. In the simplest terms, our goal is to make this a rewarding place for people to work as we all contribute to ensuring the Internet is for everyone.

This is a tremendous period of growth for ISOC, and as we move from a very small, highly concentrated organization to a geographically dispersed, matrixed or social network management model, we need to build the necessary organizational support structures beneath us. Hence, we are engaging Human Resource consultants to counsel us on building a robust and productive environment for all of our personnel. This effort will extend beyond operational systems to include a review of all aspects of our personnel systems and our organization structure. It will define in a consistent framework, the roles and responsibilities of all employees, while establishing individual goals and objectives. The target date for completion of the first phase is Q1 2008. This effort is one of the most critical for ISOC in 2008.

2008 also sees our activities increase significantly. We will build out a more generalized public policy presence while extending our activities to the highest level of policy makers, expand our commitment to education and development, and establish ISOC as a key partner in the collaborative standards and technology arena. All of these objectives will be accomplished through a set of coordinated initiatives and some core departmental activities.

The pages that follow describe, in some detail, the activities and budgets as ISOC implements strategic expansion and diversification of its work and revenue opportunities.

I look forward to your feedback on our plan and budget.

Lynn St. Amour
President and CEO
Internet Society

**Internet Society
2008 Budget**

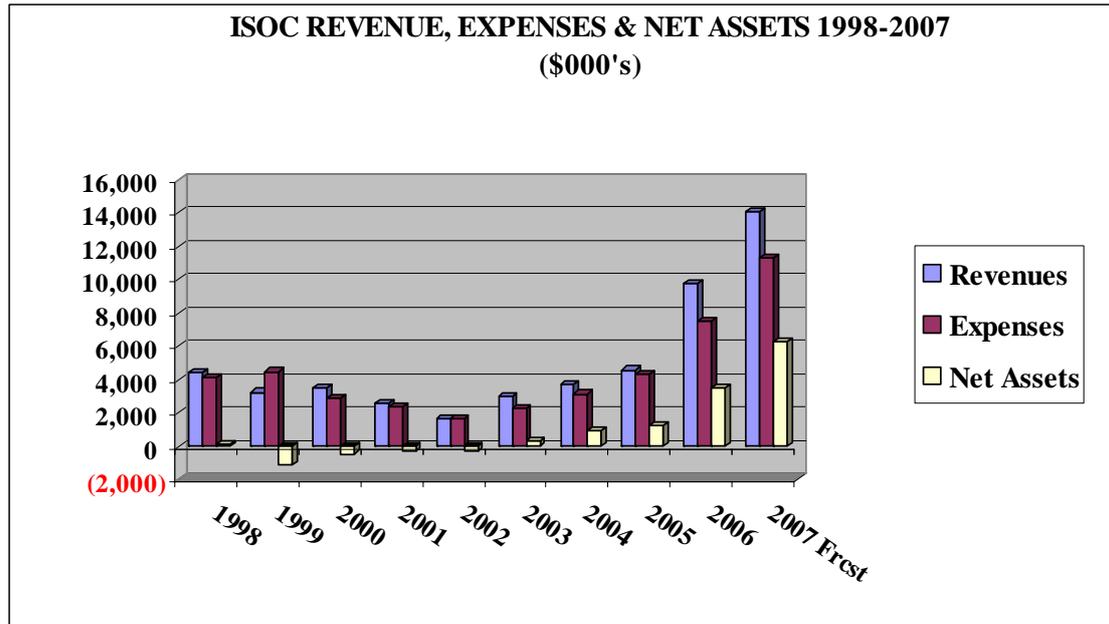
Report to the ISOC Board of Trustees

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I. Introduction

The 2008 budget year represents the sixth year of the growth cycle begun in 2003. Over this six year period, ISOC has seen dramatic growth in Revenues, Expenses, and Net Assets. This growth allowed ISOC to become a more visible and stable influence in the long term evolution of the Internet.



While Revenue growth has been dominated by PIR's contribution to ISOC programs, financial support and leadership from members and donors continues to ensure the ongoing success of ISOC's mission. Revenue growth has enabled ISOC itself to contribute more fully to key programs to further our mission. These programs, led by a community of industry volunteers and ISOC personnel, are the vehicles to help make the Internet a global tool for worldwide communications and development. ISOC's support of the IETF, plus our outreach efforts in Public Policy, Education, and Standards and Technology remain central to our 2008 plans.

Finally, careful stewardship from ISOC's Board of Trustees has helped ensure the responsible build up of sufficient Net Assets to ensure the long term viability of ISOC's programs and mission.

On a summary level, the 2008 Budget reflects a surplus of nearly \$1.7 million from all activities other than ISOC's contribution to the IETF. An increase in the PIR contribution allows ISOC to increase both its staffing and the funding of initiatives and programs described in this Budget.

ISOC's contribution to the IETF is budgeted to be more than \$1.5 million, which is approximately \$75,200 more than the forecast for 2007 and \$238,000 more than ISOC's budgeted contribution to the IETF for 2007 (\$1,325,200).

In this Budget Package, we will present further financial information, including detailed revenue assumptions, expenditure and program plans, and their impact on ISOC's Cash Reserves and Public Funding tests.

Financial Summary

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| Internet Society Summary Level Statement of Activities 2008 Budget | |  | |
|--|-------------------|---|---|
| | 2008 Budget | 2007 Forecast | 2008 Change Compared to 2007 Frctst |
| Revenues (excluding IETF) | | | |
| Membership, Sponsorships, NDSS | \$ 1,419,500 | \$ 1,164,700 | \$ 254,800 |
| PIR Contribution to ISOC | 13,000,000 | 9,700,000 | 3,300,000 |
| Total Revenues (excluding IETF) | 14,419,500 | 10,864,700 | 3,554,800 |
| ISOC Department and Program Expenses (excl IETF) | | | |
| Departmental Expenses | 10,143,858 | 5,956,824 | 4,187,034 |
| Program Expenses | 2,624,500 | 1,061,076 | 1,563,424 |
| Total ISOC Expenses (excl IETF) | 12,768,358 | 7,017,900 | 5,750,458 |
| Surplus (Deficit) from ISOC Activities | 1,651,142 | 3,846,800 | (2,195,658) |
| IASA/IETF | | | |
| Meeting Registration Fees and Other | 2,402,500 | 2,427,750 | (25,250) |
| ISOC's IETF Sponsorships | 605,000 | 495,750 | 109,250 |
| Expenses (including G&A) | (4,545,900) | (4,411,700) | 134,200 |
| Traditional ISOC Contribution to IETF | (1,538,400) | (1,488,200) | 50,200 |
| New IETF Support Initiatives | (25,000) | - | 25,000 |
| Total ISOC Contribution to IETF | (1,563,400) | (1,488,200) | 75,200 |
| Other Revenue (Expense) | 274,500 | 230,300 | 44,200 |
| ISOC Surplus | \$ 362,242 | \$ 2,588,900 | \$ (2,076,258) |

II. Revenues

ISOC receives revenues to carry out its mission from four basic sources:

- Organization Member Contributions (including Platinum Sponsorships);
- Individual Member Dues and Donations;
- Sponsorships for ISOC sponsored events; and
- Contribution of excess net assets from Public Interest Registry.

In addition, ISOC is responsible for securing meeting and hosting sponsorships for IETF meetings, which will be discussed separately under the IETF section of this document.

The 2008 revenue budget reflects growth from the forecasted revenues for 2007 in all revenue categories. Each revenue category is discussed below.

| Internet Society 2008 Revenues | | | | | |
|--|----------------------|----------------------|----------------------|-------------------------|---------------------|
| | 2008 | 2007 | | 2008 Change Compared to | |
| | Budget | Forecast | Budget | 2007 Forecast | 2007 Budget |
| Revenues (excl IETF) | | | | | |
| Organization Membership/Platinum Revenues | \$ 1,150,000 | \$ 1,015,300 | \$ 1,200,000 | \$ 134,700 | \$ (50,000) |
| Individual Member Dues & Donations | 9,500 | 8,000 | 15,000 | 1,500 | (5,500) |
| NDSS Registrations | 110,000 | 76,400 | 111,225 | 33,600 | (1,225) |
| Sponsorships and Grants (including Postel) | 150,000 | 65,000 | 170,000 | 85,000 | (20,000) |
| PIR Contribution to ISOC | 13,000,000 | 9,700,000 | 9,700,000 | 3,300,000 | 3,300,000 |
| Total Revenues (excl IETF) | \$ 14,419,500 | \$ 10,864,700 | \$ 11,196,225 | \$ 3,554,800 | \$ 3,223,275 |
| ISOC Sponsorships to IETF | \$ 605,000 | \$ 495,750 | \$ 325,000 | \$ 109,250 | \$ 280,000 |

II.a. Organization Member Sponsorships and Dues

Contributions from Organizational Members constitute a key source of support, helping ISOC to carry out its mission and objectives and providing a crucial source of funding. The companies participating in the Organizational Member dues programs have largely been those associated with active participants and leaders in ISOC and the IETF. For just over a decade, total Organizational Member revenue has been approximately \$1 million annually (except for the rescue plan put into effect in 2000 for the RFC editor). There are many companies that benefit from ISOC and IETF programs and are not at present contributing to ISOC or the IETF. Reaching and convincing these organizations to join ISOC and/or support the IETF will be a key focus in 2008, as outlined in the Organization Membership Development Plan.

Not all Organizational Members pay dues in cash. A few Organizational Members receive memberships because of their support for the IETF meetings, and others provide in-kind services in lieu of direct cash contributions. In-kind contributions are recognized as both revenue and cost.

In addition to these unrestricted contributions, ISOC secures (a) sponsorships for the IETF meetings and (b) more recently, for the ISOC Fellowship Program to the IETF. With respect to the IETF meeting sponsorships, ISOC has already secured commitments for meeting and hosting revenue of \$605,000 (fully funding available IETF sponsorship opportunities for 2008). The meeting sponsorship revenue is reflected in the separate IETF section of this document.

Platinum Sponsorships: The Platinum Sponsorship program is a continuation of a small number of sponsors interested in a significant contribution to augment ISOC's traditional membership revenue stream. Because of the size of the individual donation, the number of Platinum Sponsors is expected to remain relatively static. Of the \$350,000 budgeted for 2008 (vs. \$300,000 received in 2007), \$100,000 represents "in-kind" contribution of equipment (Cisco). This assumption follows from 2006 and 2007 when Cisco made equipment donations to support the IETF. For 2008, there is some uncertainty as to a similar "in-kind" donation, as it has not yet been determined what, if any, equipment needs the IETF may have.

Organizational Members: The Organization Member Program for 2008 is part of a three-year plan whose objective is an organization membership that is more global in nature, that represents organizations which support ISOC's mission and values and that provides for expanded member engagement in ISOC initiatives and activities. Achieving these objectives requires a clear articulation of who ISOC is, what we do and the value proposition for current and prospective members. The focus for 2008-2010 is on growing the total number of members, diversifying the membership across segments/communities and increasing annual revenues generated from organization members. The increased resources we are applying across all of our activities in 2008 and beyond will aid the membership program by raising ISOC's profile and visibility to current and prospective members, by providing more opportunities for member engagement and by demonstrating to organizations ISOC's value to the sustainability and growth of the Internet.

II.b. Individual Membership Dues and Donations

Individual Members

Individual Members are very important to ISOC as they work with us to support our mission to promote the open development of the Internet to people everywhere. They inform our views and they also serve as ISOC ambassadors in all regions of the world. The number of Individual Members continues to grow (currently at 27,614) and we expect this growth to persist as ISOC's profile and visibility (and that of ISOC chapters) grows in 2008. At present, 50% of Individual Members are affiliated with an ISOC chapter. In 2008, we will continue efforts begun in 2007 to collaborate with ISOC chapters to encourage Individual Members to start additional chapters and/or to affiliate with ISOC chapters.

Sustaining Members

Over the past few years, the number of Sustaining Members (those members paying \$75 each) has averaged 120 individuals, notwithstanding recruitment efforts to meet the target number (1,000 in total with 500 members expected to come from Individual Sustaining Members and another 500 expected to come from the Organizational Members in line with their level of contribution) of Sustaining Members that would allow for the election of additional ISOC Trustees and fulfill ISOC's governance model. At the July 2007 meeting of ISOC's Board of Trustees, the Board concluded that fulfillment of this feature of the governance model should be addressed as part of our overall plan to increase membership. The focus in 2008 will be on determining how Sustaining Members may assist in ISOC's goal setting. Therefore, the budget includes only a slight increase in dues from individual members, to approximately 125 members.

II.c. Sponsorships and Grant Proceeds

ISOC originally depended on conference sponsorships to fund many of its educational and technical programs. However, the abundance of Internet conferences has reduced the effectiveness and the number of opportunities for this type of funding. In 2007, ISOC received \$65,000 in conference sponsorships, \$45,000 for IETF attendance fellowships, and \$20,000 (from Afiliias) to support the 2007 Postel Award.

However, this source of funding remains important to ISOC's continuing effort to deliver programs and conferences, particularly in light of the minimum Public Support requirement for a 501(c)3 qualified organization.

For 2008, ISOC has budgeted receipt of \$150,000 in general sponsorships and grants:

| | |
|---|------------------|
| IETF Fellowships | \$ 60,000 |
| Access for Disabled Individuals Program | 30,000 |
| Postel Award Sponsor | 20,000 |
| Other Sponsorships to be identified | 20,000 |
| Grant Awards (see detailed discussion) | <u>20,000</u> |
| Total Sponsorships and Grants | <u>\$150,000</u> |

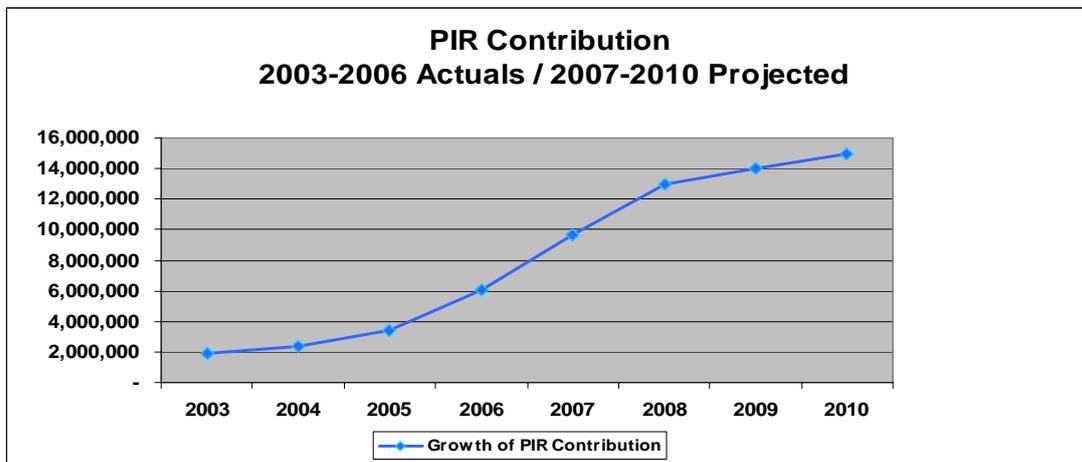
This forecasted total represents a significant increase in funding from sponsorships. Success in this effort requires focused efforts from our program managers to identify new program funding opportunities, as well as potential new sponsors. We are proposing additional activities and resources in the Grants areas, and these are explained later in this document.

ISOC also oversees the annual NDSS conference. Conference attendance in 2007 was below expectations. ISOC has improved the venue and communications with attendees, and expects conference attendance to return to normal levels in 2008, generating \$110,000 in attendance fees.

II.d. PIR Contribution to ISOC Activities

PIR’s contribution to ISOC’s activities will increase substantially over the contribution made in 2007, rising from \$9.7 million to \$13 million in 2008. However, \$2 million of this increase is a direct result of an above-plan operating surplus experienced in 2007 but paid to ISOC in 2008. Taking that fact into account, the portion of the growth in PIR contribution relating to PIR’s expected 2008 results is not as dramatic

For the longer planning period of 2009-2010, PIR projects that its revenue growth will slow, and that its contributions to ISOC activities will be \$14 million in 2009 and \$15 million in 2010. While growth in PIR’s revenue has been dramatic over the past four years, there is no assurance that this growth will continue beyond 2008. While PIR’s longer term forecast may be conservative, sustainability and consistency is important to ISOC’s delivery of mission. Therefore, these projections are used in ISOC’s 2009 – 2010 forecast (presented later in this document).



III. ISOC Expenses – a Matrix Approach

In 2006 and 2007, ISOC built on our WSIS activities and solidified its position as a key global player in the Internet governance arena. In 2008, the plan is to build out a more generalized public policy presence while extending and targeting our activities to the highest level of policy makers, continue ISOC's commitment to education and development, and establish itself as a key partner in the collaborative standards and technology arena. This will be accomplished through a set of coordinated initiatives and some core departmental activities.

Expenses fall into two categories, Departmental Expenses and Program Expenses (see **Appendix C** for a summary of accounting and reporting structures to be used in 2008). At the highest level of Statement of Activities (P&L) reporting, ISOC's financials will reflect internal department expenses and external programmatic expenses. At a more detailed level of reporting, ISOC will provide separate Program reporting, where appropriate internal costs will be correlated to the major Programs to reflect the full cost of delivering programmatic objectives. **Appendix C** contains examples of these two levels of reporting.

Departmental expenses are reported by functional area and are the responsibility of the Department Director. Departmental expenses are largely "Internal" costs such as salaries and personnel expenses, staff travel, etc. However, some "External" costs are included in Departmental reports if they (a) are not associated with a major Initiative, and (b) are "core" to the ongoing operation of a Department. Examples of "Core Projects" are the IETF Journal (Education Department), the Annual Report (Communications Department), and Member Project Funding (Chapters and Individual Member Department).

Program Expenses are "External" costs, such as conference meeting costs, sponsorships, speaker travel, and white papers. These expenses are collected for each discrete project, and grouped by major Program for reporting purposes (see a further discussion of Programs below).

A summary of all ISOC expenses for 2008 (excluding IETF) follows. Detailed Department and Program budgets are found in **Appendix A**.

**Internet Society
2008 Expense Budget (excluding IETF)**



| | 2008 | 2007 | | 2008 Change Compared to | | |
|---|----------------------|---------------------|---------------------|-------------------------|---------------------|-----------|
| | Budget | 2007 | | 2007 | | |
| | | Forecast | 2007 Budget | Forecast | 2007 Budget | |
| ISOC Department and Program Expenses (excl IETF) | | | | | | |
| <u>Departmental Expenses</u> | | | | | | |
| Education | \$ 1,318,726 | | \$ 1,246,086 | | \$ 72,640 | |
| Public Policy | 1,897,169 | | 1,426,652 | | 470,517 | |
| Regional Bureau Program | 501,771 | | 316,581 | | 185,189 | |
| Standards and Technology | 1,327,421 | | 269,248 | | 1,058,173 | |
| Major Strategic Initiatives/Trust & Identity | 472,590 | | 246,249 | | 226,341 | |
| Organization Members | 1,014,991 | | 807,997 | | 206,994 | |
| Chapters and Individual Members | 1,388,740 | | 1,427,105 | | (38,365) | |
| Communications and IT | 2,222,450 | | 918,857 | | 1,303,593 | |
| Total Departmental Expenses | 10,143,858 | 5,956,824 | 6,658,775 | 4,187,034 | 3,485,083 | |
| <u>External Program Expenses</u> | | | | | | |
| Enabling Access Initiative | 1,450,000 | } | 789,676 | 1,557,000 | 1,274,824 | 507,500 |
| InterNetWorks Initiative | 614,500 | | | | | |
| Major Strategic Initiatives/Trust & Identity | 300,000 | | 175,000 | 1,200,000 | 125,000 | (900,000) |
| Other Programs/Projects (NDSS, Postel, Grants Research) | 260,000 | | 96,400 | 100,700 | 163,600 | 159,300 |
| Subtotal - External Program Expenses | 2,624,500 | 1,061,076 | 2,857,700 | 1,563,424 | (233,200) | |
| Total ISOC Expenses (excl IETF) | \$ 12,768,358 | \$ 7,017,900 | \$ 9,516,475 | \$ 5,750,458 | \$ 3,251,883 | |

Total ISOC expenses are budgeted to increase from \$9.5 million in the 2007 Budget to \$12.7 million in the 2008 Budget, in step with the \$3.3 million increase in PIR's contribution to ISOC's programs. Most of the expenditure increase in 2008 relates to Departmental expenses in three areas: Public Policy, Communications, and Standards & Technology. Each of these will be discussed in the section on Departmental Expenses below.

Due to the approach we are following for Major Strategic Initiatives, Program Expenses will decline overall, from \$2.8 million in the 2007 Budget to \$2.6 million in the 2008 Budget. Excluding the Major Strategic Initiative, however, Program Expenses will increase over the 2007 Budget, and exceed the actual 2007 expenditures by over \$1.2 million.

III.a. Initiatives – Strategic Impact

ISOC has traditionally presented its activities within a 3 “pillar format” (Standards, Public Policy and Education) and these aligned well with the departments we had at the time. However, as the Organization grows to take on new challenges, we are expanding our focus and activities. This shows itself through the addition of some new Departments (e.g. Standards & Technology, Communications), as well as through the addition of a small number of longer term, strategic activities (“Initiatives”). These Initiatives and Departments will supplant much of the traditional pillar model for representing our activities. This more aggregated strategic focus affords ISOC the opportunity to better define and communicate our role both in the industry and across a wide range of political stakeholders.

An Initiative is the highest level of directed strategic activity undertaken by ISOC. An Initiative will span several years (“persistent”) and should be critically important to the

development of the Internet and fully in support of our mission and purpose. An Initiative must answer the broad questions: “Is this activity critically important to the Internet or to ISOC’s mission?” “What can we strategically and positively impact? What does ISOC plan to affect by engaging in activities in this area? How will we make a difference?” Initiatives will be used to focus the team’s long-term attention on ISOC’s highest level strategic goals. A set of goals, persistent and multi-year in nature, will describe an Initiative. Initiatives, therefore, will house a number of discrete Programs (as defined below).

Initiatives will be the level at which ISOC largely communicates and projects its strategic priorities externally. They will serve as the basis for many of our member, partner and marketing communications.

This focus on strategic Initiatives does not replace the accountability of the Departments. Directors remain responsible for all activities and costs within those functional areas. However, the Major Initiatives provide a broader, more strategic, and more visible description of ISOC’s mission.

Initiative: Enabling Access Since its inception, a key purpose of the Internet Society has been to facilitate, support, and promote the evolution and growth of the Internet around the world. Enabling access to the Internet has been at the heart of ISOC’s motto “The Internet is for Everyone.”

The challenges to improving Internet growth and take-up are multifaceted and interrelated, particularly in developing countries. They included, for example, access to technical skills and knowledge, the regulatory and policy environment for information and telecommunications services, and broader economic and market factors such as the overall business and investment climate, consumer purchasing power, language diversity, the diffusion and reliability of basic infrastructures and services, among others.

This Initiative focuses on enabling access to the Internet by addressing the fundamental impediments to Internet growth and usability. We will continue (and evolve) many of our efforts in Technical Capacity Building, as well as expand our efforts in economic and policy matters affecting regional and local access. We will work to highlight and extend the work of our Chapters in the area of disabilities issues, advance the business case for disabilities technologies, educate policymakers on disability issues, and advance trials and implementation of the IETF Real Time Text standard.

Initiative: InterNetWorks This initiative (the title is a working title and may be changed) focuses on the continued operation of the global

Internet, taking the holistic approach to identify issues and opportunities in technology development and deployment for open networking.

Many network growth opportunities and issues cross boundaries and cut into competing interests. Existing and new players need to be brought (back) to the community table to discuss and determine best paths forward.

ISOC's purposes in this initiative are to identify and help elaborate such cross-boundary network issues; to promote their resolution through open dialog and collaboration of involved entities, in appropriate fora; and to promote and validate the open collaborative Internet development model.

Some areas of focus will be to address challenges to global addressing (e.g. IPv4 address pool exhaustion, issues in deploying IPv6 etc.). Others will address challenges and opportunities in the area of maintaining a Common and Open Internet (e.g., development of the Internet in a Global Economy, principles underpinning Internet development, the UCI model, various fragmentation threats, pressures on the end-to-end principle, etc).

Initiative: Trust & Identity In order to be trusted, the Internet must provide channels for secure, reliable, private, communication between entities, which can be clearly authenticated in a mutually understood manner. The mechanisms that provide this level of assurance must support both the end-to-end nature of Internet architecture and reasonable means for entities to manage and protect their own identity details.

The Board of Trustees has determined that trust is an issue that is both important and crucial for the long term growth and success of the Internet. Concerns surrounding trust and identity will have major strategic implications and ISOC must determine how and where we can support needed changes. Initial ISOC effort will be focused on developing a map of key ISOC leverage points, actionable requirements and an assessment of the best path for Internet development to incorporate change while continuing to support openness and access. This will be developed through various activities, including a review of the current Internet architecture and the model of Internet development and deployment focused on both trust and identity.

Longer term ISOC effort will require active engagement with participants within the traditional ISOC sphere as well as the research, enterprise, and end-user communities. We may offer support for new research that will enhance or enable trust and will work with the standards community to advance the most interesting outcomes of such research. We must also reach out to the businesses and end-users who rely on the Internet as a channel to exchange sensitive data. Their needs and concerns should inform both base-line research agendas and ongoing standards and development work.

As a practical matter, ISOC should also continue to support the advancement of current technical solutions and best practices through our standards, education, and policy programs.

III.b. Programs – Communicating ISOC’s Mission

A Program answers the questions “What does ISOC do to further its strategic Initiatives and/or further its mission and purpose?” These Programs may directly support the Initiatives above or may support other core activities of ISOC, such as Policy, Communications or Membership. Programs will usually span a number of years, and will have a discrete set of goals and deliverables that can be defined and measured for each year of the Program. Programs will house a number of discrete projects (as defined below).

Programs will be the level at which ISOC largely communicates and projects its *major activities* externally. Programs will drive our external image and be the source of our credibility. As such, the Program cannot be allowed to fail. Once we commit to a program, we must deliver against the goals of that program. The Projects that support a Program may be adjusted to take into account changing priorities/environment, but Programs are not expected to change given they are defined in terms of strategic, critical longer-term goals.

Program Manager

Each Program will be assigned to a single “Program Manager”. A Program Manager will be a manager or director from one of the functional areas (“Departments”). The Program Manager will be the champion of the Program, and will call upon resources from multiple functional areas (including the Communications Department).

Core Programs

A Program will never be included in more than one Initiative. However, some Programs will support the operational responsibilities of a Department (Department Programs), and will not be summarized into an Initiative.

Examples of Department Programs are the Chapter Development and General Awareness Communications efforts.

Programs Under the Enabling Access Initiative

Regional/Local Access

A necessary foundation for the development of the Internet is sound government policy. Monopolies, uncertain business environments, regulatory impediments to internetworking, onerous licensing requirements and other negative regulatory and policy factors can create serious impediments to Internet growth. Without policies that promote the expansion of affordable Internet access and encourage investment and entrepreneurship, Internet development is fundamentally unsustainable in the long term. ISOC’s goals under the Regional and Local Access Program are to:

- Encourage policymakers at the national and international levels to adopt ICT policies and positions that promote the expansion and reach of Internet infrastructure on a national and global basis,
- Facilitate the elimination or revision of national Internet and telecommunications regulatory impediments to Internet growth,
- Educate policymakers on contemporary Internet issues in order to promote sound decision making, and
- Educate policymakers and regulators on the broader economic/market and social factors that impact Internet development.

| Program: Regional and Local Access | | |
|---|-----------------------------|-------------------|
| Program Budget: | External Expenses | \$ 375,000 |
| | Internal Expenses | |
| | Salaries & Personnel | 513,346 |
| | Travel & Meetings/Other | 105,000 |
| | Total Program Budget | \$ 993,346 |
| <p>This budget provides for a significant amount of tools to partner with stakeholders at regional and local level in order to increase the depth and breadth of the policy and education approach and will use appropriate channels such as regional meetings and policy entities (such as UNECA, CITELE, CTU) and the INETs as well as international channels as the IGF or the ITU/UNESCO. It will also develop new benchmark tools to increase the political awareness on the internet development at regional and world-wide level. Last but not least, it is expected that Chapters and the Regional Bureaus will play a key role in the delivery of results and the building of relationships.</p> | | |

Access for Underserved

Communities

Underserved communities, including people that use non-Latin language scripts, the disabled, and geographically remote and dispersed communities, face additional challenges in accessing the Internet. Various technologies and approaches that could facilitate access to the Internet by underserved communities are in development or are underdeployed. Industry and policymakers can play enabling roles in facilitating access to these communities with an understanding of the needs, technologies, and opportunities. As a program area, ISOC will work towards enabling access to the Internet by underserved communities with goals to:

- Advance the development and distribution of technologies that support the use of non-Latin language scripts on the Internet (in a manner that upholds the overall end-to-end connectivity of the network),
- Advance the development of technologies and the business case for facilitating the use of the Internet by the disabled, and
- Educate policymakers and industry on the challenges, needs, technologies, and opportunities of increasing Internet access to underserved communities.

| Program: Access for Underserved Communities | | |
|--|-------------------------|-------------------|
| Program Budget: | External Expenses | \$ 261,000 |
| | Internal Expenses | |
| | Salaries & Personnel | 76,203 |
| | Travel & Meetings/Other | 4,500 |
| | Total Program Budget | <u>\$ 341,703</u> |
| <p>This program will focus in two main areas: multilingual issues and accessibility approaches for the disabled. The multilingual activities for this year will centre around IDN issues and will be homed in the Standards and Technology department, while the disabilities work will be homed with Education.</p> | | |

Technical Capacity Building

In order for the Internet to grow and be sustainable, network operators need to possess the technical capacity necessary to build, maintain, and protect networks, as well as make informed choices about new infrastructure implementations and methodologies. With Internet technology changing rapidly, capacity building needs to be an ongoing process and local information sharing mechanisms must be in place to sustain knowledge transfer beyond classroom trainings. ISOC's technical capacity building program goals are to:

- Train network operators, both existing and prospective, on basic and advanced internetworking skills and techniques,

- Build regional and functional operators communities that can maximize knowledge, experience, and skills transfer and problem solving, and
- Foster technical leadership within communities that can sustain and advance local capacity and more fully participate in regional and global Internet technical and governance forums.

| Program: Technical Capacity Building | | |
|---|-------------------------|---------------------|
| Program Budget: | External Expenses | \$ 814,000 |
| | Internal Expenses | |
| | Salaries & Personnel | 709,821 |
| | Travel & Meetings/Other | 47,250 |
| | Total Program Budget | <u>\$ 1,571,071</u> |
| <p>The program budget for Technical Capacity Building includes funding to support technical training workshops world wide, grants to stimulate technical innovation, research and standards participation by technologists in less developed countries, and support for regional "community building" activities aimed at sustaining knowledge and information exchange in regions where it is most needed. As capacity building is a world-wide effort for ISOC, internal commitments will be made by both the Education Department staff and the ISOC Regional Bureaus.</p> | | |

Programs Under the InterNetWorks Initiative

Common & Open Internet The Common and Open Internet Program identifies and addresses forces towards islands of networking and multiple networked realities, at both the technological and policy levels. It aims to drive the development and acceptance of a modern understanding and consistent implementation of “the end to end principle” of the Internet.

Efforts within this program are focused on identifying limiters to the common and open Internet model and supporting work to move beyond those limitations. A “limiter” is anything that impedes the natural evolution of Internet operation under the model of a common and open Internet – whether it is a technology or policy that is reaching the end of its usefulness, or new uses or challenges for the Internet as a whole.

Expected activities and outcomes include development and delivery of key messaging (technical, educational and policy-informing) on the User Centric Internet, the principles underpinning Internet development, the values of a single common root, better alternatives to “walled gardens” including direct contributions to such sensitive issues as the net neutrality debate, etc.

This is an on-going program specifically focused on promoting recognition of the continued validity of an end-to-end principle in the Internet and implementation of end-to-end supporting services. As identified, particular challenges worthy of more direct ISOC involvement will be addressed as separate programs.

| Program: Common and Open Internet | | |
|--|-------------------------|-------------------|
| Program Budget: | External Expenses | \$ 243,000 |
| | Internal Expenses | |
| | Salaries & Personnel | 519,480 |
| | Travel & Meetings/Other | 25,500 |
| | Total Program Budget | <u>\$ 787,980</u> |
| <p>This budget provides support for ISOC staff engagement with a range of international and regional public institutions in which the Internet's future is under discussion. The importance of reasserting the technical principles that have made it a success is greater than ever. Internet technology developments will be tracked and limiters identified and new advocacy activities on specific regulatory issues (e.g. Net Neutrality) will be generated expanding on the User Centric Internet model. External expenses include invitational workshops to address end-to-end matters, as well as support for concrete testbed and/or interoperability testing of high-level infrastructure (e.g., IDN TLDs), participation in related international and regional meetings, and preparation of materials to contribute to the policy agenda within these fora.</p> | | |

Global Addressing

The "Global Addressing" program identifies and works to resolve challenges to global Internet addressing (e.g., IPv4 address pool exhaustion, issues in deploying IPv6). This is a particular case of a challenge to the Common Internet that requires focused effort: ISOC's neutral position and relationships across organizations makes it a natural place to help facilitation communications, contribute to and coordinate the efforts of the standards, operational and RIR communities and facilitate the expression of requirements.

Expected activities and outcome include:

- Collection and dissemination of clear and accurate technical, operational, and policy-level information on the state of addressing (encouraging uptake; discouraging panic), e.g., by maintaining public web resources;
- Promotion and support of key deployment efforts, e.g., strategic deployments and roundtable discussions between major operators;
- Revival of operational requirements input into the specification refinement process, e.g., by getting key operational experts into the standards discussion.

The Global Addressing program will conclude when there is general deployment of IPv6 (or alternative accepted methods for global addressing). Success for ISOC will be measured in terms of recognition as leader and enabler in issues requiring cross-organizational coordination.

| Program: Global Addressing | | |
|--|-------------------------|-------------------|
| Program Budget: | External Expenses | \$ 300,000 |
| | Internal Expenses | |
| | Salaries & Personnel | 288,703 |
| | Travel & Meetings/Other | 20,500 |
| | Total Program Budget | <u>\$ 609,203</u> |
| <p>This budget provides for a significant amount of staff attention (from multiple departments) to the timely and topical issue. This is a key area where ISOC can leverage its relationships and foster needed cross-organizational discussions. External expenses include support for hosting roundtable discussions, developing technical assets (technical deployment information database and/or test deploys) for IPv6, delivering educational and policy messages in appropriate fora and supporting external experts' travel to industry meetings.</p> | | |

Security & Stability

The Security and Stability Program aims to support development and deployment of key technologies for ensuring a stable and secure Internet.

Expected activities include support and promotion of DNSSEC, securing the existing routing infrastructure, etc.

This is an ongoing program, and its success will be measured by ISOC's ability to engage in and promote movement on key technology issues challenging the stability and security of the Internet's infrastructure.

| Program: Security & Stability | | |
|---|-------------------------|-------------------|
| Program Budget: | External Expenses | \$ 71,500 |
| | Internal Expenses | |
| | Salaries & Personnel | 89,802 |
| | Travel & Meetings/Other | 13,500 |
| | Total Program Budget | <u>\$ 174,802</u> |
| <p>This budget provides for a modest amount of staff attention to guide external activities. Those external activities include support for toolset development (e.g., for DNSSEC) and hosted roundtables.</p> | | |

Major Strategic Initiatives **Trust and Identity**

A trusted Internet must take into account needs for security, transaction protection, and identity assertion and management. Given the network dependence on unique

numbers, and the escalating amount of geo-location data being gathered, the privacy implications of the Internet as designed are a significant and growing concern as well. Trust must be a primary design element at every layer of the architecture and in some cases, existing elements may need to be re-designed or enhanced to meet emerging requirements.

Key objectives for the success of an ISOC Trust Initiative include:

- The implementation of open trust mechanisms throughout the full cycle of Internet research, standardization, development and deployment;
- The mitigation of the social, policy, and economic drivers that may hinder development and deployment for trust enabling technologies; and
- The elevation of "Identity" to a core issue in network research and standards development.

| | | |
|--|--|-------------------|
| Program Budget: | External Expenses - Trust and Identity | \$ 100,000 |
| | External Expenses - Strategic Reserves | 200,000 |
| | Internal Expenses | |
| | Salaries & Personnel | 207,038 |
| | Travel & Meetings/Other | 40,000 |
| | Total Program Budget | <u>\$ 547,038</u> |
| <p>Initial activity (\$100,000) will include contracting for a set of 3 base line studies for a comprehensive review of the current Internet architecture and the model of Internet development & deployment focused on both trust and identity. With other Standards and Technology efforts, we will conduct a review of the proposed Next Generation Network (NGN) research programs as they impact trust and identity. Similar studies will be conducted to map the Identity space and to identify gaps in the current Internet architecture. Studies will include external peer review and will result in a map of requirements and a coordinated set of targeted publications disseminated to multiple audiences. These studies will establish our interest and give ISOC entry into the research and identity communities.</p> <p>Follow on activities (up to \$200,000) would include outreach to research and identity communities, including funding for subject expert participation at selected conferences, hosted roundtable discussions in conjunction with standards and operational meetings, and support for training activities related to emerging trust technologies (DKIM).</p> | | |

Other External Project/Program Expenses

A small number of projects with External expense budgets are undertaken by ISOC, but are not specifically tied to either an Initiative or a single Department. The expenses for these endeavors are captured in a single grouping:

NDSS Conference

ISOC assists with the organization of the NDSS conference. Attendance fees, included in ISOC revenue, cover most of the cost of this conference. The cost of the conference is budgeted at \$85,000.

Postel Award

The cost of this annual award is usually covered by sponsorship revenue, as reflected in the revenue section of the budget. In addition to the \$20,000 annual award, travel expenses and a prize are usually provided to the recipient.

Foundation/Grants

Research/Development Several projects, as more fully described in Section III.f., will be undertaken in 2008 to research opportunities for other funding sources for ISOC's long term programs. \$150,000 has been set aside for these research and development efforts.

III.c. Departmental Objectives

A Department is the primary functional area of ISOC. Each Department has a functional head and a number of personnel dedicated to and supporting the mission of that Department. A Department may directly further the goals of the Internet Society, or provide core operational functions. Currently, direct contributing departments are Public Policy, Education, and Standards & Technology. In addition, Trust & Identity (MSI) activities are captured in a department. Key supporting departments are the Membership (including Organizational Members and Chapters/Individual Members) and Communications Departments.

A short description of the mission of each Department follows.

Public Policy:

The Internet Society's Public Policy programs for 2008 elaborate upon the achievements of 2007 and prior years and aim to establish ISOC in a more prominent leadership role in those areas identified as crucial and strategic for ISOC and its membership, the technical community, key partners and for Internet users around the globe.

Most of the Public Policy programs will, as a top level objective, contribute to the strategic Initiatives that have been identified at the highest level within ISOC. In addition, a specific Public Policy program called "Public Policy development" aims to enhance ISOC's advocacy capacity and provide ISOC with a deeper intelligence on the high-level political agenda on issues impacting the Internet's future, as well as with an up-date map of key influencer's positions on ISOC strategic issues. It will also provide ISOC with key data to both prepare for an efficient contact program with stakeholders and enhance ISOC's reputation. As such, this program contributes at a horizontal level to ISOC's mission and supports the core business of Public Policy.

Our Public Policy programs will be driven by the desire to make a difference in these strategic areas and to position ISOC as both a leader in the political arenas when it's about Internet development and a reference partner to key policy and decision makers at international, regional and national level. In this context, we have developed Public Policy projects with a view to demonstrate concrete deliverables, along defined milestones in order to assess the progress made in the respective programs.

ISOC has already made considerable progress in increasing its reputation and visibility with key actors in the political arenas (e.g., within IGF and OECD) and will strengthen these approaches in the coming years. ISOC's main objective will be to build long term relationships and trust with key decision makers and develop privileged channels to contribute to and drive, as the case may be, the political agenda at both regional and international levels. The priority will be to demonstrate ISOC's added value as a key partner to political stakeholders, in particular those who have or will have a decisive impact on our strategic initiatives.

We will therefore strengthen our policy presence within those arenas we believe will be keys for our objectives. Visibility for visibility's sake is not an objective nor is our presence at political level a project in itself: we have therefore repositioned our presence (eg., IGF) as a channel to achieve key objectives in a particular program rather than as an objective or an activity in and of itself. This said, beyond the very important IGF channel, other avenues such as the regional public institutions, will be investigated, together with key stakeholders in other regions and at the international level (such as the ITU, UNESCO and other regional fora).

Education:

ISOC Education programs will continue to support and extend its collaboration with traditional training partners in the area of technical capacity building, build on successful programs launched in 2007, and strive to introduce new, targeted capacity building programs that address the needs of technologists, particularly in the developing world. In addition, we will work to bring forward and highlight the significant work of our Chapters in the area of capacity building, and seek to engage Chapters more effectively to extending training programs locally.

Some of projects we wish to advance and refine upon in 2008 will be the ISOC Fellowship to the IETF, the IXP

education and capacity building collaborations we started in Africa and Latin America in 2007, the extension of the AfNOG Boot Camp Track to the local level in Africa, IPv4/IPv6 education activities (in cooperation with Standards & Technology), targeted Internet innovation and capacity building grants in Asia and Latin America, and enhanced cooperation with African Universities.

The Education Department will continue to extend the development of evaluation mechanisms to assess the impact of our investment in these areas and determine future capacity building needs, using the local familiarity of the ISOC Regional Bureaus in particular. As technologists in developing countries are often in key positions to provide input to local government on regulatory and policy issues that affect Internet growth, ISOC will strive to leverage opportunities to educate technologists on regulatory and policy issues of regional and global importance.

Standards & Technology: The Standards & Technology Department is newly created for 2008, to increase ISOC's ability to ensure the best Internet (technologically) possible, based on open standards and collaboratively developed best practices.

This department will seek to

- advance the development and deployment of open standards; and
- promote the collaborative development and operational management model, focusing on technology gaps and opportunities and enabling the appropriate actions to address them.

To do this, ISOC will encourage participation in open standards bodies, track and identify issues/opportunities with Internet technology, promote & facilitate the open development model by bringing together appropriate organizations, promote deployment of Internet-supporting technology, enable collaborative development (including research), and drive and contribute to ISOC key initiatives.

Major Strategic Initiatives: To better nurture ISOC's long term strategic vision, a separate department was created in 2007. The Trust & Identity Initiative is one long-term strategic effort. Resources have been dedicated to identifying this and other potentially strategic long-term programs, focusing the bulk of efforts on the Initiative of the same name. However, efforts will also be expended to support complementary ISOC objectives and Programs.

Membership:

The Membership Department maintains outreach and development efforts for three distinct contributors to ISOC's mission: Organization Members, Chapters, and Individual Members.

With respect to Organization Members, ISOC's goal is to develop a larger, more robust, diverse and involved body of organizational members, contributors and sponsors, each of which will support and help advance ISOC's mission and goals.

To this end, a multi-year organization member development plan has been developed as part of the 2008 – 2010 Budget. The goal of the plan is to grow the number of members and year-to-year membership revenues, to increase the diversity of the membership across segments/communities and to expand member engagement in ISOC initiatives and activities, in support of ISOC mission and values.

The branding research project currently in progress provides an important foundation to support efforts to formalize ISOC's organization member brand platform and with completion of this work in the first quarter of 2008, will include recommendations for organization member brand strategy, objectives, themes, positioning options, value proposition, and messaging tactics which will carry forward into 2008.

In addition to building brand awareness, a central component of the strategy is encouraging and supporting two-way, personalized and structured engagement between staff and current/prospective members which results in mutual, demonstrable and measured value both to members and to ISOC in terms of supporting its major initiatives and programs. Organization members provide a rich resource of expertise and insights that can provide significant benefits to ISOC in carrying forth its work and in supporting its mission.

With respect to Chapters and Individual Members, ISOC's goal continues to be helping Chapters reach their full potential and become key partners, in line with ISOC's mission and its priorities, by serving the interest of the global Internet community through a local presence, and by focusing on local issues and developments. ISOC continues to expand outreach to and engagement with Chapters through personal and individual contacts, as well as

through the use of online conferencing and discussions. The Regional Bureaus continue to be very effective in building relationships.

An ongoing priority for the Membership Department is Chapter Development – providing support and infrastructure for Chapters, better opportunities for engagement across ISOC, ensuring that chapters are active and able to support ISOC’s mission locally. To this end a Chapter Development Plan has been developed as part of the 2008 –2010 Budget and will be reviewed at the December 2007 Board meeting.

An important part of Chapter support and development is the Project Funding effort. In 2007, ISOC reviewed 68 applications, and sponsored 20 member projects. Again in 2008, ISOC will dedicate \$200,000 to fund projects presented by ISOC members. For 2008, ISOC will focus on efforts that contribute to the goals of the Education and Policy Departments, as part of our plan to increase the level of engagement with and between chapters.

In 2008, ISOC will take the next step with respect to the membership system, concentrating on chapter requirements and interfaces, as well as features that support the recently adopted business rules. We will work with our Chapters and members to address the issues raised with our current membership system, while ensuring that the system meets ISOC’s customer relationship, communications and accounting needs.

Communications:

The Communications department is responsible for the strategic and tactical communications activities in support of the Internet Society’s mission, initiatives, programs, departments and projects. This includes development and preservation of institutional brand identity and the collaborative development and delivery of programmatic messages and project-level communications vehicles in cooperation with all departments in the organization.

The communications department is also responsible for providing IT and meeting planning services to the Internet Society. The work done by the communications and IT department can be divided into two primary categories:

- Core activities that are conducted to support all of the Internet Society;
- Specific activities conducted in support of an individual initiative, program, department or project.

Core communications, meeting planning and IT activities include developing and producing marketing materials, press releases, background papers, and the annual report; contracting appropriate translation services; planning and providing meeting support for board meetings, staff retreats and other organizational events; developing and maintaining the website in support of all ISOC departments and activities, and developing and providing IT network, software tools, and PC support for all staff and ISOC activities.

Specific support for initiatives, programs, departments and projects includes supporting individual meetings, events and fellowships, collaborating and developing research vehicles to gather data on communities, technologies or policies of interest to the Internet Society; assisting in the identification and development of appropriate editorial materials to support specific communications objectives; conducting outreach to the media or other entities to promote defined program or project communications objectives; and the publishing of appropriate editorial material in print and online to promote the diffusion of knowledge and expanded dialog on specific topics. In addition, the communications department supports the membership department in developing and conducting research; developing and producing materials and conducting outreach to the Internet Society chapters, individual membership and organizational membership.

The communications department has a key role to play within the Internet Society as the one department responsible for coordinating and moderating the overall tone and message of all ISOC communications to ensure the quality, delivery and effectiveness of key messages for specifically targeted audiences.

Strategic Global

Engagement:

A key resource was added in December 2007, providing a springboard for activities in the area of Global Engagement. Bill Graham will assist ISOC in its efforts to engage strategic resources throughout the world. Bill will lead partnership development at the international level with such primary organizations as the OECD, ITU, and ICANN. In this role, Bill will be a resource to the CEO, a number of the Department Directors, and fill an active role in many of the strategic Programs for 2008.

Because of his broad range of involvement, Bill will not be included in any Department, but will be part of the

“Primary Support Group” whose costs are assigned to the Departments and Programs he helps support (see **Appendix C** for a summary of the role and accounting for the Primary Support Group).

III.d. Departmental Expenses

Due to changes in ISOC’s methods of financial reporting (see **Appendix C**), direct comparison of 2007 to 2008 is complex. However, commitments of internal resources have increased in each departmental area after accounting for reporting format changes. Note the 2008 Budget represents a substantial increase when compared to the forecast for 2007 expenditures (the 2007 forecast was not developed on a departmental basis, so this comparison is reflected in total only).

| Internet Society 2008 Departmental Expense Budgets (excluding IETF) | |  | | |
|--|----------------------|---|---------------------|----------------------------------|
| | 2008 | 2007 | | 2008 Change Compared to |
| | Budget | Forecast | Budget | 2007 Forecast 2007 Budget |
| ISOC Department and Program Expenses (exl IETF) | | | | |
| <u>Departmental Expenses (Including Core Projects)</u> | | | | |
| Education | \$ 1,318,726 | | \$ 1,246,086 | \$ 72,640 |
| Public Policy | 1,897,169 | | 1,426,652 | 470,517 |
| Regional Bureau Program | 501,771 | | 316,581 | 185,189 |
| Standards and Technology | 1,327,421 | | 269,248 | 1,058,173 |
| Major Strategic Initiatives/Trust & Identity | 472,590 | | 246,249 | 226,341 |
| Organization Members | 1,014,991 | | 807,997 | 206,994 |
| Chapters and Individual Members | 1,388,740 | | 1,427,105 | (38,365) |
| Communications and IT | 2,222,450 | | 918,857 | 1,303,593 |
| Total Departmental Expenses | \$ 10,143,858 | \$ 5,956,824 | \$ 6,658,775 | \$ 4,187,034 \$ 3,485,083 |

*Refer to **Appendix A** for a more detailed accounting of Departmental expenses by natural cost category.* Major contributing factors to the increase in budgeted expenses from 2007 are:

Education: The Education Department’s expenses increase with the planned addition of a third member of the Education team. This budget would have increased to a greater degree if not for the changes in accounting and reporting methodology. Specifically, a portion of IT costs were allocated to several departments in 2007. These costs will be fully recognized in the Communications/IT Department in 2008 (see **Appendix C**).

Public Policy/Bureaus: The Public Policy budget has increased \$470,000 over the 2007 budget. The budget for personnel costs has increased \$180,000 from the 2007 budget. Travel and meetings costs have increased by \$110,000, reflecting greater outreach activities within the Public Policy Department.

The Public Policy Department will also undertake a single "Core Project" (see discussion of Core Projects on page 2 of **Appendix C**), with a budget of \$180,000. The "Public Policy Roadmap" will be used to identify key stakeholders at international and regional levels and seek their position on key issues affecting Internet development. The goal is to provide ISOC with intelligence on issues impacting the Internet's future, as well as a map of key influencer's positions on strategic issues. Finally it will provide the basis to prepare for an efficient contact program with stakeholders and to enhance ISOC's reputation.

As a subset of the Public Policy Department, the budget for Bureau expenditures has increased by more than \$185,000. This reflects the addition of the Asia Bureau, a full year of the South American Bureau, and a greater travel budget for all three Bureaus.

- Standards & Technology:** This Department, with a budget of \$1.3 million, is newly created in 2008 (2007 comparative expenses are ISOC's standards activities largely in support of IETF). The costs in this department include three full-time personnel, each expected to travel frequently in support of ISOC's technology efforts, plus assignment of costs from the Primary Support group and G&A expenses. In addition, the Chief Internet Technology Officer plans to undertake a number of Core projects with a budget of \$280,000. Three Core projects will focus on developing ISOC's stance in the Standards and Technology space:
- Support the development and use of open standards - Includes supporting and enhancing existing standards efforts, promoting coordination between those efforts, identifying gaps and ways to fill the gaps, and maximizing the usability of open standards.
 - Provide a topical public technology information resource base - As a resource for ISOC activities, as well as a means to solidify ISOC's place in the Internet technology realm, this activity will build an organized resource of information concerning Internet technology – providing historical data, credible snapshots of current discussions, etc.
 - Track ongoing research activities to help integrate their output in developing standards and technologies - Specifically focused on pursuing and elaborating the results from existing future Internet research programs. The goal is to develop a longer term roadmap (of technology development) and build a bridge from the future research to the current engineering.

- MSI/Trust & Identity:** Expenses for this functional area are expected to increase \$226,000 over the 2007 level. However, that increase reflects a greater allocation of Primary Support resources (technical support, meeting planning, executive involvement), as well as inclusion of a staff travel budget for 2008.
- Organization Members:** The Organization Member budget has increased \$206,000 with the addition of a staff member for 2008. The Organization Member budget includes \$135,000 for “Core” projects. The first Core project will be the completion of the Brand Platform and Marketing Program, scheduled for the first quarter 2008. That program will provide membership marketing strategies and guidance to drive organization membership growth and retention. Thereafter, the Membership Department will implement an outreach program based on the Brand Platform results.
- Chapters/IMs**
- The budget for Chapter and Individual Member activities has decreased \$38,000. However, this decrease reflects the change in accounting method from 2007, when IT costs and a correspondingly greater overhead burden were assigned to this Department (see Appendix C for the changes in reporting methods for 2008).
- The Chapter/Individual Member budget once again includes \$200,000 to fund member-submitted Projects, plus \$113,000 for Chapter Development projects. These Chapter Development projects will serve to improve the communications with and involvement of chapters and members in ISOC’s regional and local activities.
- Communications/IT:** The Communications and IT Department expenditure budget reflects a greater commitment to both ongoing communications/outreach efforts and internal technology to support the rapidly growing organization. However, a large portion of the increase is due to reporting changes in 2008 (see **Appendix C**).
- Personnel costs will have increased \$420,000 from the 2007 budget (as revised in April to break out the Communications expenses). The bulk of this increase originates from the reporting changes (e.g., IT personnel were allocated to other departments in 2007). In addition, a Communications manager has been added in Europe, and an editor and an internal communications specialist are budgeted for 2008. Travel and materials shipping expenses

were not included in the 2007 breakout of this department, accounting for a \$94,000 increase in the budget from year to year.

Additionally, the 2008 Communications budget includes new items not formerly undertaken or separately budgeted for:

- \$75,000 for general materials, printing and outreach support,
- \$100,000 for global public relations efforts and press monitoring services, and
- \$300,000 more in G&A cost assignment (based on the higher budget and the fact that the 2007 Revised Budget did not fully assign G&A expense to the Communications Department).

The Communications budget includes \$372,000 for “Core” projects. Of this amount, \$237,000 is budgeted for ongoing publications and communications (e.g., Annual Report, Societes de l’information, Hall of Fame project, World Summit Award, and Member Briefings). Another \$75,000 is budgeted for non-capitalizable internal communications tools and upgrades, and \$60,000 represents a new budget for translating a number of ISOC publications.

III.e. General and Administrative Expenses

General & Administrative/Governance expenses will increase 37% over the budget for 2007. This growth accompanies the doubling in ISOC's staff size and operating budgets since the beginning of 2007.

| Internet Society 2008 G&A/Governance Budget | | | | | |
|---|--------------------|---------------------|---------------------|-------------------------|-------------------|
|  | | | | | |
| | 2008 | 2007 | | 2008 Change Compared to | |
| | Budget | Forecast | Budget | 2007 Forecast | 2007 Budget |
| <u>GOVERNANCE COSTS</u> | | | | | |
| Legal fees | \$ 1,500 | \$ 832 | \$ 5,500 | \$ 668 | \$ (4,000) |
| Directors & Officers Insurance | 4,000 | 3,672 | 4,000 | 328 | - |
| Staff Travel to Board Meetings | 91,000 | 178,370 | 107,500 | (87,370) | (16,500) |
| Board telephone & committee calls | 8,500 | 7,123 | 22,110 | 1,377 | (13,610) |
| Misc (postage, copying, etc.) | 1,500 | 1,279 | 5,959 | 221 | (4,459) |
| Total Governance (before salaries) | 106,500 | 191,276 | 145,069 | (84,776) | (38,569) |
| <u>G & A COSTS</u> | | | | | |
| Legal, Insurance & Accounting | 64,600 | 63,070 | 79,200 | 1,530 | (14,600) |
| Repairs & Maintenance | 22,000 | 37,941 | 26,180 | (15,941) | (4,180) |
| Travel and Meetings | 10,450 | 8,884 | 7,928 | 1,566 | 2,522 |
| Temporary Help | 24,700 | 44,515 | - | (19,815) | 24,700 |
| Professional Services | 100,200 | 52,368 | 5,000 | 47,832 | 95,200 |
| Depreciation and Amortization | 226,590 | 119,980 | 190,982 | 106,610 | 35,608 |
| Rent (Net of PIR Share) | 171,800 | 162,187 | 106,831 | 9,613 | 64,969 |
| Telephone | 7,500 | 6,893 | 13,420 | 607 | (5,920) |
| Materials & Supplies (net of PIR) | 86,000 | 31,512 | (4,469) | 54,488 | 90,469 |
| Bank, Credit Card and Payroll fees | 13,300 | 12,711 | 19,250 | 589 | (5,950) |
| Computer fees, IT/outsourcing fees | 104,600 | 83,255 | 110,300 | 21,345 | (5,700) |
| Office expenses | 20,000 | 16,279 | 54,506 | 3,721 | (34,506) |
| Salaries (G&A and Governance) | 987,358 | 475,542 | 624,926 | 511,816 | 362,432 |
| Relocation expenses (Moving exps.) | 25,000 | - | - | 25,000 | 25,000 |
| Misc (postage, copying, employ train) | 25,000 | 34,470 | 75,083 | (9,470) | (50,083) |
| Subtotal (includes salaries) | 1,889,098 | 1,149,607 | 1,309,138 | 739,491 | 579,961 |
| Total Governance & G&A Costs | \$1,995,598 | \$ 1,340,883 | \$ 1,454,206 | \$ 654,715 | \$ 541,392 |

The most significant increases are in the following areas:

Depreciation

Depreciation will nearly double from \$120,000 in 2007 to \$226,000 in 2008. The growth in this line is dominated by IETF tools developed late in 2007 and by new items included in the 2008 Capital Budget (see section below).

Professional Services

The budget includes \$70,000 for one-time costs to review important compliance areas, including global employment practices, compensation levels, global tax exposures, and organization structure. ISOC also plans to establish supporting human resources policies and practices consistent with its growth.

| | |
|---------------------------------|--|
| Office Rent | ISOC's Reston office lease expires June 30, 2008. Occupancy costs will increase in line with staff additions. In addition, funds are budgeted for relocation. Although the Geneva office rent is contributed by the landlord, the contribution-in-kind is recognized, as well as the cost. |
| Materials & Supplies | This area is dominated by non-capitalizable (ISOC's capital threshold is \$5,000) telecommunications equipment and support, as well as computers for the added staff. |
| Salaries | Salaries increase with the addition of several staff members, including the CFO. In addition, the budget provides for an incentive plan, to be approved by the Compensation Committee at a later date. |
| Board Meetings/Travel | This decline represents a change in accounting and reporting method. Staff travel for such purposes as attendance at the Board of Trustee meetings will be reflected in the Departmental Budgets in 2008. However, travel for Trustees will continue to be reflected in G&A. |

III.f. Alternative Revenue Opportunities

In 2008, ISOC will explore a number of options to increase funding from sources other than memberships and PIR contributions. Three potential programs are identified below.

Development Program: This is a formalized program to seek grants from foundations (public, private & corporate), government and multilateral institutions in support of ISOC's program work operating similar to that of other NGOs. The multinational, educational and capacity building aspects of ISOC's work have excellent prospects for funding from many internationally known grant-making institutions (Ford Foundation, Oxfam International, USAID etc.).

Affiliation and productive relationships with the kindred programs of these institutions will directly benefit ISOC non-monetarily as well. Grant makers devote significant resources to providing public exposure for the work of grantees as well as access to unique networks and partnership opportunities that would not be otherwise known or accessible to us.

ISOC will seek to retain a development and fundraising consultant in 2008 to analyze relevant aspects of our work and assess those with the highest probability for funding,

identify an initial group of likely funding institutions, initiate a relationship with the appropriate program officers and drive the submission of proposals.

Qualifying programs likely would be new efforts, and therefore be largely “cost-neutral” for 2008. However, grants could yield modest funding within 2008 (\$20,000 is forecast in the 2008 Budget). Within a few years, grant proceeds can be a major source of annual revenue for ISOC.

Planned Giving:

This is a specialized contribution program encouraging potential donors to name ISOC as a beneficiary of their estates. Countless people have and are in the process of amassing great wealth due to the innovation made possible by the Internet. As ISOC’s profile grows and more people become aware of its crucial role in ensuring an open Internet defined by the core values of its early creators, it is likely that they would appreciate the opportunity to make its work part of their legacy through a posthumous gift.

Revenue prospects can be difficult to gauge given the relative youth of the commercial Internet and its business and technology leaders. Often times the existence of a planned gift is not known until the passing of the donor although it may have been in place for years prior. However, many successful organizations with ISOC’s scope have programs that constitute an impressive portion of revenue. The potential of course grows with the legacy of the organization. This is a long-term investment for ISOC at this point, but a sensible one.

ISOC plans to engage a planned giving consultant to investigate the potential pool of donors, estimate funding expectations and determine what resources would be necessary to market and administer such a program.

Forming an Endowment:

Establishing an endowment would constitute a very long term endeavor to raise sufficient funds whose annual return could cover a significant portion of the ISOC budget. There are several challenging barriers to building endowments in general and also with the specific idea of one for ISOC.

The first challenge is finding funding. Most foundation guidelines prohibit support for endowments. It is also common for individuals (most give through private foundations for tax purposes) not to fund endowments. Company funds also usually come with high bars.

The second challenge is the amount of money needed to generate the interest required to fund annual operations. This is often connected to the first case. No one wants to contribute to an endowment unless they know that others are lined-up to complete the campaign. A significant endowment would be required to fund even a portion of ISOC's programs.

ISOC will engage professional resources to investigate the long term potential for an endowment program.

IV. IETF/IASA

On November 7, IAOC approved the 2008 Budget to be forwarded to ISOC's Board of Trustees. The IETF Budget incorporates the following key assumptions:

- Meeting registration fees will be increased 5.8% (excluding the one-time increase in the Vancouver fee) to \$635;
- Meeting attendance will remain flat compared to 2007;
- Secretariat costs fall with the award of a two-year contract to a new provider; however, transition costs will absorb most of this savings for 2008;
- Sponsorship commitments have already been secured for all meetings and NOC provisioning in 2008;
- Meeting costs (primarily hotel and food costs) increase 21%, nearly half of which is covered by Comcast's sponsorship in Philadelphia and the remainder relates to higher expected costs in Europe compared to the cost of the 2007 Prague meeting;
- A \$50,000 contingency for potential currency fluctuations or attendance shortfall is included (this is the first year a contingency has been included -- as two indications of how this contingency could be used: the 2007 currency fluctuation for Vancouver cost \$31,000; an average shortfall of 25 attendees per meeting for 2008 would create a shortfall of \$50,000 in registration fees).

| Internet Society 2008 IASA Budget | | | | | | |  | |
|---|----------------|----------------|----------------|-------------------------|--------------|-------------------|---|--|
| | 2008 | 2007 | | 2008 Change Compared to | | Extended Forecast | | |
| | Budget | Forecast | Budget | 2007 Forecast | 2007 Budget | 2009 | 2010 | |
| IASA/IETF | | | | | | | | |
| Meeting Registration Fees and Other | \$ 2,402,500 | \$ 2,427,750 | \$ 2,477,500 | \$ (25,250) | \$ (75,000) | \$ 2,402,500 | \$ 2,402,500 | |
| ISOC/IETF Sponsorships | 605,000 | 495,750 | 325,000 | 109,250 | 280,000 | 626,500 | 657,800 | |
| Expenses (including G&A) | (4,545,900) | (4,411,700) | (4,127,700) | 134,200 | 418,200 | (4,662,600) | (4,889,800) | |
| Traditional ISOC Support to IETF | (1,538,400) | (1,488,200) | (1,325,200) | 50,200 | 213,200 | (1,633,600) | (1,829,500) | |
| New IETF Support Initiatives | (25,000) | - | - | 25,000 | 25,000 | 115,000 | 350,000 | |
| Total ISOC Contribution to IETF | \$ (1,563,400) | \$ (1,488,200) | \$ (1,325,200) | \$ 75,200 | \$ 238,200 | \$ (1,518,600) | \$ (1,479,500) | |
| Capital Expenditures (Tools) | \$ 100,000 | \$ 180,000 | \$ 230,000 | \$ (80,000) | \$ (130,000) | \$ 200,000 | \$ 100,000 | |

A more detailed 2008 IASA Budget can be found in **Appendix B**.

IV.a. IETF Meeting Registration Fees and Sponsorships

The 2008 budget for IETF reflects a small increase in revenues when compared to 2007. This increase results from an increase in meeting sponsorship revenues.

Registration Fee Revenue IETF meeting attendance has declined over the past several years. Attendance in 2007 will be about 70 average

attendees below the 2007 budget, leading to the one-time registration fee increase for Vancouver. Some of the 2007 shortfall is the result of scheduling conflicts for the Chicago meeting. For 2008, the IETF budget assumes average attendance will approximate the actual attendance in 2007 (1,167 per meeting). The Registration Fee will be increased to \$635 per attendee (a 5.8% increase over the base 2007 fee of \$600). Because 2007 Registration Fee revenue included the one-time Vancouver rate increase, 2008 Registration Fee revenue is expected to approximately equal that of 2007.

Sponsorships

ISOC has secured sponsorship commitments covering the NOC and, in Europe the meeting space, for all three 2008 IETF meetings (Comcast for IETF 71, Google for IETF 73, and the IETF 72 sponsor will be announced shortly). This substantially reduces the funding risk for 2008. Sponsorship revenue will increase \$109,000 in 2008, although some of this increase will cover higher hotel costs in Philadelphia (IETF 71).

IV.b. IETF/IASA Expenses

Expenses in several major areas are expected to decline. However, actual meeting costs and expenses to transition to a new Secretariat provider (discuss below) will more than absorb those cost savings. Key expense areas include:

RFC Editor Costs

RFC Editor costs will decline again in 2008 as a result of the two year contract negotiated in 2006 (2007 expenses are projected to be 4% under budget), and the use by IASA of less expensive independent editors. The RFC Editor contract will be re-competed in 2008, possibly resulting in additional savings in future years.

Secretariat Contract

The Secretariat contract was bid in 2007, and awarded to a new contractor. This contract will save nearly \$100,000 annually, and potentially provide enhanced I-D Tracker tools that will reduce IETF's future capital expenditures to create support tools. However, in 2008, IASA will require approximately \$75,000 in transition costs, including some new equipment and costs incurred to transition support from one Secretariat vendor to the next, and potentially, one RFC Editor to the next.

Meeting Costs

Meeting costs will be approximately \$162,000 (21%) higher than the current 2007 forecast. However, 2007 costs were 8% lower than the budget due to lower costs in

Prague. The 2008 European meeting will have higher costs when compared to Prague. In addition, the IETF 71 (Philadelphia) meeting costs will be approximately \$65,000 higher because of sponsor-requested hotel arrangements, which the sponsor is funding.

IASA Admin Expenses

Support expenses for various IASA committee activities and IAD functions are budgeted to increase \$45,000 in 2008. Most of this increase is caused by picking up the NomComm telecommunications costs, which had been funded by a committee member in the past. ISOC plans to reduce these costs by installing and using VoIP solutions.

Capital Expenditures

ISOC further supports the IETF operation by funding the development of web based support tools. These costs are budgeted to decrease in 2008 as existing tools developed by the new Secretariat provider may reduce or eliminate the need to develop custom tools.

IV.c. New IETF Support Initiatives

During 2008, ISOC will seek new sources of support for the IETF. These sources will be important to reduce the level of support required from ISOC over the long term and reduce pressure on IETF meeting fees. In this initial year, it is expected that the cost of developing such sources will exceed the sources revenue themselves. However, in 2009 and beyond these sources are expected to contribute positively.

V. Capital Expenditures

ISOC will undertake to add important internal support systems in 2008. For example, a VoIP phone system similar to that installed in Geneva will be installed in Reston, plus additional communications facilities will be added by the Communications/IT department.

Larger projects include the potential replacement of the current membership system, redesign of ISOC's website to be a better communications tool, and implementation of a new accounting system.

As noted in the Revenue section above, some of the Organization Member contributions may be in the form of equipment donation. This assumption follows from 2006 and 2007 when Cisco made equipment donations to support the IETF. For 2008, there is some uncertainty as to a similar "in-kind" donation, as it has not yet been determined what, if any, equipment needs the IETF may have.

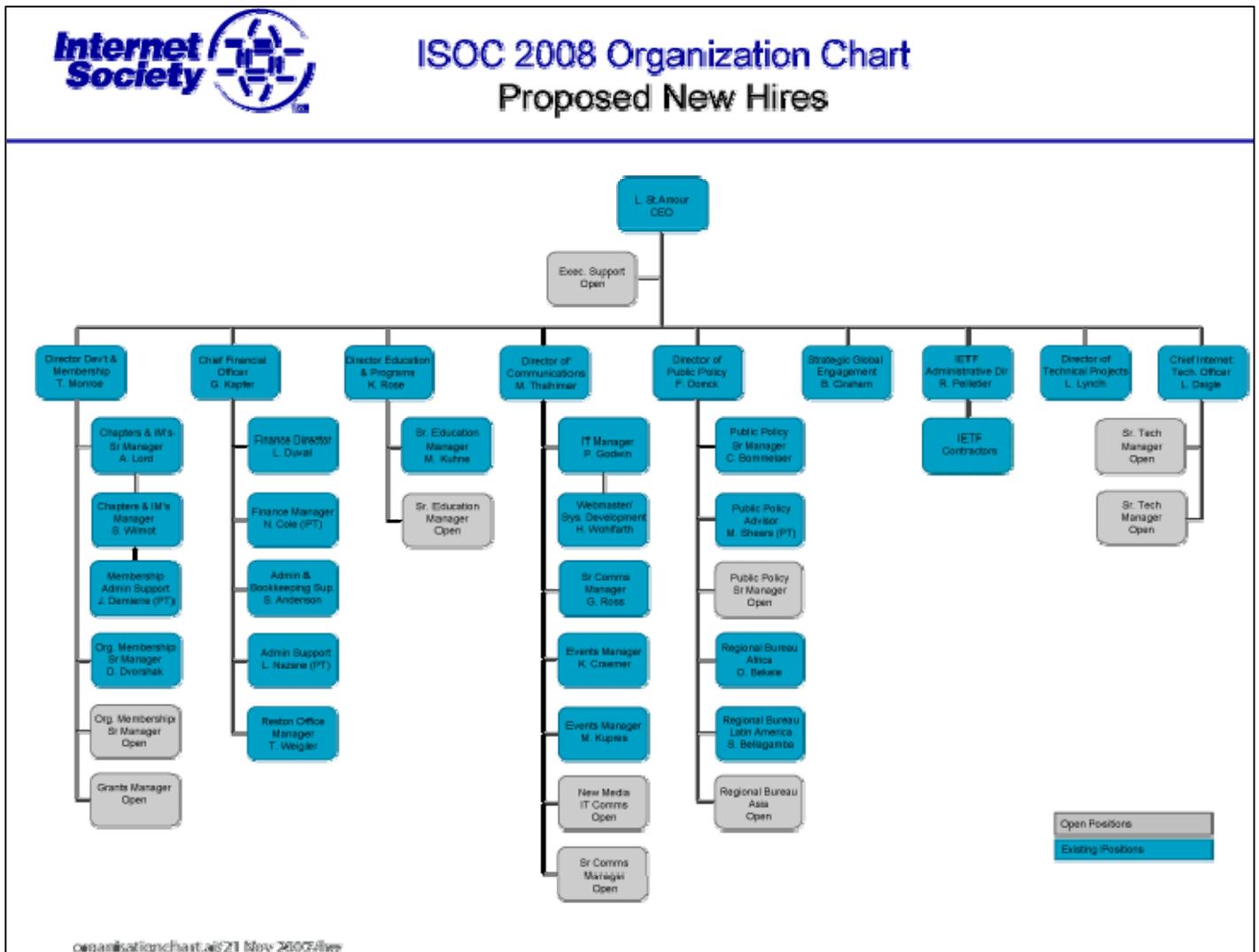
| Summary of Program Activity Capitalizable Projects | | |
|---|--------------------|--|
| | 2008 Budget | 2007 Budget (if applicable) |
| Accounting System | 40,000 | - |
| IETF Capitalizable Tools | 100,000 | 230,000 |
| ISOC Website Redesign | 150,000 | - |
| IT Infrastructure Enhancements | 23,000 | - |
| Membership System Replacement | 95,000 | - |
| Leasehold Improvements/Cabling - Office Relocation | 25,000 | - |
| VOIP telephone system - Reston | 15,000 | - |
| Computer equipment-donation in kind | 100,000 | 100,000 |
| Total Capitalizable Costs | \$ 548,000 | |

VI. Personnel

As ISOC's contribution to the global community has grown with the increase in resources, so have our opportunities and expectations. 2007 saw a number of additions to staff, with new hires in existing departments such as Chapters, the Latin American Regional Bureau, Policy, and Finance where Greg Kapfer was appointed CFO. 2007 also saw the start-up of three new Departments: Communications - led by Mark Thalheimer, Standards & Technology led by Leslie Daigle, and on December 1st Bill Graham will join us to direct ISOC's Strategic Global Engagement. Bill's responsibilities will be to ensure that we have a strategy for, and access to, the highest level of policy makers and influencers across the globe.

For budget purposes, ISOC counts both employees and contractors as full-time equivalents (FTEs). The 2007 additions will leave ISOC with 26 FTEs at the end of the year. For 2008, we are proposing a total resource count of 36, for an increase of 10.

(Also see the Appendices for copies of the Organization Charts from this section).

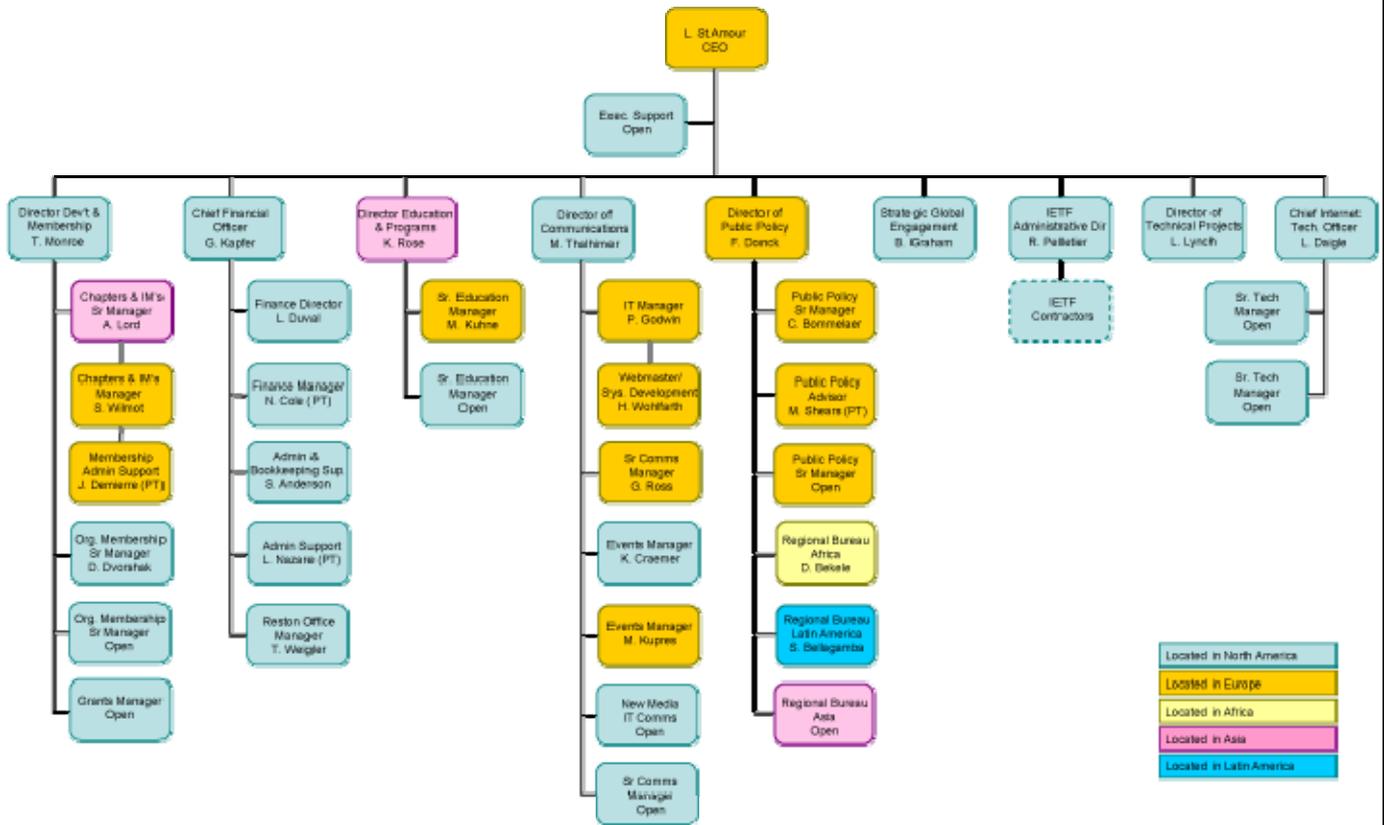


The 2008 additions are listed below with commentary, but the real justification for these resource additions is to be found in the descriptions of our key Initiatives and Programs.

| | |
|-----------------------------------|---|
| Bureaus | Bureau Manager – Asia. Following on from the great success of our African and Latin American Bureaus, we have an open 2007 requisition for this position; however, given where we are in the process the individual is unlikely to be able to start before early 2008. |
| Membership/Chapters | A Grants Manager will allow us to work much more closely with Chapters and Members in the development of local projects. It is expected to increase their success rate/impact and it will allow us to better track and share the results of our activities across other members/chapters. |
| Standards & Technology | Two senior Technical Managers will supplement the existing Chief Internet Technology Officer, Leslie Daigle. These additions will be expected to develop positions and provide briefings in their own right, and will also develop supporting materials for our Policy, Membership and Educational efforts. |
| Public Policy | A Senior Manager to supplement the existing staff of Frédéric Donck, Constance Bommelaer and Matthew Shears (who has assisted in Frédéric’s transition on a full-time basis, but will return to part-time status in 2008). |
| Education | A Senior Manager to supplement the existing staff of Karen Rose and Mirjam Kuehne, allowing us to extend our Education efforts into more strategic areas, while improving current efforts. |
| Communications | A Senior Manager to supplement the existing staff of Mark Thalhimer and Gerard Ross, and a New Media Communications/IT Support staff to supplement our end-user IT services and implement additional electronic communication tools and mediums. |
| Organization Membership | We have included an additional Senior Manager hire. This position is a flex position and the eventual position will be determined following the completion of internal discussions. |
| Executive Support | This position will support the CEO, as well as coordinate communications and key activities across the Director level (much needed). |



ISOC 2008 Organization Chart Geographic View



organisationchart.ais21 Nov 2007/1arr

VII. Cash Reserve

Under ISOC's Operating Reserve Policy, ISOC strives to maintain a cash reserve sufficient to fund six (6) months of operations, plus meeting guarantees for the next two IETF meetings. ISOC forecasts that the year-end 2007 cash balance will be \$5.2 million, excluding PIR's 4th quarter 2007 contribution. This balance will represent a cash reserve of 10.4 months. Therefore, ISOC has accrued for PIR's 4th quarter contribution, but will wait until January 2008 to collect these funds from PIR.

The 10.4 months is calculated based on the level of expenses for 2007. When the calculation is compared to ISOC's 2008 level of expenses, the same \$5.2 million will provide a cash reserve of 6.9 months' coverage, still well in excess of the target specified by the Operating Reserve Policy. Again, the 4th quarter 2008 PIR contribution is assumed to be delayed until 2009.

Over the extended forecast period from 2009 to 2010 (**see three-year forecast below**), ISOC projects that it will maintain cash reserves slightly in excess of the six-month target (even with the continued policy to collect the PIR contribution in the following quarter).

VIII. 2009 – 2010 Forecast

ISOC's long term mission is to promote the open development and evolution of a global and inclusive Internet. To achieve this mission, ISOC must ensure the consistency of its educational, technology, and policy efforts over an extended period of time.

To focus its efforts in these areas, ISOC has centered its activities around long term sustainable Initiatives designed to further ISOC's mission. These Initiatives are developed and action is delivered through the use of Programs that also must be sustainable. *"The Internet will always be a work in progress. There will always be things we need to develop and improve."* (Leslie Daigle).

Key resources were added in the latter half of 2007 that will accelerate ISOC's efforts in support of its long term mission:

- The Standards and Technology Department was established with the addition of Leslie Daigle as ISOC's Chief Internet Technology Officer;
- A strategic resources was added with the engagement of Bill Graham to ensure that ISOC has a strategy for, and access to, the highest level of policy makers and influencers across the globe; and
- A long term focus on key issues (e.g., Trust and Identity) was initiated.

Other primary resources are in place to further ISOC's long-term approach. The Chapter Program and our Individual Members are critical contributors to ISOC's programs, expanding these programs to the local level and providing ISOC with insights into the regional and local community needs. IASA/IETF activities continue to define and develop the technical standards for the Internet. ISOC's outreach efforts have become global, with placement of personnel in 12 different countries and the creation of a new Bureau program. ISOC's organizational sponsors provide both funding and participation in the long-term objectives. PIR's supporting role will enhance ISOC's funding resources to carry out its programs for the near future. And finally, in 2007 and 2008 ISOC has added personnel in key supporting areas and positions.

After two years (2007-2008) of significant growth in both personnel and programmatic commitments, ISOC anticipates that a period of less dramatic growth will begin in 2009. Thereafter, and for the foreseeable future, ISOC will carry out the mission outlined in the 2005 Strategic Operating Plan.

The extended forecast for 2009 – 2010 reflects a slowing growth in both internal costs and external program expenditures. This slow growth projection is driven by a conservative assumption regarding PIR's contributions to ISOC's programs.

Internet Society
Statement of Activities and Change in Net Assets
2008 Budget (with 2009 - 2010 Extended Forecast)



| | 2008 | Extended Forecast | |
|---|-------------------|-------------------|-------------------|
| | Budget | 2009 | 2010 |
| Revenues (excl IETF) | | | |
| Organization Membership/Platinum Revenues | \$ 1,150,000 | \$ 1,400,000 | \$ 1,700,000 |
| Individual Member Dues & Donations | 9,500 | 11,000 | 13,000 |
| NDSS Registrations | 110,000 | 110,000 | 110,000 |
| Sponsorships and Grants (including Postel) | 150,000 | 425,000 | 700,000 |
| PIR Contribution to ISOC | 13,000,000 | 14,000,000 | 15,000,000 |
| Total Revenues (excl IETF) | 14,419,500 | 15,946,000 | 17,523,000 |
| ISOC Department and Program Expenses (excl IETF) | | | |
| <u>Departmental Expenses (Including Core Projects)</u> | | | |
| Education | 1,318,726 | 1,430,817 | 1,566,745 |
| Public Policy | 1,897,169 | 2,058,428 | 2,253,979 |
| Regional Bureau Program | 501,771 | 544,421 | 596,141 |
| Standards and Technology | 1,327,421 | 1,440,252 | 1,577,076 |
| Major Strategic Initiatives | 472,590 | 512,761 | 561,473 |
| Organization Members | 1,014,991 | 1,101,266 | 1,205,886 |
| Chapters and Individual Members | 1,388,740 | 1,506,783 | 1,649,927 |
| Communications and IT | 2,222,450 | 2,411,358 | 2,640,437 |
| Total Departmental Expenses | 10,143,858 | 11,006,086 | 12,051,664 |
| <u>External Program Expenses</u> | | | |
| Enabling Access Initiative | 1,450,000 | 1,573,250 | 1,722,709 |
| InterNetWorks Initiative | 614,500 | 666,733 | 730,072 |
| Major Strategic Initiatives/Trust & Identity | 300,000 | 750,000 | 1,000,000 |
| Other Programs/Projects (NDSS, Postel, Grants Research) | 260,000 | 282,100 | 308,900 |
| Subtotal - External Program Expenses | 2,624,500 | 3,272,083 | 3,761,680 |
| Total ISOC Expenses (excl IETF) | 12,768,358 | 14,278,169 | 15,813,345 |
| Surplus (Deficit) from ISOC Activities | 1,651,142 | 1,667,831 | 1,709,655 |
| IASA/IETF | | | |
| Meeting Registration Fees and Other | 2,402,500 | 2,402,500 | 2,402,500 |
| ISOC's IETF Sponsorships | 605,000 | 626,500 | 657,800 |
| Expenses (including G&A) | (4,545,900) | (4,662,600) | (4,889,800) |
| Traditional ISOC Contribution to IETF | (1,538,400) | (1,633,600) | (1,829,500) |
| New IETF Support Initiatives | (25,000) | 115,000 | 350,000 |
| ISOC's Contribution to IETF | (1,563,400) | (1,518,600) | (1,479,500) |
| Other Revenue (Expense) | | | |
| Interest/Other Misc. Revenue | 274,500 | 247,050 | 247,050 |
| Currency Fluctuations Income (Expense) | - | - | - |
| Subtotal PIR/Other | 274,500 | 247,050 | 247,050 |
| ISOC Surplus (Loss) or Change in Net Assets | \$ 362,242 | \$ 396,281 | \$ 477,205 |
| Change in Cash Reserves | | | |
| Unrestricted Cash, Beginning of Period | \$ 5,215,826 | \$ 5,256,658 | \$ 5,452,939 |
| Unrestricted Cash, End of Period | \$ 5,256,658 | \$ 5,452,939 | \$ 5,730,144 |
| Calculated Months Operating Reserves | 6.9 | 6.7 | 6.6 |

Organization Membership funding is forecast to increase over the extended period, as the Membership Program begun in 2007 yields results. In addition, a modest amount for the receipt of grants or other giving sources is projected for 2009 (\$200,000) and 2010 (\$400,000).

The forecast anticipates an 8% growth in expenses in 2009 and a 9% growth in 2010. With this modest increase in spending, ISOC maintains an Operating Reserve in excess of six months.

IX. Public Support Test

As a public charity under Internal Revenue Code 501(c)(3), ISOC must receive at least one-third of its support from organizations, individuals, or governments in the form of membership dues, grants, contributions and or gifts. If ISOC fails the 33.33% test (which is calculated using the previous four tax years), the Code allows for a “10% plus facts and circumstances” test. This test allows an organization receiving at least 10% of its financial support in the form of public support to submit a plan showing how it intends to attract new public support. If this plan is reasonable and ISOC is able to show that it is making a good faith effort to increase its public support, the IRS generally allows organizations to maintain their public charity status. If ISOC cannot meet the “facts and circumstances” test and the IRS rules negatively, it does not lose its tax-exempt status. Instead, it becomes a different type of charitable organization, a private foundation with less beneficial tax treatment. However, such a reclassification may also impact the tax status of PIR.

For purposes of the public support calculation, the contribution from any single donor exceeding 2% of ISOC’s total support is considered “unfavorable support” and reduces the public support percentage. Therefore, most of PIR’s contribution to ISOC is excluded. As PIR’s contribution increases in excess of the increase in other funding sources, ISOC will fall below the 33.33% test. ISOC’s tax return filed in 2007 (using fiscal years 2002-2005) reflected a Public Support of 40%. The Public Support Test to be filed in 2008 will reflect a 27% result. Consequently, ISOC will file a plan with the Internal Revenue Service in 2008.

Several tax advisors have assured ISOC that dropping below the 33.33% test poses no serious risk to ISOC’s Public Charity status as long as we file and pursue a plan to return to the minimum level. However, the 10% level is a firm test and cannot be missed.

ISOC continues to monitor and forecast the Public Support factor. To that end, we have forecasted the Public Support factor as far out as the report to be filed in 2014 (there is a two year lag in the data collected for the calculation, so the test results in 2014 are based on forecasted financial results through 2012). Two factors influence the results. The first is the rate of growth in PIR contributions. The second is the amount of other qualified funding sources. We have run various scenarios and believe ISOC can stay well above the 10% limit assuming contributions from PIR stay within a reasonable range of growth and ISOC delivers on other funding source goals.

| Pro Forma Public Support Test Results | | | | | | | | | | |
|---------------------------------------|--------------------------------|------------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Assumptions | | | Year Test Filed/Ending Tax Return Year used in Calculation | | | | | | | |
| | PIR Annual Increase after 2008 | Shortfall in Other Funding Sources | 2007/2005 | 2008/2006 | 2009/2007 | 2010/2008 | 2011/2009 | 2012/2010 | 2013/2011 | 2014/2012 |
| Base | \$ 1,000,000 | \$ - | 40.4% | 27.1% | 22.8% | 18.1% | 17.0% | 17.2% | 17.7% | 18.7% |
| Case 1 | \$ 2,500,000 | \$ - | 40.4% | 27.1% | 22.8% | 18.1% | 16.5% | 16.2% | 15.9% | 15.9% |
| Case 2 | \$ 3,500,000 | \$ - | 40.4% | 27.1% | 22.8% | 18.1% | 16.2% | 15.5% | 14.9% | 14.5% |
| Case 3 | \$ 2,500,000 | \$ (200,000) | 40.4% | 27.1% | 22.8% | 18.1% | 16.2% | 15.6% | 15.0% | 14.5% |
| Case 4 | \$ 2,500,000 | \$ (400,000) | 40.4% | 27.1% | 22.8% | 18.1% | 15.8% | 15.1% | 14.1% | 13.0% |

| | |
|---------------------------|---|
| Base Case | Under PIR's forecast for contributions for 2009 and 2010, plus extension of the slowed growth of PIR contributions to \$1 million annually beyond 2008, the Public Support factor levels off around 17% and actually increases after the current high-growth years of 2006 – 2008 fall out of the four-year horizon of the calculation. However, these assumptions are the most conservative as relates to the Public Support test. |
| Sensitivity Case 1 | According to the analysis, an annual increase in PIR contribution of \$2.5 million will not cause ISOC to fall below the 10% public support limit over the test period, stabilizing near 16%. |
| Sensitivity Case 2 | Should the annual increase in PIR contribution be \$3.5 million, ISOC still does not fall below the 10% public support limit over the test period. However, ISOC will near the 10% test by 2016. |
| Sensitivity Case 3 | Assuming a \$2.5 million annual PIR increase, should ISOC fall below its projections for other funding sources by \$200,000 each year, the results are approximately equal to Sensitivity Case 2. |
| Sensitivity Case 4 | As an extreme example of the impact of falling short of ISOC's goals for other funding sources, should PIR's contribution increase \$2.5 million annually and ISOC miss its targets for other funding sources by \$400,000 annually, ISOC will approach the 10% test by 2015. |

In summary, an update from our external advisors provided alternative strategies that could be implemented, if necessary. This means that ISOC has options that would ensure it did 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 will count as good revenue and help with our Public Support calculations. Therefore, we do not recommend taking any action just now, and recommend that we revisit this at regular intervals.

Appendices

Appendix A

**Internet Society
Statement of Activities and Change in Net Assets
2008 Budget (with 2009 - 2010 Extended Forecast)**



| | 2008 | 2007 | | 2008 Change Compared to | | Extended Forecast | | |
|--|--------------------|---------------------|--------------------|-------------------------|-------------------|--------------------|--------------------|-----------|
| | Budget | Forecast | Budget | 2007 Forecast | 2007 Budget | 2009 | 2010 | |
| Revenues (excluding IETF) | | | | | | | | |
| Organization Membership/Platinum Revenues | \$ 1,150,000 | \$ 1,015,300 | \$ 1,200,000 | \$ 134,700 | \$ (50,000) | \$ 1,400,000 | \$ 1,700,000 | |
| Individual Member Dues & Donations | 9,500 | 8,000 | 15,000 | 1,500 | (5,500) | 11,000 | 13,000 | |
| NDSS Registrations | 110,000 | 76,400 | 111,225 | 33,600 | (1,225) | 110,000 | 110,000 | |
| Sponsorships and Grants (including Postel; excluding IETF) | 150,000 | 65,000 | 170,000 | 85,000 | (20,000) | 425,000 | 700,000 | |
| PIR Contribution to ISOC | 13,000,000 | 9,700,000 | 9,700,000 | 3,300,000 | 3,300,000 | 14,000,000 | 15,000,000 | |
| Total Revenues (excluding IETF) | 14,419,500 | 10,864,700 | 11,196,225 | 3,554,800 | 3,223,275 | 15,946,000 | 17,523,000 | |
| ISOC Department and Program Expenses (excl IETF) | | | | | | | | |
| <u>Departmental Expenses (Including Core Projects)</u> | | | | | | | | |
| Education | 1,318,726 | | 1,246,086 | | 72,640 | 1,430,817 | 1,566,745 | |
| Public Policy | 1,897,169 | | 1,426,652 | | 470,517 | 2,058,428 | 2,253,979 | |
| Regional Bureau Program | 501,771 | | 316,581 | | 185,189 | 544,421 | 596,141 | |
| Standards and Technology | 1,327,421 | | 269,248 | | 1,058,173 | 1,440,252 | 1,577,076 | |
| Major Strategic Initiatives | 472,590 | | 246,249 | | 226,341 | 512,761 | 561,473 | |
| Organization Members | 1,014,991 | | 807,997 | | 206,994 | 1,101,266 | 1,205,886 | |
| Chapters and Individual Members | 1,388,740 | | 1,427,105 | | (38,365) | 1,506,783 | 1,649,927 | |
| Communications and IT | 2,222,450 | | 918,857 | | 1,303,593 | 2,411,358 | 2,640,437 | |
| Total Departmental Expenses | 10,143,858 | 5,956,824 | 6,658,775 | 4,187,034 | 3,485,083 | 11,006,086 | 12,051,664 | |
| <u>Program Expenses</u> | | | | | | | | |
| Enabling Access Initiative | 1,450,000 | } 789,676 | 1,557,000 | 1,274,824 | 507,500 | 1,573,250 | 1,722,709 | |
| InterNetWorks Initiative | 614,500 | | | | | | 666,733 | 730,072 |
| Major Strategic Initiatives/Trust & Identity | 300,000 | | 175,000 | 1,200,000 | 125,000 | (900,000) | 750,000 | 1,000,000 |
| Other Programs/Projects (NDSS, Postel, Grants Research) | 260,000 | | 96,400 | 100,700 | 163,600 | 159,300 | 282,100 | 308,900 |
| Subtotal - External Program Expenses | 2,624,500 | 1,061,076 | 2,857,700 | 1,563,424 | (233,200) | 3,272,083 | 3,761,680 | |
| Total ISOC Expenses (excl IETF) | 12,768,358 | 7,017,900 | 9,516,475 | 5,750,458 | 3,251,883 | 14,278,169 | 15,813,345 | |
| Surplus (Deficit) from ISOC Activities | 1,651,142 | 3,846,800 | 1,679,750 | (2,195,658) | (28,608) | 1,667,831 | 1,709,655 | |
| IASA/IETF | | | | | | | | |
| Meeting Registration Fees and Other | 2,402,500 | 2,427,750 | 2,477,500 | (25,250) | (75,000) | 2,402,500 | 2,402,500 | |
| ISOC/IETF Sponsorships | 605,000 | 495,750 | 325,000 | 109,250 | 280,000 | 626,500 | 657,800 | |
| Expenses (including G&A) | (4,545,900) | (4,411,700) | (4,127,700) | 134,200 | 418,200 | (4,662,600) | (4,889,800) | |
| Traditional ISOC Contribution to IETF | (1,538,400) | (1,488,200) | (1,325,200) | 50,200 | 213,200 | (1,633,600) | (1,829,500) | |
| New IETF Support Initiatives | (25,000) | - | - | 25,000 | 25,000 | 115,000 | 350,000 | |
| ISOC's Contribution to IETF | (1,563,400) | (1,488,200) | (1,325,200) | 75,200 | 238,200 | (1,518,600) | (1,479,500) | |
| Other Revenue (Expense) | | | | | | | | |
| Interest/Other Misc. Revenue | 274,500 | 235,300 | 93,000 | 39,200 | 181,500 | 247,050 | 247,050 | |
| Currency Fluctuations Income (Expense) | - | (5,000) | - | 5,000 | - | - | - | |
| Subtotal PIR/Other | 274,500 | 230,300 | 93,000 | 44,200 | 181,500 | 247,050 | 247,050 | |
| ISOC Surplus (Loss) or Change in Net Assets | \$ 362,242 | \$ 2,588,900 | \$ 447,550 | \$ (2,076,258) | \$ 391,092 | \$ 396,281 | \$ 477,205 | |
| Change in Unrestricted Cash Reserves | | | | | | | | |
| Unrestricted Cash, Beginning of Period | \$ 5,215,826 | \$ 3,526,926 | \$ 3,526,926 | \$ 1,688,900 | \$ 1,688,900 | \$ 5,256,658 | \$ 5,452,939 | |
| Unrestricted Cash, End of Period | \$ 5,256,658 | \$ 5,215,826 | \$ 3,974,476 | \$ 40,832 | \$ 1,282,182 | \$ 5,452,939 | \$ 5,730,144 | |
| Calculated Months Operating Reserves | 6.9 | 10.4 | 6.0 | | | 6.7 | 6.6 | |

Appendix A (continued)
2008 Budget
Departmental Expenses

| Education Department | | 2008 Budget |
|-------------------------------------|----|-------------------------|
| Internal Expenses: | | |
| Salaries and Personnel | \$ | 702,956 |
| Primary Support | | 176,345 |
| Travel & Meetings | | 79,250 |
| Telephone/Postage/Office | | 12,000 |
| Professional services (non-Program) | | - |
| Other Internal Expenses | | 5,500 |
| G&A/Governance (Indirect) | | 295,675 |
| Total Internal Expenses | | <u>1,271,726</u> |
| Core Education Projects | | 47,000 |
| Total Education Department | | <u><u>1,318,726</u></u> |

| Public Policy Department | | 2008 Budget |
|---------------------------------------|----|-------------------------|
| Internal Expenses: | | |
| Salaries and Personnel | \$ | 1,091,297 |
| Primary Support | | 235,126 |
| Travel & Meetings | | 295,000 |
| Telephone/Postage/Office | | 82,000 |
| Professional services (non-Program) | | 45,000 |
| Other Internal Expenses | | 11,500 |
| G&A/Governance (Indirect) | | 459,017 |
| Total Internal Expenses | | <u>2,218,940</u> |
| Core Policy Projects | | 180,000 |
| Total Public Policy Department | | <u><u>2,398,940</u></u> |

| Standards & Technology Department | | 2008 Budget |
|--|----|-------------------------|
| Internal Expenses: | | |
| Salaries and Personnel | \$ | 560,573 |
| Primary Support | | 117,563 |
| Travel & Meetings | | 126,000 |
| Telephone/Postage/Office | | 2,000 |
| Professional services (non-Program) | | - |
| Other Internal Expenses | | 5,500 |
| G&A/Governance (Indirect) | | 235,786 |
| Total Internal Expenses | | <u>1,047,421</u> |
| Core Technology Projects | | 280,000 |
| Total Standards & Technology Department | | <u><u>1,327,421</u></u> |

Appendix A (continued)
2008 Budget
Departmental Expenses

| Major Strategic Initiatives | | 2008 Budget |
|--|-----------|------------------------|
| Internal Expenses: | | |
| Salaries and Personnel | \$ | 215,982 |
| Primary Support | | 117,563 |
| Travel & Meetings | | 45,000 |
| Telephone/Postage/Office | | 2,200 |
| Professional services (non-Program) | | - |
| Other Internal Expenses | | 1,000 |
| G&A/Governance (Indirect) | | 90,845 |
| Total Internal Expenses | | 472,590 |
| Total Major Strategic Initiatives | \$ | 472,590 |

| Organization Members Department | | 2008 Budget |
|--|----|------------------------|
| Internal Expenses: | | |
| Salaries and Personnel | \$ | 474,884 |
| Primary Support | | 117,563 |
| Travel & Meetings | | 59,800 |
| Telephone/Postage/Office | | 18,500 |
| Professional services (non-Program) | | 5,000 |
| Other Internal Expenses | | 4,500 |
| G&A/Governance (Indirect) | | 199,744 |
| Total Internal Expenses | | 879,991 |
| Membership Development Programs | | 135,000 |
| Total Org Member Department | | 1,014,991 |

| Chapters & Individual Members Department | | 2008 Budget |
|---|----|------------------------|
| Internal Expenses: | | |
| Salaries and Personnel | \$ | 506,621 |
| Primary Support | | 235,126 |
| Travel & Meetings | | 43,100 |
| Telephone/Postage/Office | | 15,500 |
| Professional services (non-Program) | | 59,800 |
| Other Internal Expenses | | 2,500 |
| G&A/Governance (Indirect) | | 213,093 |
| Total Internal Expenses | | 1,075,740 |
| Chapter Development Programs * | | 313,000 |
| Total Chapter/IM Department | | 1,388,740 |

Appendix A (continued)
2008 Budget
Departmental Expenses

| Communications & IT Department | |
|---|------------------------|
| | 2008 Budget |
| Internal Expenses: | |
| Salaries and Personnel | \$ 976,059 |
| Primary Support | 176,345 |
| Travel & Meetings | 72,000 |
| Telephone/Postage/Office | 22,000 |
| Professional services (non-Program) | 185,000 |
| Other Internal Expenses | 8,500 |
| G&A/Governance (Indirect) | 410,546 |
| Total Internal Expenses | 1,850,450 |
| Core Publications | 372,000 |
| Total Communications Department | 2,222,450 |

| Internal and Core Project Expenses - All Departments | |
|---|------------------------|
| | 2008 Budget |
| Internal Expenses: | |
| Salaries and Personnel | \$ 4,528,372 |
| Primary Support | 1,175,631 |
| Travel & Meetings | 720,150 |
| Telephone/Postage/Office | 154,200 |
| Professional services (non-Program) | 294,800 |
| Other Internal Expenses | 39,000 |
| G&A/Governance (Excludes allocation to IETF) | 1,904,706 |
| Total Internal Expenses | 8,816,858 |
| Core Project Expenses | 1,327,000 |
| Total Departmental Budgets | \$ 10,143,858 |

| Internal Expenses - All Departments (Including Primary Support and G&A) | |
|--|------------------------|
| | 2008 Budget |
| Internal Expenses: | |
| Salaries and Personnel | \$ 6,372,361 |
| Travel & Meetings | 929,600 |
| Telephone/Postage/Office | 181,700 |
| Professional services (non-Program) | 395,000 |
| Other Internal Expenses | 938,198 |
| Total Internal Expenses | \$ 8,816,858 |

Appendix A (continued)
2008 Budget
Program Budgets

Enabling Access Initiative

| Summary of Program Activity <u>Regional & Local Access</u> | |
|---|------------------------------------|
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 310,550 |
| Primary Support Group Expenses | 202,796 |
| Travel, Meetings | 105,000 |
| Other | - |
| Total Internal Expenses | 618,346 |
| External Project Expenses: | 375,000 |
| Total Program Expenses | \$ 993,346 |

| Summary of Program Activity <u>Access for Underserved Communities</u> | |
|--|------------------------------------|
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 23,300 |
| Primary Support Group Expenses | 52,903 |
| Travel, Meetings | 4,500 |
| Other | - |
| Total Internal Expenses | 80,703 |
| External Project Expenses: | 261,000 |
| Total Program Expenses | \$ 341,703 |

| Summary of Program Activity <u>Technical Capacity Building</u> | |
|---|------------------------------------|
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 489,390 |
| Primary Support Group Expenses | 220,431 |
| Travel, Meetings | 47,250 |
| Other | - |
| Total Internal Expenses | 757,071 |
| External Project Expenses: | 814,000 |
| Total Program Expenses | \$ 1,571,071 |

Appendix A (continued)
2008 Budget
Program Budgets

InterNetWorks Initiative

| Summary of Program Activity <u>Common and Open Internet</u> | |
|--|------------------------------------|
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 440,125 |
| Primary Support Group Expenses | 79,355 |
| Travel, Meetings | 25,500 |
| Other | - |
| Total Internal Expenses | 544,980 |
| External Project Expenses: | 243,000 |
| Total Program Expenses | \$ 787,980 |

| Summary of Program Activity <u>Global Addressing</u> | |
|---|------------------------------------|
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 235,800 |
| Primary Support Group Expenses | 52,903 |
| Travel, Meetings | 20,500 |
| Other | - |
| Total Internal Expenses | 309,203 |
| External Project Expenses: | 300,000 |
| Total Program Expenses | \$ 609,203 |

| Summary of Program Activity <u>Security and Stability</u> | |
|--|------------------------------------|
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 63,350 |
| Primary Support Group Expenses | 26,452 |
| Travel, Meetings | 13,500 |
| Other | - |
| Total Internal Expenses | 103,302 |
| External Project Expenses: | 71,500 |
| Total Program Expenses | \$ 174,802 |

Major Strategic Initiatives

| Summary of Program Activity | |
|---|------------------------------------|
| <u>Major Strategic Initiatives</u> | |
| | 2008 Program Budget |
| Internal Expenses | |
| Salaries and Personnel | \$ 136,500 |
| Primary Support Group Expenses | 70,538 |
| Travel, Meetings | 40,000 |
| Other | - |
| Total Internal Expenses | 247,038 |
| External Project Expenses: | 300,000 |
| Total Program Expenses | \$ 547,038 |

Appendix A (continued)
2008 Budget
Program Budgets

Other Programs/Projects

| Summary of Program Activity | |
|------------------------------------|------------------------------------|
| <u>ISOC's IETF Support</u> | |
| Internal Expenses | 2008 Program Budget |
| Salaries and Personnel (G&A) | \$ 98,736 |
| Primary Support Group Expenses | 58,782 |
| Travel, Meetings | 50,000 |
| Other | - |
| Total Internal Expenses | 207,517 |
| Total Program Expenses | \$ 207,517 |

| Summary of Program Activity | |
|--|------------------------------------|
| <u>Other External Projects/Programs</u> | |
| External Project Expenses: | 2008 Program Budget |
| Foundation/Grants Research and Development | 150,000 |
| NDSS | 85,000 |
| Postel Award | 25,000 |
| Total External Project Expenses | 260,000 |
| Total Program Expenses | \$ 260,000 |

| Summary of Program Activity | |
|--|------------------------------------|
| <u>Capitalizable Projects</u> | |
| External Project Expenses: | 2008 Program Budget |
| Accounting System | 40,000 |
| IETF Capitalizable Tools | 100,000 |
| Web Redesign | 150,000 |
| IT Infrastructure Enhancements | 23,000 |
| Membership System | 95,000 |
| Leasehold Improvements/Cabling - Office Relocation | 25,000 |
| VOIP - Reston | 15,000 |
| Computer equipment-donation in kind | 100,000 |
| Total External Project Expenses | \$ 548,000 |

2008 ISOC Budget
Appendix B

| IASA's IETF Budget Overview (\$000's) | | | | | | | | |
|---|----------------------------------|-----------------|-------------------|-------------------|--------------|-------------|-------------------|-------------------|
| Preliminary and Confidential | | | | | | | | |
| | 2007 Budget to Frctst Comparison | | | 2008-2007(Frcst) | | | 2009 Advice | 2010 Advice |
| | 2007 Budget | Incr (Decr) | 2007 Forecast | 2008 Budget | Incr (Decr) | | | |
| Revenues | | | | | \$ | % | | |
| Registration Fees | \$ 2,287.5 | \$ (72.8) | \$ 2,214.7 | \$ 2,222.5 | 7.8 | | \$ 2,222.5 | \$ 2,222.5 |
| Hotel Commissions | 180.0 | 33.1 | 213.1 | 180.0 | (33.1) | | 180.0 | 180.0 |
| Miscellaneous | 10.0 | (10.0) | - | - | - | | - | - |
| Sponsorships | 275.0 | (42.1) | 232.9 | 245.0 | 12.1 | | 248.5 | 260.9 |
| NOC Sponsorships | 50.0 | 212.9 | 262.9 | 360.0 | 97.1 | | 378.0 | 396.9 |
| Total Revenue | 2,802.5 | 121.0 | 2,923.5 | 3,007.5 | 84.0 | 2.9% | 3,029.0 | 3,060.3 |
| Expenses | | | | | | | | |
| RFC Editor/Edit Svcs | 804.5 | (27.6) | 776.9 | 737.8 | (39.1) | | 700.0 | 735.0 |
| Secretariat Contract - Labor Only | 1,599.4 | - | 1,599.4 | 1,500.0 | (99.4) | | 1,575.0 | 1,653.8 |
| Managed Meeting Costs (Variable) | 817.7 | (60.3) | 757.3 | 919.6 | 162.3 | | 965.6 | 1,013.9 |
| Other Secretariat Costs | 47.2 | 10.0 | 57.1 | 31.0 | (26.1) | | 32.6 | 34.2 |
| Other Meeting Expenses | 240.6 | 9.5 | 250.1 | 236.6 | (13.5) | | 248.5 | 260.9 |
| NOC Expenses | - | 315.0 | 315.0 | 360.0 | 45.0 | | 378.0 | 396.9 |
| Secretariat/Editor Transition Expenses | - | 100.0 | 100.0 | 75.0 | (25.0) | | 50.0 | 50.0 |
| General Meeting Contingency | - | - | - | 50.0 | 50.0 | | 50.0 | 50.0 |
| Special Projects | 70.0 | (56.4) | 13.6 | 35.0 | 21.4 | | 36.8 | 38.6 |
| Admin Support (IASA,IETF, IAB, NomCom) | 437.5 | (4.0) | 433.5 | 482.4 | 48.9 | | 506.5 | 531.9 |
| IETF Trust | 23.5 | - | 23.5 | 23.5 | - | | 20.0 | 20.0 |
| ISOC G&A | 87.3 | (2.0) | 85.3 | 95.0 | 9.7 | | 99.8 | 104.7 |
| Total Expenses | 4,127.6 | 284.2 | 4,411.8 | 4,545.9 | 134.2 | 3.0% | 4,662.6 | 4,889.8 |
| Anticipated ISOC Contribution IETF Operations | \$ 1,325.1 | \$ 163.2 | \$ 1,488.3 | \$ 1,538.4 | 50.2 | 3.4% | \$ 1,633.7 | \$ 1,829.5 |
| <i>Before Capitalized Tools Devel & Impact of New Revenue Initiatives</i> | | | | | | | | |
| Other Items Not Included Above: | | | | | | | | |
| Capital Cost: Tools Development | \$ 230.0 | \$ (50.0) | \$ 180.0 | \$ 100.0 | | | \$ 200.0 | \$ 100.0 |
| New Revenue Producing Initiatives Pursued by ISOC | | | | | | | | |
| Revenue | | | | \$ 50.0 | | | \$ 190.0 | \$ 450.0 |
| Less Cost of Product Development/Delivery | | | | (75.0) | | | (75.0) | (100.0) |
| Net Contribution from New Revenue Initiatives | | | | \$ (25.0) | | | \$ 115.0 | \$ 350.0 |

Appendix C to the 2008 Budget

2008 Management Reporting Model

Definitions

To clearly understand the management reporting structure that ISOC will use in 2008, it is best to start with the definitions of “Initiative”, “Program”, “Project” and “Department”. An Initiative is the highest level of strategic activity undertaken by ISOC, spans several years, is critical to the development of the Internet and furthers ISOC’s mission and purpose. In 2008, ISOC identified three Initiatives upon which to focus its strategic attention: Enabling Access, InterNetworking, and one or more efforts under the grouping of Major Strategic Initiative.

Programs answer the questions “What does ISOC do to further the Initiatives identified above?” Most Programs will directly support the identified Initiatives; however some Programs may support core ISOC activities such as Membership and Communications (see discussion of “Core Support Programs” below). Each Program will have goals and deliverables that may be measured for every year that the Program exists. Programs will drive ISOC’s external image and be the source of our credibility; therefore it is critical that we deliver against program goals. Various Projects will comprise each Program.

Projects serve to deliver ISOC’s Programs and answer the question “How will ISOC deliver specific activities?” A Project is managed by a single Department and is headed by a Director of the Department, who is accountable for managing Project costs.

The last tier in the management reporting structure is the Department. A Department is a functional area of ISOC. The Department may directly further the goals of ISOC or provide operational support for ISOC’s overall function. The 2008 Departments within ISOC are Education, Public Policy, Standards and Technology, Strategic Initiatives, Organization Members, Chapters and Individual Members, and Communications & IT.

2008 Reporting Model

Beginning in 2008, ISOC will employ a dual-level “matrix” reporting format for accounting and management reporting purposes. This means that Directors will receive monthly reports on the natural departmental expenses they can control (generally, items such as personnel costs, travel by their staff, and costs directly related to the operation of their department).

In addition, ISOC will have Program reporting that will focus on the costs of delivering our key areas of programmatic services. Costs from several departments will often be summarized in the Program reports. Overall performance of a Program will be the responsibility of an assigned “Program Manager”.

Departmental Reporting:

A very fundamental change in accounting methodology will begin in 2008. Previously, costs reported to each Department were dependent on project activity. For example, if a Policy Department staff member worked on an Education project, that person’s time would be charged to that project, and consequently be recorded in the Education Department’s monthly financial report and not be reflected in the Policy Department’s costs.

Beginning in 2008, Department cost reporting will include only the natural costs of that specific Department. For example, the salaries reported on the monthly statement for the Education Department will include only the staffing of that functional area. Staff travel and meeting costs incurred by the personnel within a Department will also be reported on the Department statement.

Note: It is important to understand that Internal Expenses (defined below) associated with a Project or Program are never “charged out” of a Department. Internal Expenses reported for Program purposes are a subset of the expenses reported at the Department level.

| Summary of Department Activity Public Policy Department Statement (Sample Data) | | | | | |
|--|---------------------|-------------------|-------------------|-------------------|--------------------|
| | 2008 | Q1 | Year-to-Date | | |
| | Annual Budget | Actuals | Actuals | Budget | Pos (Neg) Variance |
| Internal Expenses: | | | | | |
| Salaries and Personnel | \$ 1,091,297 | \$ 234,531 | \$ 234,531 | \$ 247,824 | \$ 13,293 |
| Primary Support | 235,126 | 58,782 | 58,782 | 58,782 | - |
| Travel & Meetings | 300,000 | 62,543 | 62,543 | 75,000 | 12,457 |
| Telephone/Postage/Office | 82,000 | 19,652 | 19,652 | 20,500 | 848 |
| Professional services (non-Program) | 45,000 | 18,500 | 18,500 | 11,250 | (7,250) |
| Other Internal Expenses | 11,500 | 2,400 | 2,400 | 2,875 | 475 |
| G&A/Governance (Indirect) | 459,017 | 114,754 | 114,754 | 114,754 | - |
| Total Internal Expenses | 2,223,940 | 511,162 | 511,162 | 530,985 | 19,823 |
| Core Policy Programs | 180,000 | 62,000 | 62,000 | 90,000 | 28,000 |
| Total Public Policy Department | \$ 2,403,940 | \$ 573,162 | \$ 573,162 | \$ 620,985 | \$ 47,823 |

Core Programs: Each Department may carry mandates that are core activities of that Department, but do not fall under the umbrella of one of ISOC’s key initiatives. These “Core Support Programs” do not generally require resources from other departments, yet have substantial External expenses.

For these Core Support Programs, reporting of External expenses is paramount, as these expenses are controllable by a single Department Director and are relatively substantial. Examples of Core Programs are:

- Chapter Development Programs
- General Communications Projects (e.g., the Annual Report)
- General Education Projects (IETF Journal)

Program Reporting:

The format of Program reporting will not change significantly from previous years; (although the Program names might change). ISOC will continue to report on the full cost of delivering key Programs.

As with 2007, the monthly Program reports for 2008 will include the Internal costs and External costs (see definitions below) associated with that Program.

Internal Costs: All Internal costs (predominantly personnel costs, staff travel, meeting costs, telephone, and other operating expenses) are captured in the Departmental reports. ISOC will also capture and report Internal costs incurred to fulfill the objectives of its Programs.

When Internal costs are assigned to Programs, such costs are not moved out of the Department, but reported at both the Department level and the Program level. This allows ISOC to capture the full costs of delivering Programs without diluting the control feature of responsibility reporting at the Department level. Since a Program Manager will be assigned to each Program, and is responsible for the performance of a Program, costs assigned to a Program will be reported to that Program leader.

External Costs: External Project costs associated with an identified Program are not reported within a Department (with the exception of “Core Programs”). These External costs will be reported directly on the Program reporting. Included in External costs are any third-party goods and services that are specifically incurred for a Project. These costs will be charged directly to the related Project (and rolled up to a Program). For example, speaker fees and travel costs would be charged directly to a Project, not to the Education Department’s expense. Similarly, printed materials related solely to the delivery of a Project’s mission would be charged directly to the Project, not to the Communications or Education Departments.

To reiterate, External costs associated with an identified Program are captured within the Program cost reporting level only; they do not appear within the Department reporting.

***Note:** It is important to understand that the Program reports are full “Cost” reports, reflecting the entire cost of the Program. However, the Internal Expenses within these Program reports are also reflected in the Department reports.*

Primary Support Group-A New Concept for 2008:

Several ISOC staff members dedicate a portion of their time to supporting a broad range of department and project activities. These are key contributors, and not General & Administrative (G&A) functions. These individuals include a portion of the CEO’s time, the Events Manager, the Grants/Contracts Administrator, and the Global Engagement Advisor. Personnel and travel expenses will be classified as Internal expenses and will be assigned to Departments every month. The costs will appear as a line item labeled “Primary Support”. Some of these staff members are associated with various Programs, so their expenses will also appear within Programs when they are directly involved in those Programs.

| | 2008 | Q1 | Year-to-Date | | |
|----------------------------------|-------------------|------------------|------------------|------------------|-----------------------|
| | Annual Budget | Actuals | Actuals | Budget | Pos (Neg) Variance |
| Internal Expenses | | | | | |
| Salaries and | \$ 52,350 | \$ 11,517 | \$ 11,517 | \$ 13,088 | \$ 1,571 |
| Primary Support Group | 8,602 | 2,005 | 2,005 | 2,151 | 146 |
| Travel, Meetings | 25,500 | 7,549 | 7,549 | 6,375 | (1,174) |
| Other | - | 357 | 357 | - | (357) |
| Total Internal Expenses | 86,452 | 21,428 | 21,428 | 21,613 | 185 |
| External Project Expenses | 45,000 | 6,550 | 6,550 | 11,250 | 4,700 |
| Total Program Expenses | \$ 131,452 | \$ 27,978 | \$ 27,978 | \$ 32,863 | \$ 4,885 |

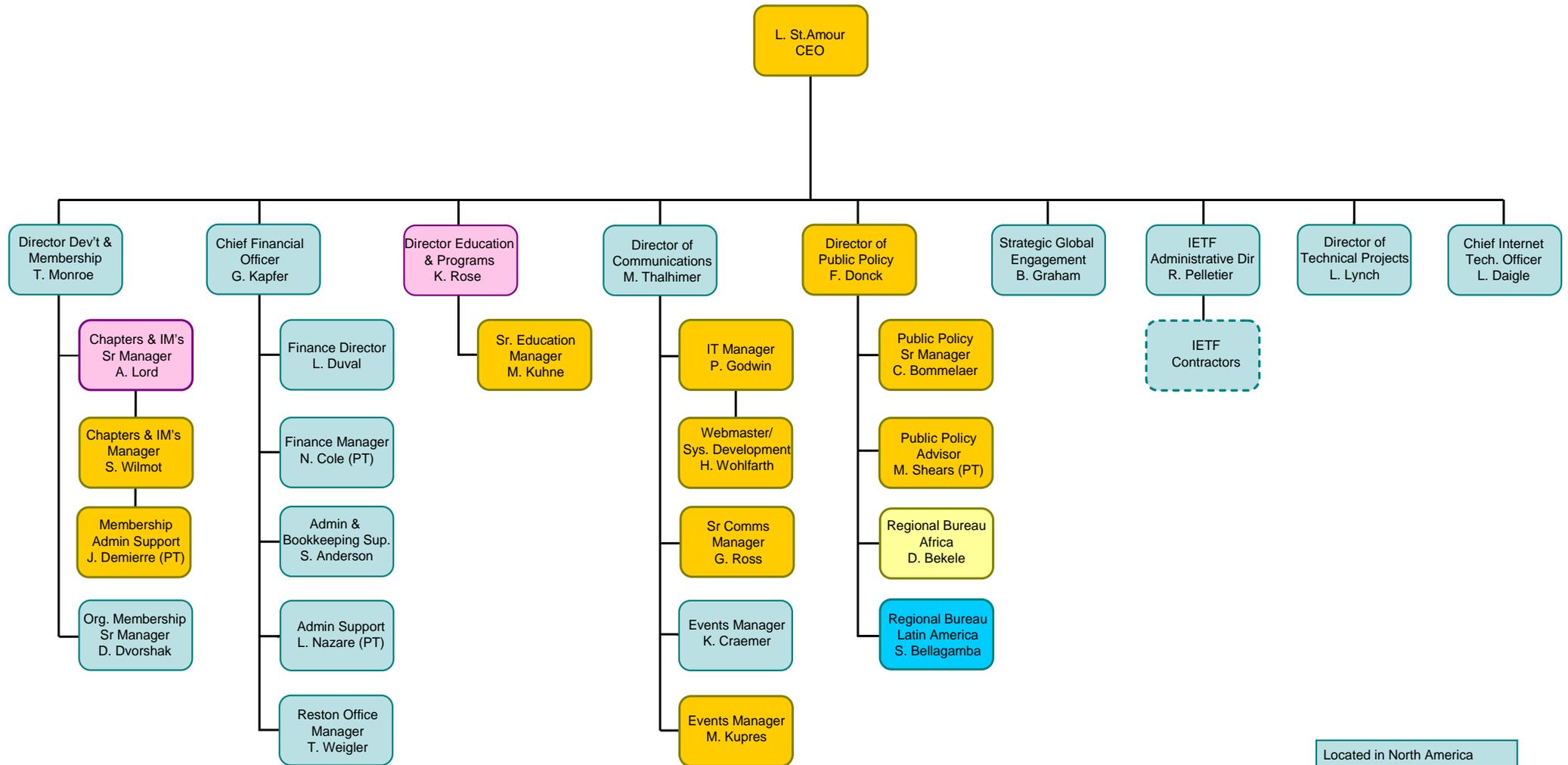
Impact of 2008 Reporting Changes

The overall financial results of ISOC are not impacted by the accounting and reporting changes. However, these changes will make comparison from year to year complex at the Department level. Three changes are important in this matter:

1. Personnel costs will no longer be “charged out of” or “charged to” a Department. For instance, the Education Department was charged for substantial time from the Bureau managers and from Public Policy personnel in 2007. To enhance the Department directors’ control of their own expenses, this method of cost accounting will be discontinued in 2008.
2. In 2007, the cost of some personnel (particularly IT personnel) was distributed equally to several Departments. These personnel costs will remain in their natural Department in 2008.
3. In 2007, staff travel time could be charged to either (a) Project costs (if directly related to a Project) or (b) Internal costs for a Program. In 2008, all staff travel will be reported as Internal costs (appearing both in the Department reports and in the Program full cost reports).



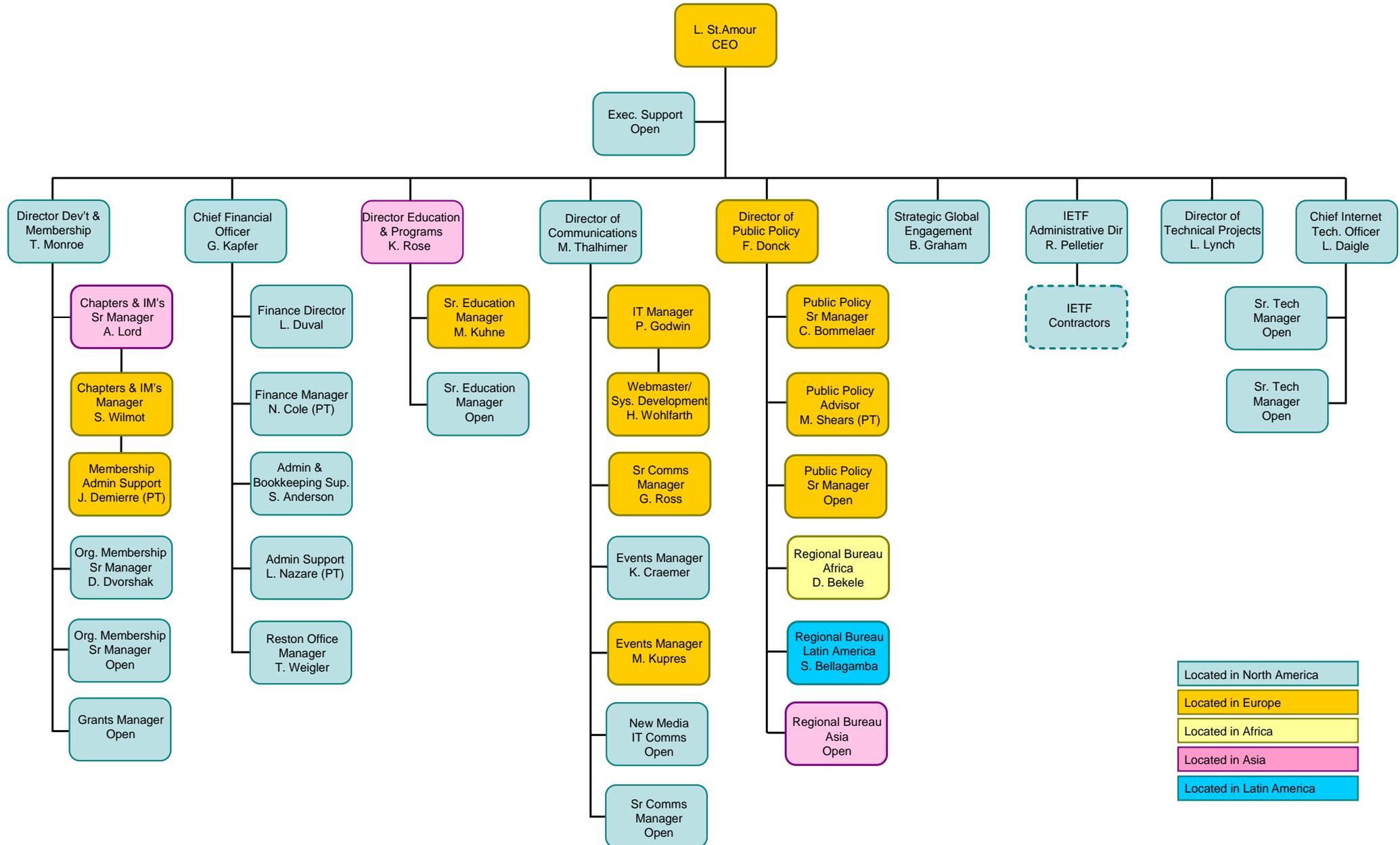
ISOC 2007 Organization Chart



- Located in North America
- Located in Europe
- Located in Africa
- Located in Asia
- Located in Latin America



ISOC 2008 Organization Chart Geographic View





ISOC 2008 Organization Chart

Proposed New Hires

