

Committee members

The committee members were:

Sean Turner, Chair, ex-officio
Richard Barnes
Kathy Brown, ex-officio (non-voting)
Gonzalo Camarillo
Olga Cavalli
Hans Peter Deter

Meetings:

August 18, 2017
September 28, 2017
December 1, 2017
January 10, 2018
February 23, 2018
March 28, 2018
May 31, 2018
May 9, 2018

Catch-up Calls: (Sandy/Sean)

August 16, 2017
November 2, 2017
January 17, 2018
March 22, 2018

Days Blocked For RFP

30 June – 3 August

Financial Health of the Internet Society

The financial health of the Internet Society continues to be good. The CEO and her team comprised of the Chief Financial Officer, the Finance Committee, the Internet Society’s Board, and the Executive Team executed within a sustainable \$39M USD financial envelope.

The Internet Society’s 2017 operating deficit was approximately \$82K USD; this was based on lower than anticipated IETF sponsorship and registration revenue, offset by lower than budgeted spending for personnel and operating costs. There was also \$1.9M USD in interest income.

Note that the revenue increase based on savings from the renegotiated PIR-backend provider will realized in 2018. The notable exception is the \$40M USD transfer from PIR’s reserves which was transferred to the Internet Society Foundation at the end of 2017.

Continuity Fund

Preserving and growing the capital in the Continuity Fund balance is a key focus of the Committee. In 2017, the Continuity Fund gained 11.39% after fees compared to the Strategic Model of 11.65% and Barclays Aggregate of 3.45%. The balance as of 31 December 2017 was \$18.6M and as of 31 March 2018 \$18.5M.

After reviewing the investment’s assets allocation and risk level, which currently is “income” and towards the conservative side, no change was proposed. However, the committee agreed with Morgan Stanley’s recommendations to slightly reallocate funds between equity and fixed income assets; this reallocation remains within ISOC’s current investment policy.

Based on Board resolution 2016-29, which established a Continuity Fund target of \$16M, no further infusion of funds is needed.

IETF Endowment Fund

RIPE continues its yearly 110K Euro donation, but that was the only contribution made. The fund grew from \$2.17M to \$2.6M US based on 15% after fees compared to the Strategic Model of 14.83% and Barclays Aggregate of 3.45%. As of 31 March 2018, the balance is \$2.6M USD.

After reviewing the investment's assets allocation and risk level, which currently is "balanced growth" and middle level risk, no change was proposed.

Special Non-Recurring Fund

The Committee is also focused on preserving the \$10M of capital that was transferred to the Internet Society by PIR, and maintaining these funds in such a way that they can be used fairly readily by the Internet Society, at the Board's direction. This has necessitated keeping the funds invested in highly liquid assets rather than in a manner which could focus on growing the funds over a longer-term or taking on the risk of capital reduction that may come from speculative investments that are more acceptable over the long-term. These funds continued to be invested in very short-term (generally bond instruments with less than 3-year maturity). There was also no change this investment strategy.

Of the \$10M, \$3.7M remains as of 31 December 2017 and \$1.86M USD as of 31 March 2018, with \$500K being designed toward Diamond Key Security. Also, \$1.0M was earmarked by the Board for use during the IASA 2.0 transition.

Financial Staff & Process

There have been no significant changes in accounting processes or policies, and there has been no change in the finance staff. The process to develop the 2018 Budget will follow the development process from previous years.

Public Interest Registry

ISOC finance staff continues to work closely with PIR finance and accounting staff. The Internet Society Board Finance and PIR Finance Committees have also held joint meetings.

Continuing Strategic Financial Advice

Reliance On and Growth of PIR Revenues: Revenues from PIR continue to represent our largest revenue source, at 78% or more of gross revenues. These revenues are forecast to increase as a result of the renegotiation of PIR's backend provider contract which was signed in 2017. Despite this potential increase, ISOC should focus on revenue diversification. Revenue diversification and revenue growth should be a key area of focus.

Trend of Revenues vs. Expenses: In the past, the Board was concerned that expenses were growing faster than revenues. Expenses should continue to be monitored despite the potential increase in PIR contributions.

Recommended Priorities for the Next Finance Committee

1. Continue the process used successfully for development of the annual budget over the past few years.
2. Work with the Board and Executives, as required, to develop goals for the IETF Endowment funds, as these are expected to grow significantly in the coming years. However, these goals will need to take into account the IASA 2.0 process.
3. Continue joint meetings with PIR's Finance Committee.