

## **2016 IETF Financial Report & Discussion**

This report provides a brief commentary in support of the attached Statement of Activities for 2016.

### **Summary**

The IETF experienced positive results when measured against the 2016 Budget in expenses, however this was overshadowed by the negative results for income. The most notable contributors on the expenses and income sides of the ledger were:

- Meeting expenses were lower for meeting space, food and beverage, and other miscellaneous expenses.
- Other (“Operating”) expenses were generally on target.
- Meeting Registration Income significantly underperformed due to lower attendance in Buenos Aires and Seoul
- Only two of the three meetings were fully hosted resulting in significant variance with the Budget
- The Bits-N-Bites events missed their revenue target

The attached Statement of Activities and accompanying Notes offer additional detail.

### **Income**

Total income of \$3,925,501 was \$410,499 below the Budget (-9.5%), as paid attendance underperformed the Budgets for two of the three meetings in 2016 (Buenos Aires -127, Berlin + 69, Seoul - 139).

Moreover, host sponsorships were \$193,806 below Budget as the Buenos Aires meeting was unable to acquire a traditional host. About 56% of income was from participant Registration Fees, while 43% was derived from host and sponsorship contributions. The final 1% was from Meeting-related miscellaneous fees, incentives, tax rebates and other.

Including the funding of Tools Development, ISOC provided funding of \$2,574,164, \$208,878 above the Budget, and raised another \$1,558,179 from hosts, sponsors and other sources.

### **Expenses**

Expenditures (excluding Tools Development) totalled \$6,354,822, or \$147,464 better than the Budget. Approximately 44% of IETF expenses support the IETF Meetings. The remaining 56% are in support of the RFC Editor function, the IETF Secretariat, IASA, and various support functions detailed on the Statement of Activity (“Operating Expenses” in the attached report).

#### **Meeting Expenses**

The total positive variance in Meeting Expenses was \$142,759 (5%) for the year. Savings on such items as Meeting Space, Food and Beverage, and other miscellaneous meeting expenses - such as credit card fees, travel expenses associated with site qualifications and meeting preparation - were partially offset by the requirement to pay for circuits for the meeting in Seoul, normally a contribution.

#### **Operating Expenses**

These expenses were under Budget by \$4,885 for the year (.1%). These expenses would have been significantly under Budget except for the need to spend \$102,000 to defend a lawsuit that was ultimately dismissed with prejudice. In addition the IAOC authorized a contract to address the need for more effort to maintain IETF tools that added \$45,867 to that budget item. Operating Expenses also include an allocation of \$275,000 for ISOC expenses in support of the IETF (including securing host and sponsorship revenues, and providing accounting and administrative support).

### **Capital Development (Tools)**

Of the \$200,000 Budgeted for Tools Development, only \$144,843 was expended. There was an expectation that funds would be needed for tools to implement new RFC formats, however the necessary

design and community processes were not completed in time for actual contracts and tools development. Tools Development is funded by ISOC as part of the overall funding plan.

### **Lessons Learned**

For 2016, budgeted targets were not met for hosting, Bits-N-Bites, and other sponsorship opportunities. Additionally, there was minimal or no local sponsorship for IETF95 and IETF97. Sponsorship acquisition, including hosts, will be a topic of discussion in the new IAOC Sponsorship Committee.

The IETF budget includes revenue from meeting attendees. On an annual basis, the IETF has a good track record of predicting and budgeting attendance numbers for the usual 1-1-1 (Europe, North America, and Asia) rotation. In 2016, the actual attendees were lower than budgeted for IETF95 and IETF97, and higher for IETF96. IETF95 (Buenos Aires) replaced North America in 2016 as a '\*' location, i.e. outside the usual rotation, for which there was no historic model to predict attendees and attendance was 127 lower than forecast. IETF 96 (Berlin) attendance was 69 participants higher than budgeted. IETF97 (Seoul) attendance of 1097 was lower than forecast by 134. There are many possible factors that may have led to lower than budgeted attendance, for example impact of market changes, success of the IETF remote participation platform, or exercise of the '\*' policy, and the attendance models used in preparing future budgets should be revisited accordingly.

The 2017 Budgeting process prepared in 2016 was adjusted to align with higher expenses projected as a result of moving IETF98 from Montreal to Chicago. IETF98 was originally scheduled for Montreal, but the hotel cancelled due to renovations over our dates. Future meeting selection decisions by the IAOC should include total estimated cost (revenue less expenses) of a venue when making venue choices.