



2011 BUDGET PRESENTATION

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2010 Results

1.) Earned “clean” or “unqualified” opinions from Ernst & Young, CPAs

a.) “GAAP” Audit

[Independent, outside auditors are hired by the Board of Trustees to review the accounting records of the organization to determine the completeness and accuracy of those records. The outside auditors found the records to be both complete and accurate, providing a fair and representative picture of the financial health of the organization.]

b.) A-133 Government Grant Audit

[Independent, outside auditors are also hired by the Board of Trustees to perform an audit of Federal grant activity based on determining compliance with the government’s numerous standards. The outside auditors found Internet2 to be fully compliant with all government standards and found no exceptions.]

2.) Generated “GAAP” positive results from operations.

[“GAAP” means Generally Accepted Accounting Standards, the accounting rules by which organizations can be fairly compared. Since “GAAP” rules are not cash-based but include the recognition of non-cash transactions like depreciation, an organization can be operating with positive cash flow but not reflect positive “GAAP” based results from operations. In 2010, Internet2 reflected both positive “GAAP” results as well as positive cash flow.]

3.) Met the first year of the three-year commitment to generate and reserve at least \$2M towards BTOP cash match.

[The BTOP grant requires a matching cash obligation of at least 20% of the magnitude of the project in order to receive the grant funds. Internet2’s Board committed to managing finances to generate positive cash from operations of at least \$2M per year for three years to help meet the cash match obligation.]

4.) Increased cash reserves in 2010.

[Internet2 generated more than the required \$2M, thus increasing cash reserves.]

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Key Budget Features

1.) “GAAP” “Increase in Net Assets”

[As in 2010, Internet2 staff have created a financial plan that is expected to generate not only positive cash from operations but also Revenues in excess of Expense, measured based on Generally Accepted Accounting Standards.]

2.) Meet the second year of the three-year commitment to generate and reserve at least \$2M.

[The financial plan is expected to generate the \$2M committed by the Board to help meet the BTOP cash match obligation.]

3.) Increase in cash reserves in 2011.

[The financial activity of the organization will be managed to not only generate the \$2M BTOP cash commitment but also to add to the cash reserves over and above the \$2M commitment. The build-out of the new network will begin in earnest in 2011 and involves incurring operating expenses for the new network while continuing to operate the existing network at the same level, generating higher than normal operating expense levels during the build-out period. Internet2 experienced and reflected this reality when building the current network back in 2005 – 2007. The increased cash reserves provides the necessary working capital to support this process.]

4.) Re-align resources to address the Seven Strategic Priorities.

[Internet2 staff are in the process of re-aligning the organization to more efficiently, effectively, and transparently address the seven newly-identified strategic objectives provided by the Board, through the efforts of the Advisory Councils. Staff has identified five functional areas within the organization, four of which perform programmatic work and the fifth provides staff support to the four. The next slide lists the seven strategic objectives and the alignment within the Internet2 organization followed by the Statement of Operations displaying 2010 actual results compared to the 2011 Budget, organized by functional area.]



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Seven Strategic Priorities

Member Services, Communications & Marketing

- 1.) U.S.UCAN initiative
- 2.) Global Reach & Leadership
- 3.) Industry Partnership Development and Engagement

Network Services

- 4.) National/Regional Collaboration
- 5.) Advanced Network Services and Leadership

CTO Activities

- 6.) Research Partnership Development and Leadership

Services, Applications & Middleware

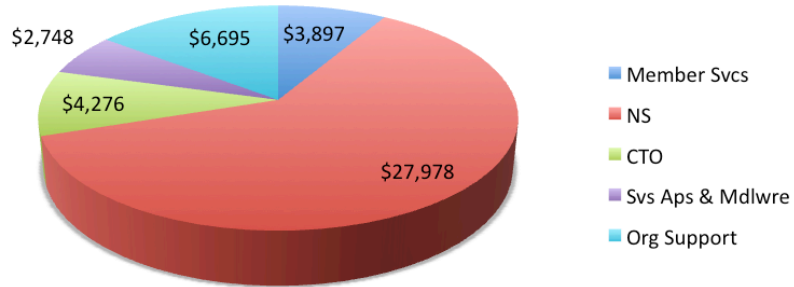
- 7.) Services Above the Network/Cloud Services

INTERNET2
Statement of Operations - Budget vs Actual
For the Periods Ending 12/31/2011 & 2010

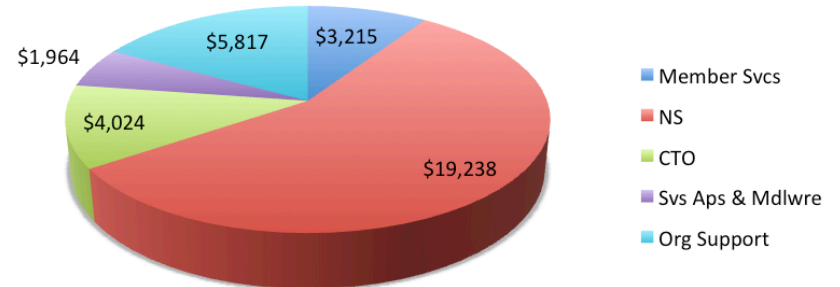
	BUDGET <u>2011</u>	ACTUAL <u>2010</u>	<u>Var</u>
Revenue and other support			
Member services, Communications & Marketing	\$ 9,510,000	\$ 9,705,757	\$ (195,757)
Network Services	\$ 35,233,000	\$ 23,227,956	\$ 12,005,044
CTO Activities	\$ 3,202,000	\$ 1,394,785	\$ 1,807,215
Services, Applications & Middleware	\$ 2,292,500	\$ 811,951	\$ 1,480,549
Other (Organizational Support)	\$ 48,000	\$ 153,276	\$ (105,276)
	<u>\$ 50,285,500</u>	<u>\$ 35,293,725</u>	<u>\$ 14,991,775</u>
Pass-through Subcontracts	\$ 1,351,750	\$ 251,642	\$ 1,100,108
Revenues net of pass-through subcontracts	<u>\$ 48,933,750</u>	<u>\$ 35,042,083</u>	<u>\$ 13,891,667</u>
Expenses			
Program services:			
Member services, Communications & Marketing	\$ 3,896,980	\$ 3,214,695	\$ 682,285
Network Services	\$ 27,977,525	\$ 19,238,064	\$ 8,739,461
CTO Activities	\$ 4,276,300	\$ 4,023,776	\$ 252,524
Services, Applications & Middleware	\$ 2,747,550	\$ 1,964,391	\$ 783,159
	<u>\$ 38,898,355</u>	<u>\$ 28,440,926</u>	<u>\$ 10,457,429</u>
Organizational Support	\$ 6,695,145	\$ 5,816,836	\$ 878,309
Expenses net of pass-through subcontracts	<u>\$ 45,593,500</u>	<u>\$ 34,257,762</u>	<u>\$ 11,335,738</u>
Increase (Decrease) in net assets	\$ 3,340,250	\$ 784,321	\$ 2,555,929
Net assets, beginning of year	<u>\$ 15,032,180</u>	<u>\$ 14,247,859</u>	
Net assets, end of year	<u><u>\$ 18,372,430</u></u>	<u><u>\$ 15,032,180</u></u>	

- CONFIDENTIAL -

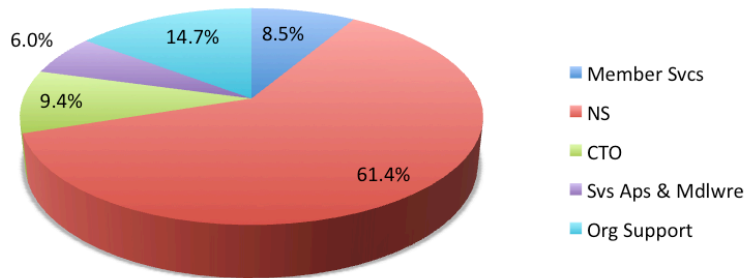
2011 Expenditures



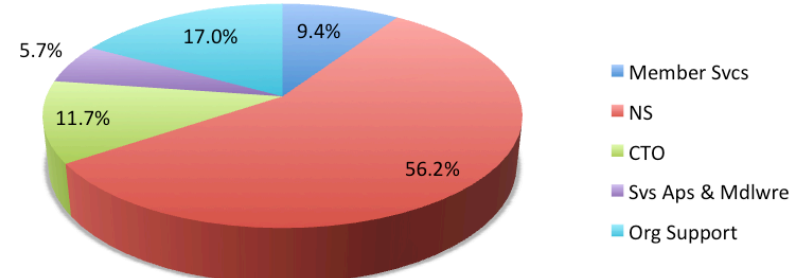
2010 Expenditures



2011 Expenditures

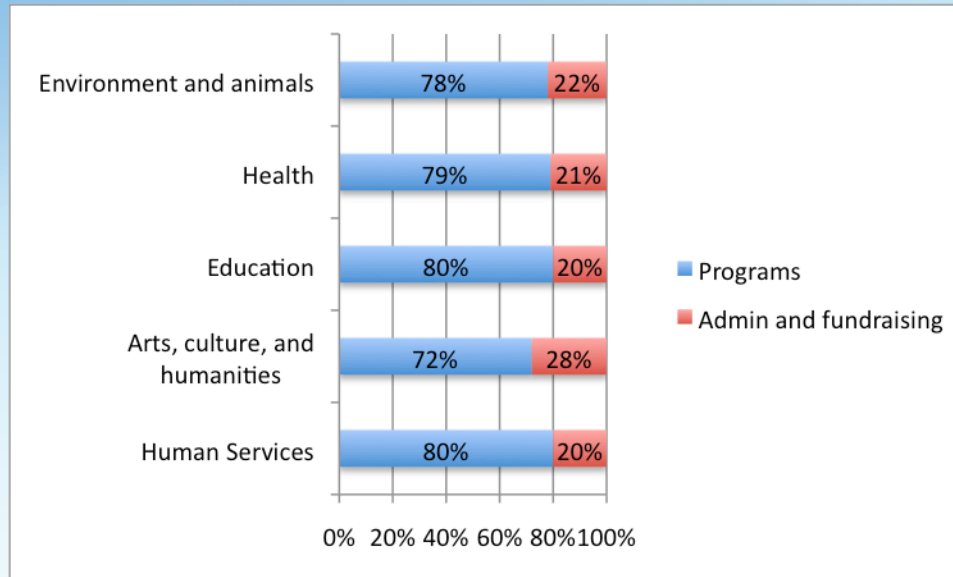


2010 Expenditures



Urban Institute “Benchmarking” Study

Average Program Expenditures of Nonprofits, by Subsector



Internet2

2010: Programs = 83%; “Overhead” = 17%

2011: Programs = 85.3% “Overhead” = 14.7%



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For more information, visit www.internet2.edu