

2010

ANNUAL REPORT

FINANCIAL POSITION AND STATEMENTS

LETTER FROM THE 2010 SNIA CHAIRMAN AND SNIA EXECUTIVE DIRECTOR

October 5, 2011

Dear SNIA Members, Industry Colleagues and Staff,

We are pleased to present information on the financial position of SNIA for Fiscal Year 2010, beginning on December 1, 2009 through November 30, 2010. The financial statements and notes represent the compilation and audit by SNIA's Accounting Firm of McCahan, Helfrick, Thiercof, & Butera of San Jose California.

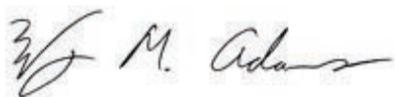
Despite another difficult recession year, SNIA's financial position in 2010 improved over that of 2009 with a year-end Profit and Loss result of a small surplus for re-investment. More importantly, we did not need to use any of our restricted reserve account in 2010 and the reduction seen in the following statement to the restricted reserve of \$300,000 actually reflects an adjustment made during FY 2009 that affected our FY 2010 walk-in number. Even with the growing trend of mergers and acquisitions that resulted in several large voting member companies and other Association members being lost as fee-paying SNIA members, we had a slight actual increase over 2009 in Member and Forum/Initiative membership fees.

The reorganization of SNIA operations and staff at the beginning of FY 2010 resulted in a net savings of salary and related expenses of some \$200,000 and better aligned our resources to our needs for the near term. The use of contractors in specific areas of the organization enabled both focus and fiscal prudence in these activities. Revenues from our partnership with Computerworld in the twice-annual SNW events were flat from 2009 to 2010 and we recognized a bottom line increase in gross profit from our SNIA-produced Storage Developer Conference.

Projections for FY 2011 indicate that without using any of our restricted reserve of \$1,200,000 as mandated by our charter and association status, we again anticipate a better than break-even financial position.

We acknowledge and thank our loyal members, volunteers, staff and friends for their ongoing support of SNIA.

Regards,



Wayne M. Adams
Chairman, SNIA Board of Directors



Leo E. Leger
Executive Director, SNIA

SNIA 2009 - 2010 LEADERSHIP

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**FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009**

Board of Directors
Storage Networking Industry Association
San Francisco, California

We have audited the accompanying statements of financial position of Storage Networking Industry Association (a California nonprofit organization) as of November 30, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Storage Networking Industry Association as of November 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

McCahan, Helfrick, Thiercof & Butera
Accountancy Corporation

San Jose, California
April 1, 2011

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION NOVEMBER 30, 2010 AND 2009

	ASSETS	
	2010	2009
Cash and Cash Equivalents	\$ 505,015	\$ 630,371
Investments	2,136,814	2,078,051
Accounts Receivable - Membership	1,495,721	970,086
Accounts Receivable - Storage Networking World	65,960	105,499
Accrued Revenue	14,497	48,363
Dividends Receivable	12,325	18,150
Prepaid Expenses	23,162	15,197
Property and Equipment - Net	<u>227,887</u>	<u>273,790</u>
Total Assets	<u>\$ 4,481,381</u>	<u>\$ 4,139,507</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts Payable	\$ 171,600	\$ 162,316
Deferred Revenue	1,659,837	1,146,340
Accrued Expenses	<u>83,572</u>	<u>213,791</u>
Total Liabilities	<u>1,915,009</u>	<u>1,522,447</u>

Net Assets:

Unrestricted:

Designated by Board of Directors -

For Forums and Initiatives	421,537	214,706
For Operating Reserve	1,200,000	1,500,000
Undesignated	<u>944,835</u>	<u>902,354</u>
Total Unrestricted	2,566,372	2,617,060
Temporarily Restricted	0	0
Permanently Restricted	<u>0</u>	<u>0</u>
Total Net Assets	<u>2,566,372</u>	<u>2,617,060</u>
Total Liabilities and Net Assets	<u>\$ 4,481,381</u>	<u>\$ 4,139,507</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets:		
Support and Revenue:		
Memberships, Forums, and Initiatives	\$ 1,805,390	\$ 1,788,585
Storage Networking World and Other Events	347,278	333,787
Storage Management Initiative Programs	278,900	114,600
Sponsorships	186,910	223,970
Lab Fees	287,697	288,167
Administrative Fees	176,382	199,934
Certification Fees	167,941	124,984
Course Fees	51,880	115,632
Contributions	57,344	0
Participation	58,963	7,771
Other	62,053	51,108
Investment Income - Net	50,000	110,097
Total Unrestricted Revenues	<u>3,530,738</u>	<u>3,358,635</u>
Expenses:		
Program Services:		
Technology Center	280,635	200,123
Cloud Storage Initiative	236,197	84,829
Marketing Committee	215,285	226,089
Storage Management Initiative Programs	662,511	664,386
Education Committee	116,511	106,072
Storage Developers Conference	111,313	84,352
Green Storage Initiative	97,780	61,471
XAM Initiative	71,825	349,350
Ethernet Storage Forum	62,865	19,066
Conference Committee	52,968	36,306
Technical Council	53,287	38,700
Solid State Storage Initiative	41,531	127,618
Storage Security Industry Forum	21,594	49,053
Development Operation	18,739	2,649
Membership Committee	15,207	5,461
Storage Networking World	3,458	18,264
Data Management Forum	0	179,259
Data Protection Capacity and Optimization Committee	6,798	0
End User Council	1,349	16,040
Total Program Services	<u>2,069,853</u>	<u>2,269,088</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Net Assets (Continued):		
Expenses:		
Supporting Services:		
General and Administrative Expenses:		
Salaries and Related Expenses	1,145,973	1,337,344
Operations	353,350	387,085
Board of Directors	<u>12,250</u>	<u>10,617</u>
Total Supporting Services	<u>1,511,573</u>	<u>1,735,046</u>
Total Expenses	<u>3,581,426</u>	<u>4,004,134</u>
Changes in Unrestricted Net Assets	(50,688)	(645,499)
Changes in Temporarily Restricted Net Assets	0	0
Changes in Permanently Restricted Net Assets	<u>0</u>	<u>0</u>
Decrease in Net Assets	(50,688)	(645,499)
Net Assets - Beginning	<u>2,617,060</u>	<u>3,262,559</u>
Net Assets - Ending	<u>\$ 2,566,372</u>	<u>\$ 2,617,060</u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED NOVEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities:		
Decrease in Net Assets	\$ (50,688)	\$ (645,499)
Adjustments to Reconcile Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	216,105	157,431
Unrealized Gain (Loss) on Investments	2,761	(28,811)
Realized Gain on Investments	9,781	5,096
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(525,635)	(25,517)
Other Receivables	79,230	64,636
Prepaid Expenses	(7,965)	2,852
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	9,284	(153,283)
Accrued Expenses	(130,219)	36,992
Deferred Revenue	513,497	(360)
Total Adjustments	<u>166,839</u>	<u>59,036</u>
Net Cash Provided (Used) by Operating Activities	<u>116,151</u>	<u>(586,463)</u>
Cash Flows from Investing Activities:		
Cash Payments for Purchase of Property and Equipment	(193,663)	(77,670)
Loss from Disposition of Assets	23,461	0
Net (Increase) Decrease in Investments	(71,305)	316,666
Net Cash Provided (Used) by Investing Activities	<u>(241,507)</u>	<u>238,996</u>
Cash Flows from Financing Activities	<u>0</u>	<u>0</u>
Net Decrease in Cash and Cash Equivalents	(125,356)	(347,467)
Cash and Cash Equivalents at Beginning of Year	<u>630,371</u>	<u>977,838</u>
Cash and Cash Equivalents at End of Year	<u>\$ 505,015</u>	<u>\$ 630,371</u>

Supplemental Disclosures of Cash Flow Information:

No payments were made for taxes or interest during the fiscal years ended November 30, 2010 or 2009.

The accompanying notes are an integral part of these financial statements.

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Storage Networking Industry Association was incorporated on December 22, 1997 under the corporate laws of the State of California.

Purpose and Operations:

Storage Networking Industry Association (The Organization) is a United States of America based trade association engaged in the promotion, growth, and development of storage networking systems and technologies throughout the world. The Organization provides education, training, and market information to companies in the field of storage networking technologies as well as developing standards, specifications, and infrastructure. The Organization also acts as a referral and information network for such companies.

The Organizations 2007-2009 Strategic Plan expanded their mission and vision to include developing and promoting standards, technologies, and educational services to empower organizations in the management of information.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. The Organization maintains its accounting records on a fiscal year commencing on December 1.

Revenue:

Revenues are derived primarily from annual membership fees, sponsors, special events, contributions, and trade shows. Membership fees are recognized over the period to which the dues relate. New membership fees are recognized over a fiscal year beginning on the date of membership.

The Organization offers vendor and channel members the option of a voting or non-voting membership: Vendor and channel member companies sign up for the membership level based on their annual revenue as follows: large membership - revenue greater than \$500 million per year; medium membership - revenue between \$10 million and \$500 million per year; and small membership - revenue less than \$10 million per year. The yearly membership fee distinguishes the Vendor and Channel voting member companies from the non-voting companies. Additionally, nonvoting fee-based memberships are available for individuals, end-users (IT departments of any company) and non-profit organizations such as colleges and universities.

The Organization is involved in various industry events. For events in which the Organization is the 100% owner, revenue from attendee fees and sponsorships are recorded at the time of the event. For those events in which the Organization is not the 100% owner, revenues are recorded as the net amount received from the entity producing those events in the month in which the events occur.

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE A- NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with maturities of three months or less at acquisition to be cash equivalents.

Allowance for Doubtful Accounts:

The Organization provides an allowance for doubtful accounts based on management's assessment of the collectibility of existing specific accounts. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Investments:

The Organization maintains an investment account at Smith Barney, a division of Citigroup Global Markets Inc. Investments in this account, which is governed by a formal investment policy, are composed primarily of money market funds, mutual funds, government and government sponsored entities (GSE) bonds, and certificates of deposit and are carried at fair value. The money market funds included in the investment account are not considered to be cash equivalents because management intends to invest these funds in investments maturing in more than three months.

Depreciable Assets:

The Organization owns various property and equipment which is located at their administrative office in San Francisco, California and their technology center in Colorado Springs, Colorado. These assets are carried at cost or, if donated and placed in service, at the approximate fair value at the date of donation and depreciated over the estimated useful lives on the straight-line method. Major items and betterments are capitalized; minor items and repairs are expensed as incurred.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services:

A portion of the Organization's functions and activities is conducted by unpaid volunteer officers and committees. The value of this contributed time is not reflected in the accompanying financial statements since the volunteer time does not meet the criteria for recognition under Financial Accounting Standards Board (FASB) Accounting Standards Codification 958-605, Contributed Services.

FINANCIAL STATEMENTS AND REPORTS

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE A- NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments:

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, deferred revenue, and accrued liabilities, approximates fair value due to the short maturity of these instruments.

Uncertain Tax Positions:

The Organization adopted the new accounting for uncertainty in income taxes guidance on December 1, 2009. The adoption of that guidance resulted in no change to net assets, deferred income taxes, or accrued taxes.

As of November 30, 2010 and for the year then ended, the Organization did not have any uncertain tax positions or accrued interest and penalties related to uncertain tax positions. In the event that the Organization concludes that it is subject to interest and/or penalties arising from uncertain tax positions, the Organization will present interest and/or penalties as a component of income taxes.

The Organization files income tax returns in the U.S. Federal jurisdiction, and in the state of California. With few exceptions, the Organization is no longer subject to income tax examinations by tax authorities for years before 2006 for U.S Federal income tax returns and 2005 for California state income tax returns.

NOTE B - INCOME TAXES

The Organization is exempt from Federal Income Tax under Internal Revenue Code Section 501(c)(6) and from California State Tax under Revenue and Taxation Code Section 23701(e). The Organization complies with other Internal Revenue reporting requirements regarding contributions received, payroll transactions, and payments to independent contractors.

NOTE C - CONCENTRATION OF CREDIT RISK

The Company may, during the course of operations, maintain cash deposits in excess of federally insured limits. Effective July 22, 2010, the basic limit on federal insurance coverage was permanently increased from \$100,000 to \$250,000 per depositor. In addition, all funds in a “non-interest-bearing transaction account” are insured fully by the Federal Deposit Insurance Corporation from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC’s general deposit insurance. At November 30, 2010, the uninsured balance was \$278,038.

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE D - INVESTMENTS

Investments are composed of money market funds, mutual funds, government and GSE bonds, and certificates of deposit. These investments, which are governed by an investment policy, have a cost basis of \$2,130,202 and \$2,068,678 and a fair value of \$2,136,814 and \$2,078,051 as of November 30, 2010 and 2009, respectively.

The following summarizes the investment return and its classification in the statement of activities for the years ended November 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 62,542	\$ 86,382
Unrealized gains (losses)	(2,761)	28,811
Realized (losses)	<u>(9,781)</u>	<u>(5,096)</u>
Total investment return	<u>\$ 50,000</u>	<u>\$ 110,097</u>

NOTE E - DEFERRED REVENUE

The Organization offers annual voting and non-voting memberships to companies and individuals. The membership term begins upon the invoice date and continues for a period of one year. Income from membership dues is recognized over the period to which the dues relate. The portion that covers the period subsequent to the end of the Organization's fiscal year is recorded as deferred revenue on the Statement of Financial Position.

NOTE F - OPERATING LEASES

On August 4, 2008, the Organization entered into a sublease agreement to sublet alternate space for its administrative offices in San Francisco, California. The sublease began on January 1, 2009 and continues in force for a term of sixty months. The monthly base rent is \$2,340 for the first two years and \$2,500 for the remainder of the lease term.

The Organization leases a facility and various personal property located in Colorado Springs, Colorado for use as a technology center. On October 7, 2008 the third and final term extension was executed and the lease was extended through January 31, 2010. Monthly lease payments, which remain unchanged at \$2,916.67, were payable on the first of each month. The lease was not renewed.

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE F - OPERATING LEASES (Continued)

On October 9, 2009, the Organization entered into a thirty-six month license agreement for a facility located on the LSI campus in Colorado Springs, Colorado for use as an alternate technology center. The lease was effective on January 1, 2010 and will expire on December 31, 2012. The monthly lease payments of \$3,333.33 are to be paid on the first of each month. In addition to the monthly lease payment, the Organization is responsible for the actual costs of electricity it uses in connection with the occupancy of the facility, not to exceed \$30,000 per year.

On February 21, 2007 the Organization entered into a thirty-six month operating lease for a copier, payable in monthly installments of approximately \$314, ending March 2010. The lease was not renewed.

At November 30, 2010, the minimum rental payments due under these leases are as follows:

Year ending November 30,

2011	69,840
2012	70,000
2013	33,333
2014	2,500
2015	0
Thereafter	0
	<u>\$175,673</u>

The total rental expense was \$73,070 and \$66,375 for the years ended November 30, 2010 and 2009, respectively.

NOTE G - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Machinery and equipment - Donated	\$ 615,282	\$ 677,335
Machinery and equipment - Other	319,428	319,428
Office furniture and equipment	<u>101,386</u>	<u>98,165</u>
	1,036,096	1,094,928
Accumulated depreciation	<u>(808,209)</u>	<u>(821,138)</u>
	<u>\$ 227,887</u>	<u>\$ 273,790</u>

Depreciation expense totaled \$216,105 and \$157,431 at November 30, 2010 and 2009.

During the current year, equipment deemed obsolete was written down to fair value. The fair value of the equipment was determined to be \$0. The fair value adjustment was \$67,694.

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE H - CONTRIBUTIONS

In March 2006, the Organization launched the SNIA Technology Center Champions Program to encourage and recognize contributions to the technical infrastructure expansion of the Technology Center in Colorado Springs, Colorado. In-kind contributions under this program consist of donated computer systems software and equipment which are recorded as revenue in the year received at fair value.

Contributions received for the years ended November 30, 2010 and 2009 were \$57,344 and \$0, respectively.

NOTE I - MEMBERSHIP, FORUM, AND INITIATIVE REVENUE

Memberships, forums, and initiatives revenue for the years ended November 30, 2010 and 2009 is comprised as follows:

	<u>2010</u>	<u>2009</u>
Association Memberships	\$1,079,347	\$ 985,995
Storage Management Initiative	153,958	192,312
Data Management Forum	0	196,734
Ethernet Storage Forum	60,517	45,100
Storage Security Industry Forum	24,966	35,868
XAM Initiative	54,625	96,710
Green Storage Initiative	125,717	79,258
Solid State Storage Initiative	110,517	116,315
Cloud Storage Initiative	175,219	38,592
Data Protection and Capacity Optimization Committee	20,000	0
End User Council	<u>524</u>	<u>1,701</u>
Total	<u>\$ 1,805,390</u>	<u>\$1,788,585</u>

NOTE J - DEFERRED COMPENSATION AND PROFIT SHARING PLAN

The Organization maintains a qualified deferred compensation and profit sharing plan under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees meeting certain eligibility requirements. Employees may contribute a percentage of their eligible compensation to the Plan, up to the maximum permitted by the Internal Revenue Code. The Organization made matching contributions of \$11,775 and \$34,591 for the years ended November 30, 2010 and 2009, respectively.

Any forfeitures are used to first pay administrative expenses and then to reduce the employers contributions. The balance in the forfeiture account at November 30, 2010 and 2009 was \$8,168 and \$18,238, respectively.

FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS NOVEMBER 30, 2010 AND 2009

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated up to the date that the financial statements were available to be issued. Accordingly, there were no subsequent events to report.



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