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SNIA®

Advancing storage & information technology

2017 ANNUAL REPORT

STORAGE NETWORKING INDUSTRY ASSOCIATION

SNIA's mission is to lead the storage industry in developing and promoting vendor-neutral architectures, standards and educational services that facilitate the efficient management, movement and security of information.

LETTER FROM SNIA CHAIRMAN, TREASURER, AND EXECUTIVE DIRECTOR

October 2, 2018

Dear SNIA Members, Industry Colleagues, and Staff,

We are pleased to update you on the Storage Networking Industry Association (SNIA) and to present our 2017 Annual Report, with information on the financial performance and position of SNIA for Fiscal Year 2017, beginning on December 1, 2016 through November 30, 2017. The statements and notes that follow represent the compilation and audit by SNIA's Accounting Firm of MHTB Accountancy Group of Silicon Valley in San Jose, California.

2017 represented a year of considerable change for the enterprise storage systems market. According to the International Data Corporation (IDC) Worldwide Quarterly Enterprise Storage Systems Tracker, Total worldwide enterprise storage systems factory revenue was up 13.7% year over year to just under $13.6 billion in the fourth quarter of 2017 (4Q17). Total capacity shipments were up 39.3% year over year to 89.2 exabytes during the quarter. External storage systems remained the largest market segment, with the $6.6 billion in sales representing an increase of 1.8% year over year. Investments on enterprise storage systems are increasing at a very healthy pace," said Eric Sheppard, research vice president with IDC's Enterprise Infrastructure team. "Infrastructure refresh, a broad market shift towards server-based storage, and rapid expansion within public cloud datacenters are combining to creating strong demand for enterprise storage systems."[1]

SNIA's year-end financial results reflect a small decrease in Net Assets – a 13.4% decrease in revenues, and an 11.3% decrease in expenses. (Refer to page 6 to see the details regarding our Net Assets position. Please note on page 5 that the expense decrease was primarily supported by decreased Operational Expenses.)

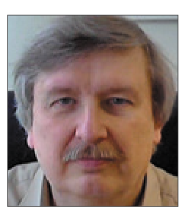
Mergers and acquisitions in the storage industry continued to impact our membership, however strong and relevant programs that drive industry participation in our technical initiatives brought in new participants, netting a 3.8% increase in membership revenue for the year. With consistent revenue streams, and our Reserve accounts maintained at more than $1.8 Million, we are again confident that SNIA has the financial and organizational resources to continue to fulfill our important mission.

SNIA highlights for 2017 include the following:

- SNIA celebrated its 20th Anniversary with a gala celebration at SDC in September.
- New technology initiatives continued to attract the participation of new members – particularly in the areas of Solid State Storage and SFF Form Factors.
- New SNIA-developed Standards published included:
  - Linear Tape File System (LTFS) Format Specification Version 2.4
  - SNIA Emerald™ Power Efficiency Measurement Specification v3.0
  - NVM Programming Model v1.2
  - IP Based Drive Management Specification v1.0
- The SNIA SwordfishTM specification continued to move forward with a series of Plugfests and educational videos. This spec helps to provide a unified approach for the management of storage and servers in hyperscale and cloud infrastructure environments, and is an extension of the DMTF Redfish Specification.
- SNIA technical events continued their trajectory of success during 2017:
  - Storage Developer Conference attracted 400 attendees to Santa Clara, CA in September
  - The Persistent Memory Summit drew 350 IT professionals to San Jose, CA in January
- The SNIA 100-year archive survey was initiated
- The SNIA Certification program was named a "Top storage certification for IT Pros" by Network World Magazine[2]

As always, we acknowledge and sincerely thank our dedicated members, volunteers, staff, and industry alliances for their ongoing support of SNIA.

David Dale
Chairman, SNIA Board of Directors



Al Zmyslowski
Treasurer, SNIA Board of Directors

Michael Oros,
Executive Director, SNIA

[1] IDC Press Release, March 1, 2018

[2] Network World, "Top storage certifications for IT Pros" July 20, 2017

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* Composition and Positions as per October 1, 2016 - Commencing 2017 Terms

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Storage Networking Industry Association
Colorado Springs, Colorado

We have audited the accompanying financial statements of Storage Networking Industry Association (a California nonprofit organization), which comprise the statements of financial position as of November 30, 2017 and 2016, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

MHTB Accountancy Group of Silicon Valley

San Jose, California
June 15, 2018

STATEMENTS OF FINANCIAL POSITION
NOVEMBER 30, 2017 AND 2016

ASSETS

	2017	2016
Cash and Cash Equivalents	$ 386,510	$ 136,798
Investments	1,800,156	1,721,645
Accounts Receivable - Net of Allowance	1,143,984	1,610,567
Prepaid Expenses	50,895	42,996
Property and Equipment - Net	84,790	125,347
Total Assets	$ 3,466,335	$ 3,637,353

LIABILITIES AND NET ASSETS

	2017	2016
Liabilities:		
Accounts Payable	$ 107,664	$ 0
Deferred Revenue	1,912,253	1,991,431
Accrued Expenses and Other	340,978	260,648
Total Liabilities	2,360,895	2,252,079
Net Assets:		
Unrestricted:		
Designated by Board of Directors -		
For Forums and Initiatives	369,357	554,251
For Operating Reserve	1,200,000	1,300,000
Undesignated	(463,917)	(468,977)
Total Unrestricted	1,105,440	1,385,274
Temporarily Restricted	0	0
Permanently Restricted	0	0
Total Net Assets	1,105,440	1,385,274
Total Liabilities and Net Assets	$ 3,466,335	$ 3,637,353

The accompanying notes are an integral part of these financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017	2016
Unrestricted Net Assets:		
Support and Revenue:		
Memberships, Forums, and Initiatives	$ 1,894,484	$ 1,821,728
Storage Management Initiative CTP	183,000	270,000
Events	171,369	286,570
Sponsorships	174,130	274,698
Certification Fees	71,879	150,703
Course Fees	5,091	34,182
Other	6,620	52,151
Investment Income - Net	78,511	43,885
Total Unrestricted Revenues	2,585,084	2,933,917
Expenses:		
Program Services:		
Storage Management Initiative	822,012	715,703
Marketing Department	225,660	301,967
Technology Center	219,619	236,722
Conference Department	217,615	282,081
Solid State Storage Initiative	130,348	102,650
Membership Department	85,679	55,485
Green Storage Initiative	64,338	54,671
Education Department	47,032	51,627
Cloud Storage Initiative	39,393	37,125
Ethernet Storage Forum	29,956	28,111
SFF Committee	25,947	12,211
Storage Security Industry Forum	25,506	65,850
Data Protection Capacity and Optimization Committee	3,060	4,280
Total Program Services	1,936,165	1,948,483

The accompanying notes are an integral part of these financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017	2016
Unrestricted Net Asset (Continued):		
Expenses:		
Supporting Services:		
General and Administrative Expenses:		
Salaries and Related Expenses	851,184	1,075,673
Operations	10,132	83,459
Board of Directors	67,437	81,955
Total Supporting Services	928,753	1,241,087
Total Expenses	2,864,918	3,189,570
Changes in Unrestricted Net Assets	(279,834)	(255,653)
Changes in Temporarily Restricted Net Assets	0	0
Changes in Permanently Restricted Net Assets	0	0
Decrease in Net Assets	(279,834)	(255,653)
Net Assets - Beginning	1,385,274	1,640,927
Net Assets - Ending	$1,105,440	$1,385,274

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Decrease in Net Assets	$(279,834)	$(255,653)
Adjustments to Reconcile Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	40,557	37,618
Cash Transfer from Investments	0	150,000
Interest and Dividend Income Reinvested	(59,651)	(66,841)
Unrealized Loss on Investments	(40,724)	5,977
Realized Loss on Investments	21,864	16,979
(Increase) Decrease in Operating Assets:		
Accounts Receivable	466,583	(191,190)
Prepaid Expenses	(7,899)	5,430
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	107,664	0
Accrued Expenses and Others	80,330	(19,743)
Deferred Revenue	(79,178)	478,978
Other Deferred Revenue	0	(28,602)
Total Adjustments	529,546	388,606
Net Cash Provided by Operating Activities	249,712	132,953
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(20,782)	(20,782)
Net Cash (Used) by Investing Activities	0	(20,782)
Cash Flows from Financing Activities	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	249,712	112,171
Cash and Cash Equivalents at Beginning of Year	136,798	24,627
Cash and Cash Equivalents at End of Year	$386,510	$136,798

Supplemental Disclosures of Cash Flow Information:

No payments were made for taxes or interest during the fiscal years ended November 30, 2017 or 2016.

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Organization:

Storage Networking Industry Association, a mutual benefit corporation, 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.

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:

The Organization offers vendor, channel, and service provider memberships. 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, non-voting fee-based memberships are available for individuals, end-users (IT departments of any company) and non-profit organizations such as colleges and universities. None of the membership fees that are collected are used for lobbying activity.

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, 2017 AND 2016

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.

Concentration of Credit Risk:

The Organization, during the course of operations, maintains cash balances in excess of federally insured limits. The account is insured by the Federal Deposit Insurance Corporation up to $250,000. The uninsured balance at November 30, 2017 and 2016 was $137,463 and $0, respectively.

Accounts Receivable:

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance for doubtful receivables is based on management's evaluation of the aging of accounts and such other factors that deserve current recognition. Actual results could differ from these estimates. Receivables are charged against their respective allowance accounts when deemed to be uncollectible. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At November 30, 2017 and 2016, the allowance for doubtful accounts was approximately $38,400.

Investments:

The Organization maintains investment accounts at Wells Fargo Advisors, which is governed by a formal investment policy. Investment accounts are composed primarily of fixed income securities such as money market funds, mutual funds, government and government sponsored entities (GSE) bonds, preferred stock and certificates of deposit and are carried at fair value. The money market funds included in the investment accounts 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 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.

See Accountant's Audit Report

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

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.

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's (FASB) Accounting Standards Codification (ASC) for Contributed Services.

Compensated Absences:

Full-time employees of the Organization begin earning vacation time on their hire date. For qualified employees, vacation time is accrued at 80 hours per year for years one through two of employment, and 120 hours to 200 hours per year after two years of employment. The maximum vacation time an employee can accrue is 120 hours the first two years of service and between 180 hours to 240 hours after two years of service. The Organization's accrued vacation expense at November 30, 2017 and 2016 was $68,653 and $56,042, respectively.

Subsequent Events:

Management has evaluated subsequent events through June 15, 2018, which is the date that the financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements as of November 30, 2017.

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.

Management evaluated all income tax positions taken and expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. As of November 30, 2017 and 2016, and for the years then ended, management has determined that the Organization does not have any uncertain tax positions, accrued interest and penalties related to uncertain tax positions, or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. 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.

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

NOTE C - INVESTMENTS

The Organization follows fair value standards that establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of the three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. For the years ended November 30, 2017 and 2016, the Organization's investments were all Level 1 and consisted of the following:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Money funds	$ 289,576	$ 289,576	$ 175,407	$ 175,407
Stocks, options, & ETF's	792,061	777,932	568,776	548,700
Corporate bonds	271,026	276,464	354,449	355,283
Government & GSE bonds	93,999	93,384	195,099	187,151
Certificate of deposits	51,492	50,445	152,397	151,244
Preferred stocks	107,075	109,362	131,968	128,721
Mutual funds	201,952	202,994	191,517	175,139
Total investments	$ 1,807,181	$ 1,800,157	$ 1,769,613	$ 1,721,645

The following summarizes the investment return and its classification in the statement of activities for the years ended November 30, 2017 and 2016:

	2017	2016
Interest and dividends	$ 59,651	$ 66,841
Unrealized gain / (losses)	40,724	(5,977)
Realized gains / (losses)	(21,864)	(16,979)
Total investments return	$ 78,511	$ 43,885

NOTE D - 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.

See Accountant's Audit Report

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

NOTE E - OPERATING LEASES

During August 2013, the Organization entered into a sixty-six month lease agreement with Kasha, LLC subject to an early termination option at the option of Kasha, LLC. This lease is for the new technology center which is located in Colorado Springs, Colorado. There is no monthly base rent due the first six months. Starting on the seventh month the monthly base rent will be $5,057 and will increase on an annual basis for the life of the lease. In compliance with the generally accepted accounting procedures of the United States, the total lease obligation of $341,325 will be amortized on a straight-line basis over the life of the lease.

At November 30, 2017 the minimum rental payments due under this lease are as follows:

Year ending November 30,

2018	$	74,902
2019		18,963
	$	93,865

The total rental expense was $91,856 and $90,343 for the years ended November 30, 2017 and 2016, respectively.
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NOTE F - PROPERTY AND EQUIPMENT

The Organization capitalizes all expenditures for property and equipment in excess of $1,000. As stated in Depreciable Property section of Note A, property and equipment is stated at cost less accumulated depreciation and consists of the following at November 30, 2017 and 2016:

	2017	2016
Machinery and equipment - donated	$ 153,074	$ 153,074
Machinery and equipment - other	380,646	380,646
Office furniture and equipment	41,365	41,365
Total property and equipment	575,085	575,085
Accumulated depreciation	(490,295)	(449,738)
Net total property and equipment	$ 84,790	$ 125,347

Depreciation expense on the property and equipment was $40,557 and $37,618 at November 30, 2017 and 2016, respectively.

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

NOTE G - CONTRIBUTIONS

The Organization has 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 contributions at fair value at the date of donation. Such contributions are reported ~~as revenue~~ and increases ~~in unrestricted~~ net assets in the year received. There were no contributions received for the years ended November 30, 2017 and 2016.

NOTE H - MEMBERSHIPS, FORUMS, AND INITIATIVES REVENUE

Memberships, forums, and initiatives revenue for the years ended November 30, 2017 and 2016 is comprised as follows:

	2017	2016
Association Memberships	$ 1,117,451	$ 1,069,505
Storage Management Initiative	421,806	517,888
SFF Committee	93,748	6,300
Solid State Storage Initiative	93,457	82,785
Green Storage Initiative	78,000	72,500
Cloud Storage Initiative	49,125	35,042
Ethernet Security Industry Forum	21,212	16,250
Storage Security Industry Forum	19,685	21,458
Total Membership Revenue	$ 1,894,484	$ 1,821,728

NOTE I - SPONSORSHIP REVENUE

Sponsorship revenue for the years ended November 30, 2017 and 2016 consist of the following:

	2017	2016
Storage Developers Conference	$ 162,630	$ 238,598
Solid State Storage Initiative	11,500	24,500
Storage Security Industry Forum	0	11,600
Total Sponsorship Revenue	$ 174,130	$ 274,698

See Accountant's Audit Report

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 2017 AND 2016

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 $23,639 and $26,280 for the years ended November 30, 2017 and 2016, respectively.

NOTE K- RECLASSIFICATIONS

Certain amounts for the year ended November 30, 2016 have been reclassified in the comparative financial statements to be comparable to the presentation for the year ended November 30, 2017. These reclassifications had no effect on the change in net assets.

See Accountant's Audit Report