

Storage Networking Industry Association



Annual Report

**Financial Statements And
Report of Independent Public Accountant**

**For The Years Ended November 30,
2003 and 2002**



Storage Networking Industry Association Financial Statements For The Years Ended November 30, 2003 and 2002

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Fiscal Year 2004 Annual Report

It is that time of year again – time to look back over the past year and to look forward to the next. A review of Fiscal Year (FY) 2004 brings me to one conclusion...the Storage Networking Industry Association (SNIA) had another great year.

Throughout the past year, I have had the privilege to meet individually with end-users, SNIA members, key volunteers and staff and the storage and networking community at large. I am gratified with the tremendous level of enthusiasm and support for the SNIA. Together we achieved more than I ever anticipated.

The same time last year, we faced a set of ongoing challenges like shrinking corporate budgets, the prospect of volunteers with less available time, and the overall need to do more with less. We recognized, with the advent of our Storage Management Initiative and the dedicated commitment of the SNIA to its success, that we needed to stay focused on all of the programs and initiatives with reduced resources. I am delighted to report that our focus remained strong, and in fact, this past year saw the number of SNIA programs and initiatives grow significantly.

As the new year approaches, great things await. But first, let's look back at our success in 2003-2004. I'd like to call your attention to a few key achievements.

Conformance to SMI-S

The SNIA's victory chant continues to be the drive and motivation behind the delivery of the Storage Management Initiative Specification. The Storage Management Initiative (SMI) team entered 2003-2004 poised for success and it delivered. Through a combined effort of the SMI Committee, the Storage Management Forum, the SMI Technical Steering Group and, of course, our Technical Working Groups, the SNIA has released version 1.0.2 of SMI-S, now an accredited ANSI standard.

The programs built throughout FY2004 to support this Herculean effort are many, including the development and launch of:

- a successful set of developer training courses;
- a developer's Web site and toolkit;
- numerous marketing programs targeting tradeshows, conferences, media and analysts; and
- collateral related to the value proposition for both end-users and vendors.

The results have been gratifying. Conformance to SMI-S is being seen in end-user requests for proposal, and industry acceptance is broad-based. SMI truly is an initiative that will change the face of how end-users deploy and manage storage, and the SNIA has demonstrated that it is the right organization to make this successful.

DMF Creation

An agreement between the Enhanced Backup Solutions Initiative and the SNIA, whereby EBSI joined our organization, helped create the SNIA Data Management Forum (DMF). The formation of the DMF has generated tremendous excitement amongst our members and end-users alike. The DMF is now a focal point for best practices and practical solutions for managing data. The support we received from end-users in the creation of the DMF was unparalleled within the SNIA.

The DMF has identified two areas of initial focus: Data Protection and Information Lifecycle Management (ILM). With plans for a portal serving thousands of end-users, and the creation of an alliance with many of the SNIA Technical Working Groups and committees, the DMF efforts are off to a great start.

International Outreach

Our International team continues to make tremendous strides. This year saw the expansion of the SNIA into three additional geographies. SNIA-China, SNIA-South Asia and SNIA-Australia/New Zealand join SNIA-Europe and SNIA-Japan as our newest regional affiliates. One of the most significant international milestones occurred in 2003 when, under the capable leadership of our European Board, FCIA-Europe and SNIA-Europe joined forces to become a new SNIA-Europe. The result of this action is that all efforts by the former FCIA-Europe and SNIA-Europe are collectively focused on advancing the expanding European storage networking market.

Additional Accomplishments

While we applaud these initiatives, our accomplishments were not limited to the above mentioned activities. SNIA members achieved many additional successes that will continue to drive the industry in 2005. We're running on all cylinders with the following activities:

- A revamped SAN Certification Program. The SNIA Storage Networking Certification Program (SNCP) has been redesigned, with a new structure consisting of four certification domains: Concepts, Standards, Solutions and Products. One of the hottest new certification areas is a new credential – the SNIA Certified Professional Credential. This certification is designed to address the broad technical and solution fundamentals appropriate for all storage-related networking jobs.
- New and ongoing technical work. Our Technical Working Groups (TWGs) have had a productive year. We saw the formation of new TWGs like the Disk Data Format (DDF) TWG and others. For example, the Object-based Storage Device (OSD) TWG is ready to begin marketing their work to educate vendors and end-users about this exciting technology.
- Support for StorageNetworking.org. As the sole founding sponsor of this initiative, the SNIA has been proud to see the formation of a large number of local storage networking user groups, or SNUGs. These groups, combined with the storagenetworking.org portal, provide grassroots support to end-users looking for a place to turn for information about storage networks.

End-User Community Growth

Our end-user community has seen growth as well in FY2004. With the support of the SNIA End User Advocacy Committee, the SNIA End User Council (EUC) has been hard at work on toolkits for end-users, research on topics such as the "Top Ten Pain Points," and evangelization of the SNIA message at venues such as SNW. This dynamic group is growing much faster than we predicted, and they are very excited about working with the SNIA.

Looking Ahead

A constant question at the SNIA is "How many initiatives can one trade association handle?" The thought leadership in the SNIA far surpasses any I have seen in the generation of quality programs. To tie these initiatives together, the SNIA will publish a three-year strategic plan in FY2005.

The strategic plan is one of the most significant developments for our association and our industry. In fact, this marks the first time in our short history that a 3-year strategic plan has been agreed upon. All of the SNIA's activities will track to this plan and our new Vision will carry the industry into the next three years and beyond.

Key visions listed in the strategic plan are:

- The SNIA will be the recognized authority on data storage
- The SNIA will be the catalyst to accelerate the development of storage technologies solutions and standards
- The SNIA will establish a world class business model, including resources and practices to support the goals of the SNIA

How will these dreams be accomplished?

FY2005 will see the release of the SNIA-Conformance Testing Program (CTP). This program will strengthen SMI-S adoption in the marketplace, and will take the SNIA to another level as an industry organization.

SMI-S will become an ANSI accredited specification, and version 1.1 will be released in FY2005.

In addition to the SNIA Three Year Strategic Plan, the Technical Council will release a technical roadmap that will provide needed technical guidance to the storage industry.

Moving Forward

Continuously pressing forward and achieving even more is never easy. But I believe that the SNIA has never been in a better position to capitalize on its investments -- investments we have made in our people, our members and our programs.

We can all be proud of the work we've done -- SNIA is well on its way to becoming the recognized authority on all things related to storage networks. As we grow, we will need to keep a close watch on our key resources -- our member companies and our volunteers. We will need to remain relevant and deliver programs that meet the needs of our participants.

I believe the numerous goals outlined in this annual report can be accomplished, and I look forward to another positive year as we continue to make a difference for the storage networking industry.

Thank you for joining me on this quest for excellence.

Warmest regards,



Sheila Childs,
Chair
Storage Networking Industry Association

**Board of Directors
Storage Networking Industry Association**

We have audited the accompanying statements of financial position of the Storage Networking Industry Association (a Californian non profit organization) as of November 30, 2003 and 2002, and the related statements of activities 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 audit.

We conducted our audit 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 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 audit provides 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 the Storage Networking Industry Association as of November 30, 2003 and 2002, 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
February 18, 2004

Storage Networking Industry Association
Statements of Financial Position
November 30, 2003 and 2002

Assets

	2003	2002
Cash and Cash Equivalents	\$ 258,617	\$ 3,710,249
Investment	3,072,668	0
Accounts Receivable - Membership	252,579	3,067,986
Accounts Receivable - Other	621,254	492,126
Property and Equipment - Less Accumulated Depreciation of \$18,714 and \$ 8,590, respectively	35,387	5,350
Prepaid Expenses	4,017	2,917
Total Assets	\$ 4,244,522	\$ 7,278,628

Liabilities and Net Assets

Liabilities:

Accounts Payable	\$ 349,342	\$ 264,372
Deferred Revenue	287,665	3,039,860
Due to Regional Affiliate	9,635	0
Total Liabilities	646,642	3,304,232

Net Assets:

Unrestricted:

Designated by Board of Directors - for Regional Affiliates and Forums	588,217	439,468
Undesignated	3,009,663	3,534,928
Total Unrestricted	3,597,880	3,974,396
Temporarily Restricted	0	0
Permanently Restricted	0	0
Total Net Assets	3,597,880	3,974,396
Total Liabilities and Net Assets	\$ 4,244,522	\$ 7,278,628

See accountant's report and accompanying notes

**Storage Networking Industry Association
Statements of Activities and Changes in Assets
For the Years Ended November 30, 2003 and 2002**

	2003	2002
Unrestricted Net Assets:		
Support and Revenue:		
Memberships and forums	\$2,514,106	\$2,419,264
Storage networking world and other events	969,109	1,167,270
Technical center	813,793	361,045
CIFS conference	171,670	165,335
Other	158,185	6,860
Investment income	34,241	53,151
Total Unrestricted Revenues	4,661,104	4,172,925
Expenses:		
Program Services:		
Technical center	769,222	679,275
Interoperability lab	547,978	231,258
Marketing committee	516,782	145,858
Europe forum	284,947	177,852
SMI committee	261,222	9,655
Conference committee	254,416	36,822
Technical council	232,867	187,987
IP storage forum	167,993	193,484
Education committee	147,605	64,595
CIFS conference	124,096	150,934
SMI forum	113,433	35,868
Website committee	103,878	162,483
End user committee	83,185	0
SSI forum	79,449	22,369
Supported solutions forum	74,388	184,860
Other	50,225	11,188
Storage networking world	50,171	36,260
Data management forum	22,597	0
DAFS implementers forum	8,081	10,547
Membership committee	3,560	6,587
Total Program Services	3,896,095	2,347,882

See accountant's report and accompanying notes

**Storage Networking Industry Association
Statements of Activities and Changes in Net Assets
For the Years Ended November 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
Unrestricted Net Assets (Continued):		
Expenses:		
Supporting Services:		
General and Administrative Expenses:		
Contracted staff salaries and related expenses	399,612	414,631
Operations	313,731	132,098
Meetings	123,499	136,081
Office expenses	196,642	0
Board of Directors	23,406	32,130
Total Supporting Services	<u>1,056,890</u>	<u>714,940</u>
Total Expenses	<u>4,952,985</u>	<u>3,062,822</u>
Changes in Unrestricted Net Assets	(291,881)	1,110,103
Changes in Temporarily Restricted Net Assets	0	0
Changes in Permanently Restricted Net Assets	0	0
Increase (Decrease) in Net Assets	(291,881)	1,110,103
Net Assets - Beginning	3,974,396	2,864,293
Transfer to Europe Forum	(84,635)	0
Net Assets - Ending	<u>\$ 3,597,880</u>	<u>\$ 3,974,396</u>

Storage Networking Industry Association
Statements of Cash Flows
For the Years Ended November 30, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities:	\$ (291,881)	\$ 1,110,102
Increase (Decrease) in Net Assets		
Adjustments to Reconcile Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation and Amortization	10,124	3,487
Distribution to Regional Affiliate	(84,635)	0
(Increase) Decrease in Operating Assets:		
Accounts Receivable	2,815,407	(1,258,465)
Other Receivables	(129,128)	0
Prepaid Expenses	(1,100)	(2,917)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	84,970	1,115
Accrued Liabilities	0	(19,845)
Deferred Revenue	(2,752,195)	362,235
Due to Regional Affiliate	9,635	0
Total adjustments	(46,922)	(914,390)
Net Cash Provided (Used) by Operating Activities	(338,803)	195,712
Cash Flows from Investing Activities:		
Cash Payments for the Purchase of Property and Equipment	(40,161)	0
Net Investment in the Evergreen Fund	(3,072,668)	0
Net Cash Flows Used by Investing Activities	(3,112,829)	0
Cash Flows from Financing Activities	0	0
Net Increase (Decrease) in Cash and Cash Equivalents	(3,451,632)	195,712
Cash and Cash Equivalents, Beginning of Year	3,710,249	3,514,537
Cash and Cash Equivalents, End of Year	\$ 258,617	\$ 3,710,249

Supplemental Disclosures of Cash Flow Information:

No payments were made for taxes or interest during the fiscal years ended November 30, 2003 or 2002.

Storage Networking Industry Association
Notes to Financial Statements
For the Years Ended November 30, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

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

Purpose and Operations:

The Storage Networking Industry Association (the Organization) is a United States 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.

During the current fiscal year, the Organization entered into several regional affiliate agreements to promote and support on a world wide basis all technical standards, specifications, and architecture adopted by the Storage Networking Industry Association.

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 and trade shows. Membership fees are recognized over the period to which the dues relate. Funds from events and trade shows are recorded as they occur. Revenue from events is recorded at the net amount received from the entity coordinating that event. The Organization offers voting memberships to companies depending upon sales volume. Companies with an annual sales volume over five hundred million dollars are eligible for a large membership whereas companies with sales volume over ten million dollars are allowed to purchase a regular annual membership. Companies have the option of purchasing an initial emerging company annual membership at a discount but will revert to the regular or large membership dues the following year.

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.

Storage Networking Industry Association
Notes to Financial Statements
For the Years Ended November 30, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued),

Allowance for Doubtful Accounts:

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

Investments:

Investments are composed of mutual funds investing primarily in US Government bonds and are carried at fair value.

Depreciable Assets:

The Organization owns various electronic equipment and a trade show booth which are located at their office in San Francisco, California. These assets are stated at cost and depreciated over the estimated useful lives of the assets computed on the accelerated 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 volunteers' time does not meet the criteria for recognition under SFAS No.116, Accounting for Contributions Received and Contributions Made.

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, and payments to independent contractors.

Storage Networking Industry Association
Notes to Financial Statements
For the Years Ended November 30, 2003 and 2002

NOTE C - UNINSURED CASH BALANCES

The Organization maintains cash balances at financial institutions located in the states of California and Indiana. Accounts at these institutions are secured by the Federal Deposit Insurance Corporation to a maximum of \$100,000. Uninsured balances were approximately \$97,342 at November 30, 2003 and \$3,529,483 at November 30, 2002.

NOTE D - INVESTMENTS

Investments as of November 30, 2003 are composed of mutual funds investing primarily in US Government bonds. These investments are unrestricted and have a cost of \$3,104,726 and a fair value and carrying value of \$3,072,683.

The following summarizes the investment return and its classification in the statement of activities for the year ended November 30, 2003:

Interest and dividends	\$ 70,955
Unrealized losses	(32,043)
Realized losses	(4,671)
Total investment return	\$ 34,241

NOTE E - FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107 requires disclosures about the fair value for all financial instruments, whether or not recognized, for financial statement purposes. Disclosures about fair value of financial instruments are based on pertinent information available to management as November 30, 2003 and 2002. Accordingly, the estimates presented in these statements are not necessarily indicative of the amounts that could be realized on disposition of the financial instruments. Management has estimated the fair values of cash, investments, receivables, accounts payable, and deferred revenue to be approximately their respective carrying values reported on these statements because of their short maturities.

NOTE F - 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 until the fiscal year end. 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.

Storage Networking Industry Association
Notes to Financial Statements
For the Years Ended November 30, 2003 and 2002

NOTE G - LEASE OBLIGATION

The Organization leases a facility and various personal property located in Colorado Springs, Colorado for use as a technical center. The operating lease, which has an initial term of six years and expires on January 31, 2007, requires annual payments of \$35,000 payable on February 1st.

NOTE H - MEMBERSHIP AND FORUM REVENUE

Membership and forum revenue for the year ended November 30, 2003 is comprised as follows:

Association memberships	\$ 1,566,653
SMI Forum	413,950
Europe Forum	199,549
IP storage Forum	131,249
Supported Solutions Forum	107,916
SSI forum	43,750
Data Management Forum	26,664
DAFS Implementers Forum	24,375
Total	\$ 2,514,106

Comparative information for the previous year has not been presented because transactions were not maintained at the same level of detail.

NOTE I - RECLASSIFICATIONS.

Certain 2002 amounts have been reclassified to conform with 2003 presentation. These reclassifications have no effect on the increase (decrease) in net assets.

NOTE J - OTHER COMMITMENTS

On June 30, 2003 the Organization discontinued using an independent management company to run the day-to-day operations. Previously, the management company, for a monthly fee of \$41,731 plus out-of-pocket expenses, provided an executive director, a project manager, and two project coordinators to the Organization as well as office facilities, utilities, telephone services, and other necessary administrative services. From July 1, 2003 to December 31, 2003, the Organization leased temporary facilities and storage space in San Francisco, California on a month to month basis. In addition, an executive director, a project manager, a project coordinator, and an office manager were hired as full time employees.

**Storage Networking Industry Association
Notes to Financial Statements
For the Years Ended November 30, 2003 and 2002**

NOTE K - SUBSEQUENT EVENTS

On January 1, 2004, the Organization entered into a five-year operating lease expiring on December 31, 2008 for its new administrative offices located in San Francisco, California. The initial annual base rent on the premises is \$37,335, payable in monthly installments of \$3,111.25 each. The base rent increases by approximately \$983 each year during the term of the lease. In addition to the base rent, the Organization will pay as additional rent its share of the annual operating expenses, insurance expenses, utility expenses and tax expenses that are in excess of the amount of the annual operating expenses, insurance expenses, utility expenses and tax expenses applicable to the base year. The base year is 2004.

On January 1, 2004, the Organization also entered into a month to month operating lease for additional storage space at \$125 per month; and a thirty-six month operating lease for a copier, payable in monthly installments of approximately \$314.