

A close-up photograph of a hand with a dark complexion, pointing its index finger upwards. The hand is positioned in the lower center of the frame, with the finger pointing towards the 'ne' part of the large white text 'ne IIA'. The background is a vibrant red with a fine, white dot grid pattern.

ne IIA

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From the **President & CEO**

Dear Members and Stakeholders,

I am delighted to present our annual report for the year 2022, which highlights the significant progress we have achieved as an organization and as a profession. This report provides us with an opportunity to reflect on our accomplishments and share the exciting developments that have taken place over the last year.

When I assumed the role of CEO at The Institute of Internal Auditors in 2021, our leadership team committed to conducting an honest assessment of our strengths and areas of improvement. We embarked on a global listening tour, dedicating the entire year to understanding your experiences, gathering your ideas, and seeking your input on how we could better serve you and our profession. The insights we gained from this exercise were invaluable.

Consistently, we heard from you that we needed to be more cohesive, agile, collaborative, and connected. It became evident that we required a stronger foundation to support our ambitious goals. Therefore, we designated 2022 as an 'investment year' to build the necessary infrastructure to propel our rapidly evolving profession forward. We made historic investments in technology, brought in experts from around the globe to join our leadership team, and established a global public policy advocacy team to amplify our profession's collective voice and interests.

The changes we have begun to implement will enable you to continue demonstrating your value to audit committees and boards. In a world that is changing faster than ever, we are equipping you with real-time, rapid-response insights, research, tools, training, and resources that will help you remain an indispensable strategic partner to your organization's board and management. This annual report showcases examples of our investment in creating a future-focused organization and fostering an agile global profession. You will also see the exciting early returns on those investments.

Think-Look-Be Global

To truly support a global profession, we recognized the necessity for internal changes. Our commitment extended beyond appearances; we actively embraced a global mindset in our operations. Many of our teams now comprise bilingual and trilingual employees, enabling seamless communications across languages. We have allocated additional resources to translation services, ensuring our resources and guidance are more accessible to all members. Moreover, we have taken deliberate steps to enhance global representation on our boards. These initiatives form the foundation of the #OneIIA approach, which emphasizes tailored solutions for our members' diverse needs from region to region, state to state, and country to country. #OneIIA signifies our dedication to providing unique solutions that cater to the specific requirements of our members worldwide.

#OneIIA

When our 2022-23 Global Board Chair, Benito Ybarra, chose "One IIA" as his theme, I immediately realized that we had the perfect Chair at the perfect time. His theme serves as a powerful rallying cry, capable of uniting our profession and clearly defining the vision for our organization's future.

The essence of the #OneIIA concept lies in recognizing the strength we possess as a global profession when we collaborate. By sharing resources, working together to address common challenges, and seizing mutual opportunities, we can harness the collective voices and expertise of over 235,000 internal audit professionals. This unified approach empowers us to advocate, lead, and influence global issues such as cybersecurity, ESG, digital disruption, and so much more.

As you read this year's annual report, you will witness the influence of the #OneIIA approach in all our endeavors. It is more than just a motto; it serves as a strategic catalyst, igniting the true potential of our profession. It acts as a roadmap, guiding us toward shaping our own future. Above all, it represents our unwavering commitment to providing a world-class experience to our esteemed members.

Anthony J. Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer

From the **Global Chair**

When I chose "One IIA" as the theme for my year as board chair of The Institute of Internal Auditors (IIA), I knew the concept of bringing regional bodies, affiliates, and chapters together in a spirit of collaboration was possible, but also ambitious. However, as I look back on the last year, I'm convinced that it's not only possible, but critical to the future of The IIA and the profession. Over the last year, I've traveled thousands of miles and visited many countries. I've seen our members, volunteer leaders, executive leadership, affiliates, and chapters embrace the One IIA theme in countless ways and have witnessed first-hand the ways it is empowering our organization and our profession.

In my time as Chair, I've seen the nuances and regional differences of a truly global profession. Our differences offer valuable perspectives that, when shared with one another, provide opportunities for learning and growth. This sense of common purpose is at the very heart of the One IIA concept. Throughout The IIA's 2022 Annual Report, you'll find examples of how the One IIA approach is leading to increased collaboration, stronger relationships, and better outcomes.

I have personally witnessed this happening as I have traveled through countries like Saudi Arabia, Argentina, Peru, Turkey, Spain, Canada, and the United States - to name just a few - to visit with members and local leaders. We celebrated the formation of the Arab CIIA in Jeddah, where 13 Arab IIA affiliates and global chapters came together to promote and support the profession. Together, they will share resources and best practices, provide learning and networking opportunities, collaborate on joint research, and host events for members in our fastest-growing region. I saw it while visiting Peru and Turkey, where their student recruitment and development programs provided ideas that we hope to adopt in the United States. And I saw it in the collaboration between IIA Global and ECIIA, who are working together to produce a truly global risk report that will provide an unprecedented view of the global risk landscape. These are just a few of the many ways I've seen our profession grow stronger through a willingness to listen and work together.

This unified approach has never been more important than it is today. We need to collaborate and share resources and ideas if we're going to overcome today's challenges. The pace of change is faster than it has ever been. Today, businesses are trying to understand, evaluate, and navigate ESG, cybersecurity protocols, an evolving regulatory landscape, geopolitical conflict, and rapidly evolving technology. At this time last year, we couldn't have predicted ChatGPT, its rapid adoption, or the way it's already begun to transform everything from art to education. The only way for our profession to stay ahead of these changes is to work together, share what we know, and collaborate on solutions.

For me, the last year has been about listening and ensuring we work together to deliver member value, while challenging the profession to be better. I've appreciated the opportunity to hear from so many of our members, better understand your needs and challenges, and hear your ideas. As we go forward, we must continue to listen and understand what we are doing well and what we need to improve upon. We must acknowledge what IIA Global does best and what individual chapters and affiliates do best. And we must identify where we can collaborate to be more efficient and impactful.

I want to thank our volunteer leaders (past and present), The IIA executive leadership team, our chapter and affiliate leaders, and our members for their hard work and the unmatched passion that they have for our profession. And I'd like to thank my colleagues on the Global Board - it's been inspiring to be part of a body that operates as a truly global board and is supported by a leadership team with a genuinely global mindset. The trust that we are working hard to earn is starting to yield real results, which you will learn about in this report. I invite you to read this report with the knowledge that this is just the beginning of what I am confident will be The IIA and the profession's most meaningful contributions yet, contributions we will make as "One IIA."

Benito Ybarra, CIA, CISA, CFE, CCEP
2022-23 Chair, IIA Global Board of Directors



Association Governance & IIA Global Board of Directors

The IIA Global Board of Directors is composed of best-in-class internal auditors, representing six continents.

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 235,000 global members and has awarded 190,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized as the internal audit profession's leader in standards, certification, education, research, and technical guidance throughout the world.

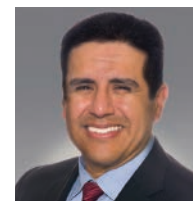
The mission of The IIA is to provide dynamic leadership for the global profession of internal auditing. Activities in support of this mission include:

- Advocating and promoting the value internal audit professionals add to their organizations.
- Providing comprehensive professional educational and development opportunities, standards and other professional practice guidance, and certification programs.
- Researching, disseminating, and promoting knowledge concerning internal auditing and its appropriate role in control, risk management, and governance to practitioners and stakeholders.
- Educating practitioners and other relevant audiences on best practices in internal auditing.
- Bringing together internal auditors from all countries to share information and experiences.

The IIA is governed by a Global Board of Directors. The Board is composed of a diverse set of internal audit leaders representing six continents. The all-volunteer Board provides IIA management with guidance and strategic oversight to advance The IIA's mission. The Board monitors The IIA's performance against key indicators, including revenue, membership growth, and the certification pipeline.

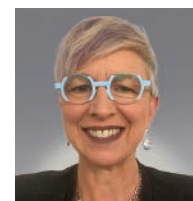
The Board also appoints several volunteer committees to work with IIA staff liaisons on special projects or areas of focus, including global services, professional certifications, research, and advocacy.

2022-23 GLOBAL BOARD OF DIRECTORS



OFFICER, CHAIR OF THE GLOBAL BOARD

BENITO YBARRA, CIA, CISA, CFE, CCEP
Chief Audit and Compliance Officer
Texas Department of Transportation
USA



OFFICER, SENIOR VICE CHAIR OF THE GLOBAL BOARD

SALLY-ANNE PITT, CIA, CGAP
Managing Director
Pitt Group Pty Ltd
Australia



OFFICER, VICE CHAIR - FINANCE OF THE GLOBAL BOARD

ERNESTO MARTINEZ GOMEZ, CIA, CRMA
Group Executive Vice President,
Internal Audit
Banco Santander
Spain



OFFICER, IMMEDIATE PAST CHAIR OF THE GLOBAL BOARD

CHARLES T. WRIGHT, CIA
Chief Risk Officer
Jack Henry and Associates
USA



OFFICER, CHAIR OF THE NORTH AMERICAN BOARD

THOMAS SANGLIER, II, CIA, CRMA, CPA
Senior Vice President, Internal Audit,
Chief Audit Executive
Leidos Holdings
USA

2022-23 GLOBAL BOARD OF DIRECTORS (CONTINUED)



OFFICER, AFFILIATE LEAD DIRECTOR

SAKIKO SAKAI, CIA, CCSA, CFSA, CRMA
Owner
Infinity Consulting
Japan



DIRECTOR - ADVOCACY ADVISORY

HIS EXCELLENCY DR. HUSSAM ALANGARI
President
General Court of Audit
Saudi Arabia



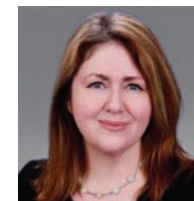
DIRECTOR - GLOBAL SERVICES

KAREN BRADY, CIA, CRMA, CFE, CHIAP
Corporate Vice President of Audit and Chief Compliance Officer
Baptist Health South Florida
USA



DIRECTOR-AT-LARGE

LISHUANG FANG, CIA, FRM
Deputy General Manager,
Internal Audit
Dalian Wanda Group
China



DIRECTOR - PROFESSIONAL CERTIFICATIONS

TERRY GRAFENSTINE, CIA, CGAP, CPA, CISSP, CISA, CRISC, CGEIT
Chief Audit Executive
Pentagon Federal Credit Union (PenFed)
USA



DIRECTOR - AUDIT COMMITTEE

STEFANO COMOTTI, CIA, CRMA
Chief Audit Executive
Kering Group
France



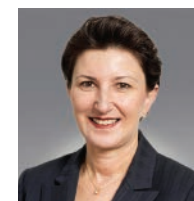
DIRECTOR - GLOBAL GUIDANCE

MICHAEL LEVY, CIA, CRMA, CISA, CISSP, CDPSE
Vice President, Internal Audit
Student Transportation of America
USA



DIRECTOR - AUDIT COMMITTEE

JOSE ESPOSITO LI CARRILLO, CIA, CRMA, CRISC
Chief Audit Executive
Banco de Credito del Peru, Creditcorp Ltd.
Peru



DIRECTOR - PROFESSIONAL STANDARDS

TANIA STEGEMANN, CIA, CCSA, CRMA
Group Manager, Internal Audit
Newcrest Mining Limited
Australia



DIRECTOR - CHAIR OF THE AUDIT COMMITTEE

R. MICHAEL VARNEY, CIA, CPA
Partner
Crowe LLP
USA



DIRECTOR - RESEARCH

ELIZABETH HONER, CMIIA, CPFA
Government Internal Audit Agency
England



EX-OFFICIO DIRECTOR / IIA CEO

ANTHONY J. PUGLIESE, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors HQ
USA

To reimagine and transform the organization, we focused on embedding a set of **IIA core values**:



Putting People First



Exhibiting Integrity



Fostering Collaboration



Driving Innovation



Maintaining Accountability

We've kept The IIA's core values at the center of all our decisions and actions, building a culture of trust, collaboration, transparency, and accountability. This has led to stronger outcomes, cross-team partnerships, and new ideas, all of which leads to a better member experience.

THE PATH TO PROGRESS

While developing The IIA's strategic plan in 2021, the focus was listening and gaining insight from members and stakeholders around the world. Building off that, 2022 was a year of responding to what we heard and taking action to chart a path to empower the profession to move forward and address the ever-evolving demands of the global marketplace.

Through this process, IIA President and Chief Executive Officer (CEO) Anthony J. Pugliese, CIA, CPA, CGMA, CITP, said the organization discovered challenges it needed to address and built the strategic plan to do so. "We got buy-in globally from members, volunteer leaders, staff, and stakeholders and we were able to unite everyone around the plan because they were an essential part of building it."

This report will highlight the accomplishments we made in 2022 to gain traction on our five-year strategic plan as we continue to serve our members and position the profession for long-term success. The plan is built around six pillars:



REIMAGINE & TRANSFORM OUR ORGANIZATION



PROMOTE COMPETENCY & LEARNING



GROW MEMBERSHIP & MODELS



PUBLIC POLICY ADVOCACY FOR THE PROFESSION



EVOLVE IMAGE & HEIGHTEN BRAND AWARENESS



ENABLE THE PROFESSION FOR THE FUTURE



First Steps:
Our New Journey



Reimagine & Transform *Our Organization*

FIRST STEPS: OUR NEW JOURNEY

With 114 affiliates around the world, The IIA has a responsibility to ensure that all affiliates feel seen, heard, and included as part of the global IIA network. Uniting all these bodies under a single umbrella and providing a sense of connection was a priority for The IIA's leadership team in 2022.

A key step was hiring Javier Faleato, CIA, CCSA, CRMA, as The IIA's Executive Vice President of Affiliate Relations and Advocacy in January 2022. Faleato brought with him the unique experience of serving as the former CEO of IIA-Spain, one of The IIA's long-standing affiliates.

We also recognized there were several untapped opportunities to become truly global in mindset and in action. Benito Ybarra, CIA, CISA, CFE, CCEP, our 2022-23 Chair of the Global Board, captured the essence of this goal with his chair theme, "We Are One IIA." To live that theme, members of The IIA's executive leadership team and board of directors met in person with members and regional leaders around the world to understand regional and local needs, identify opportunities for collaboration, and learn how we can better meet the needs of our members.

IIA executives and board members, including The IIA's President and CEO, traveled to regional conferences, as well as many other local events, including:

- The European Conference in Brussels
- The Latin American Regional Conference in Costa Rica
- The African Regional Conference in Zambia
- The Asian Regional Conference in Thailand
- The Middle East Regional Conference in Riyadh
- The IIA-Canada National Conference in Calgary
- The IIA's International Conference in Chicago
- The launch event for IIA-Vietnam

Reimagine & Transform Our Organization



“The changes being implemented and the investments being made as part of our strategic plan are putting the organization on the right path.”

- Anthony J. Pugliese

Pugliese noted, “The feedback and perspective gained through our open dialogue with members around the world gave our global leadership team confidence that the changes being implemented and the investments being made as part of our strategic plan are putting the organization on the right path. It’s a path that will help maximize the value The IIA delivers to our members so they can maximize the value internal audit brings to the global marketplace.”

One of Faleato’s actions was to develop a series of Global Operating Model (GOM) catalyst projects to facilitate a new way of collaboration and interaction between IIA Global and its affiliates. The goal is to rebuild trust and strengthen relationships with affiliates around the world, leverage resources, eliminate redundancies, and take collaboration and communication to a new level. The first two phases, launched in 2022, include conducting research to better understand affiliates’ needs and expectations and forming catalyst groups, comprised of 40 affiliate leaders from around the world from diverse industries, positions, and areas of expertise. These catalyst groups are working to address the areas that affiliates identified as their highest priorities, including:

- Certificate Programs
- Quality Assessments
- Global Executive Membership
- Knowledge Sharing
- Benchmarking
- Global Research

In 2022, Faleato and his team were excited to welcome four new International Chapters in Vietnam, Senegal, Bolivia, and Honduras, each of which has a goal of reaching affiliate status.

2022 Membership Growth – Affiliate Recognition Winners

Membership Growth, Small Affiliates	Membership Growth, Medium Affiliates	Membership Growth, Large Affiliates
<ul style="list-style-type: none"> ■ Winner: IIA-Egypt (Cairo) ■ Honorable Mention: IIA-Zimbabwe ■ Honorable Mention: IIA-Romania 	<ul style="list-style-type: none"> ■ Winner: IIA-Zambia ■ Honorable Mention: IIA-Dominican Republic ■ Honorable Mention: IIA-Uganda 	<ul style="list-style-type: none"> ■ Winner: IIA-Saudi Arabia ■ Honorable Mention: IIA-Greece ■ Honorable Mention: IIA-Indonesia



Promoting
Competency and
Learning Through
Innovation

Promote **Competency & Learning**

Promoting Competency and Learning Through Innovation

Efforts in 2022 were designed to support every part of the organization, including the expansive portfolio of member competency and learning products and services. Ensuring The IIA's portfolio matched marketplace demands required the Member Competency and Learning team to take a fresh look at their structure, models, and approaches in 2021 and begin implementing the new strategy in 2022.

Spearheading this effort was IIA Executive Vice President of Member Competency and Learning, Brad J. Monterio. "The portfolio model we are using, which is completely new for The IIA, really gained traction in 2022," said Monterio. "Through the extensive market research our team conducts, we identify the skill sets and topical areas the marketplace demands and, more importantly, the competencies and competency levels required for any given position. This determines what types of education products and topics we present to our members and customers, and it also informs the content development of other IIA teams, such as guidance, research, and thought leadership."

To support these efforts, a Global Competency Advisory Group was conceived in the final months of the year and is comprised of International Relations Committee (IRC) members and affiliate leaders from around the globe. Its charge is to serve as a brain trust to advise IIA staff in all areas within the professional education and competency purview.

Planning Ahead

To allow members and customers to incorporate more IIA learning experiences into their professional development budgets for the coming year, in 2022, The IIA began publishing a comprehensive catalog of its conferences and instructor-led training. "As we began to see travel return to pre-pandemic levels in 2022, we felt it was important to be part of the professional development planning cycle so that our members could better plan and budget for upcoming travel to in-person education. It's an investment, and we want to maximize the opportunity for everyone to participate," said Monterio.

2022 Learning Offerings

- 190 public instructor-led training courses
- 148 private instructor-led training courses
- 50+ webinars
- 6 hybrid conferences
- 6 new virtual conferences
- 2 Vision University offerings
- 1 new hybrid conference (IGNITE Conference)

Promote **Competency & Learning**



“We identify the skill sets and topical areas the marketplace demands and, more importantly, the competencies and competency levels required for any given position.”

- Brad J. Monterio

IIA Signature Conferences

This new approach resulted in more than 6,600 practitioners and stakeholders from around the world attending one or more of The IIA's conferences in 2022. Many of these participants were able to attend in-person again for the first time since the global pandemic, with two of The IIA's signature events – the General Audit Management (GAM) Conference and International Conference – returning to an in-person format.

The IIA bestowed five Professional Achievement Awards during the 2022 International Conference, recognizing recipients from around the world who have excelled in research, education, publishing, advocacy, and other activities in the field of internal auditing and related professions.

Victor Z. Brink Award for Distinguished Service

- W. Charles Johnson, Jr. – Senior Manager, FORVIS Enterprise Risk Solutions
- Yi Hsin (Doris) Wang – Chair, Taiwan Accounting Research and Development Foundation; Professor, Department of Accountancy, National Taipei University

Bradford Cadmus Memorial Award

- Lal Balkaran – Risk, Governance, and Internal Audit Consultant, LBA Consulting
- Brian Christensen – Executive Vice President, Global Managed Solutions and Collaboration, Protiviti

William G. Bishop III, CIA Lifetime Achievement Award

- Carman L. Lapointe – International Consultant; Former Under-Secretary-General, United Nations Office of Internal Oversight Services

Event enhancements in 2022 ensured attendees had a unique experience and reflected The IIA's commitment to keeping content immersive, relevant, and engaging. A few of the distinctive elements added to the 2022 conferences included:

- A fraud immersion activity at the GAM Conference in which attendees were tasked with gathering clues to identify who committed the fraud, culminating in an actor-led reveal at the closing session.
- A Diversity, Equity, and Inclusion (DEI) luncheon at GAM to highlight and celebrate key developments in this important area.
- A hometown Chicago drum line welcoming attendees from more than 70 countries to the opening general session at the International Conference.

Promote Competency & Learning



Partnerships

In addition to efforts surrounding fraud education, including our virtual conference series launch, The IIA leveraged its strong relationship with the Association of Certified Fraud Examiners (ACFE) to collaborate on a six-part webcast series focused on fraud. The series, Fraud Perspectives, was developed and announced in late 2022, with the first webinar held in January 2023. Strengthening existing relationships with like-minded organizations continued across the entire portfolio of IIA learning products. The IIA's 2022 GRC Conference, a collaboration with ISACA, saw more than 1,200 in-person and virtual participants at the ninth annual event.

IIA Principal Partners

The IIA's learning products and services, strategic activities, signature events, and market research would not be possible without the assistance of its Principal Partners.



Promote **Competency** & Learning

The IIA saw an increase in the number of CIA designations earned across the globe and recognized affiliates with notable increases through the CIA Growth Awards.

CIA Growth, Small Affiliates

- Winner: IIA-Qatar
- Honorable Mention: IIA-Egypt (Cairo)
- Honorable Mention: IIA-Jordan

CIA Growth, Medium Affiliates

- Winner: IIA-Hong Kong
- Honorable Mention: IIA-Luxembourg
- Honorable Mention: IIA-Colombia

CIA Growth, Large Affiliates

- Winner: IIA-China
- Honorable Mention: IIA-Japan
- Honorable Mention: IIA-India

Award Winner Affiliation

- William S. Smith Gold Medal Award (Top CIA): IIA-Saudi Arabia
- A.J. Hans Spoel Silver Medal Award (CIA 2nd place): IIA-Philippines
- Kurt Riedener Bronze Medal Award (CIA 3rd place): IIA-China
- Dr. Glenn Sumners Award (Top CIA Student): IIA Global
- CRMA Highest Achievement Award: IIA-New Zealand

Elevating the Profession Through **Certifications**

For practitioners to demonstrate they are equipped to add value in both the present and the future, earning and maintaining professional certifications is essential. “Certification is an important part of your brand that travels with you throughout your career,” said Gregory Applegate, PhD, MBA, ICE-CCP, IIA Vice President of Global Certifications. “You have to keep it current through pursuing continuing education to stay on top of the most recent developments in the profession.”

Allowing practitioners to demonstrate their expertise in a way that works for their busy schedules led to one of the greatest undertakings of 2022 for IIA Certifications: the CIA Market Study. The purpose was to glean insights into how the CIA exam is currently being administered, including what is working, what isn’t working, and what improvements can be made.

The CIA Market Study was comprised of two parts. The first part, a qualitative study launched in June 2022, involved conducting in-depth interviews and focus groups with chief audit executives, newly certified practitioners, in-process candidates, prospective candidates, and students. That feedback was used to develop a quantitative member survey, which was released in the final quarter of 2022. The survey received a 4.5 percent response rate with over 5,000 responses, more than double the industry standard.

It yielded surprising consensus in terms of what respondents are seeking from the exam, with five key insights emerging:

- Part 3 needs to be more relevant and the content needs to be updated.
- Part 1 and Part 2 exams should remain separate.
- Strong preference for incremental credentialing.
- Opportunity for post-CIA specialization credential.
- Consistent feedback regardless of geography or segment.

“The good news is that we are just looking at ways to enhance a system that is already working well,” said Applegate. One of the enhancements in 2022 was the recruitment of a security manager to monitor testing sites around the world. The manager ensures that all exam candidates are treated fairly, all applicable laws are being followed by The IIA, and no fraud occurs during the exam process.

To enhance candidates’ ability to prepare for the exam, in 2022, The IIA reintroduced CIA practice exam questions and released them in four languages:

- English
- Arabic
- Japanese
- Simplified Chinese



Creating Meaningful
Connections and
Enduring Relationships



Grow **Membership & Models**

Creating Meaningful Connections and Enduring Relationships

IIA North American Chapters

Relationship building was a common thread for The IIA's 2022 endeavors. When managing an organization with more than 235,000 global members – of which 70,000 members and 144 chapters are in North America alone – it is critical to put people and processes in place to stay meaningfully connected to each one. To enhance communications between chapters and IIA Global in 2022, we expanded our Chapter Engagement team to include regional liaisons in North America.

Adding these dedicated staff members enhances the local member experience by:

- Ensuring chapters have a go-to contact who makes regular, in-person visits to support chapter-initiated projects and events and who can provide real-time feedback to IIA Global regarding chapter needs.
- Establishing a continuous communication channel to make chapters aware of important initiatives, events, products, and services coming from IIA Global.
- Providing support for chapter leaders to employ the technology available through IIA Global to promote their events and initiatives and grow their local membership.
- Holding in-person meetings with chapters across North America, at which The IIA's President and CEO, North American Board Chair, Executive Vice President of Membership, and other executive leaders share updates, discuss chapter initiatives, and explore collaboration opportunities.
- Conducting town hall meetings with chapter leaders to address their direct questions and thoughts on The IIA's North America strategies and the volunteer experience.

Beyond providing direct and ongoing support through regional chapter liaisons, The IIA also took steps in 2022 to further empower chapter leaders in their roles, including:

- Reinstating quarterly chapter leader calls, led by the Chapter Engagement team and The IIA's President and CEO, to offer support and provide chapter leaders with a forum for ongoing dialogue with IIA Global executive leadership.
- Conducting district workshops within each region to prepare volunteer leaders for the upcoming year.
- Initiating an audit of the Leader Resources webpage to streamline volunteer leader resources and make the page more user centric.

Grow **Membership & Models**



7% increase

Group membership increased by more than seven percent.

Additionally, more than 300 attendees convened in Orlando, Florida, USA to attend Leadership Academy, which returned to an in-person format for the first time since the COVID-19 pandemic. Due to COVID-19 travel restrictions still in place at the time, IIA-Canada volunteer leaders couldn't attend, so IIA Global sent representatives to Canada to conduct an in-person "mini" Leadership Academy.

Traveling to Canada to conduct leadership training was just one part of IIA Global's efforts to enhance the support it offers to IIA-Canada. In 2022, IIA Global identified opportunities to provide more value to IIA-Canada members through a range of avenues, including:

- Translating key IIA tools and resources into Canadian French.
- Committing to launching a standalone Canadian advocacy program.
- Hiring a Canadian advocacy director with a public policy background.
- Adding a Canadian product development manager to build education programs.
- Organizing several in-person visits to Canadian chapters by IIA Global executive leadership.

Growing Our Membership

In 2022, overall membership in The IIA increased with wins in two specific areas:

- To help grow membership and build a robust pipeline of talent for the internal audit profession, The IIA introduced free student membership in North America. Free student membership, which is planned to be expanded globally in the future, allows students to learn more about and network with internal auditors.
- Another segment of IIA membership that was enhanced in 2022 was group membership. Thanks to a variety of tactics, group membership increased by more than seven percent.



Advocacy in Action

Public Policy Advocacy for the Profession

Advocacy in Action

Advocating for the profession is a priority for The IIA and we do so across several fronts. A key component of our five-year strategic plan includes influencing public policy that promotes and reinforces the value of internal auditing.

In 2022, The IIA built a Global Advocacy team, led by seasoned public policy expert Mat Young. Initially brought on as Vice President of Global Advocacy, Public Policy, and Government Affairs, he currently serves as Executive Vice President of Global Advocacy, Policy, and Stakeholder Relations. “Our team is focused on advancing laws, regulations, and other policies that appropriately center and underscore the value of internal audit in public and corporate governance policies in Canada, the U.S., and around the world.”

After joining The IIA in February 2022, Young built the team by hiring advocacy directors to engage on U.S. policy and collaborate with IIA affiliates to advance the profession’s global policy goals. The U.S. team is committed to a bipartisan approach in Washington, D.C. to ensure all parties are included, while the Global Advocacy Director, who speaks five languages, facilitates communication and supports affiliates’ advocacy efforts as they engage with policymakers in their various countries around the world. Additionally, The IIA committed to launching a standalone Canadian advocacy program in 2023 and has since brought on a dedicated Canadian Advocacy Director. A Corporate Governance Engagement Senior Director role was also approved, and this individual focuses specifically on engaging the corporate governance ecosystem (i.e., audit committees, investor groups, C-suite leaders, boards of directors, and other business-focused associations and leaders).

Some of the team’s key 2022 accomplishments in the United States included:

- Performing a comprehensive analysis of the Biden Administration and U.S. Congress to evaluate the legislative/regulatory landscape and identify key federal stakeholders.
- Developing robust processes for identifying and monitoring relevant legislation and regulations. By the fourth quarter of 2022, IIA Advocacy staff had conducted approximately 100 introductory meetings with key congressional offices in the U.S. House and Senate.
- Launching The IIA’s first-ever U.S. political action committee, IIA PAC, to support candidates for federal office who champion issues important to the internal audit profession.
- Submitting a letter to the U.S. Congress following the collapse of cryptocurrency exchange FTX to require the establishment of internal audit requirements and stronger corporate governance policies at cryptocurrency exchanges.

Public Policy Advocacy for the Profession



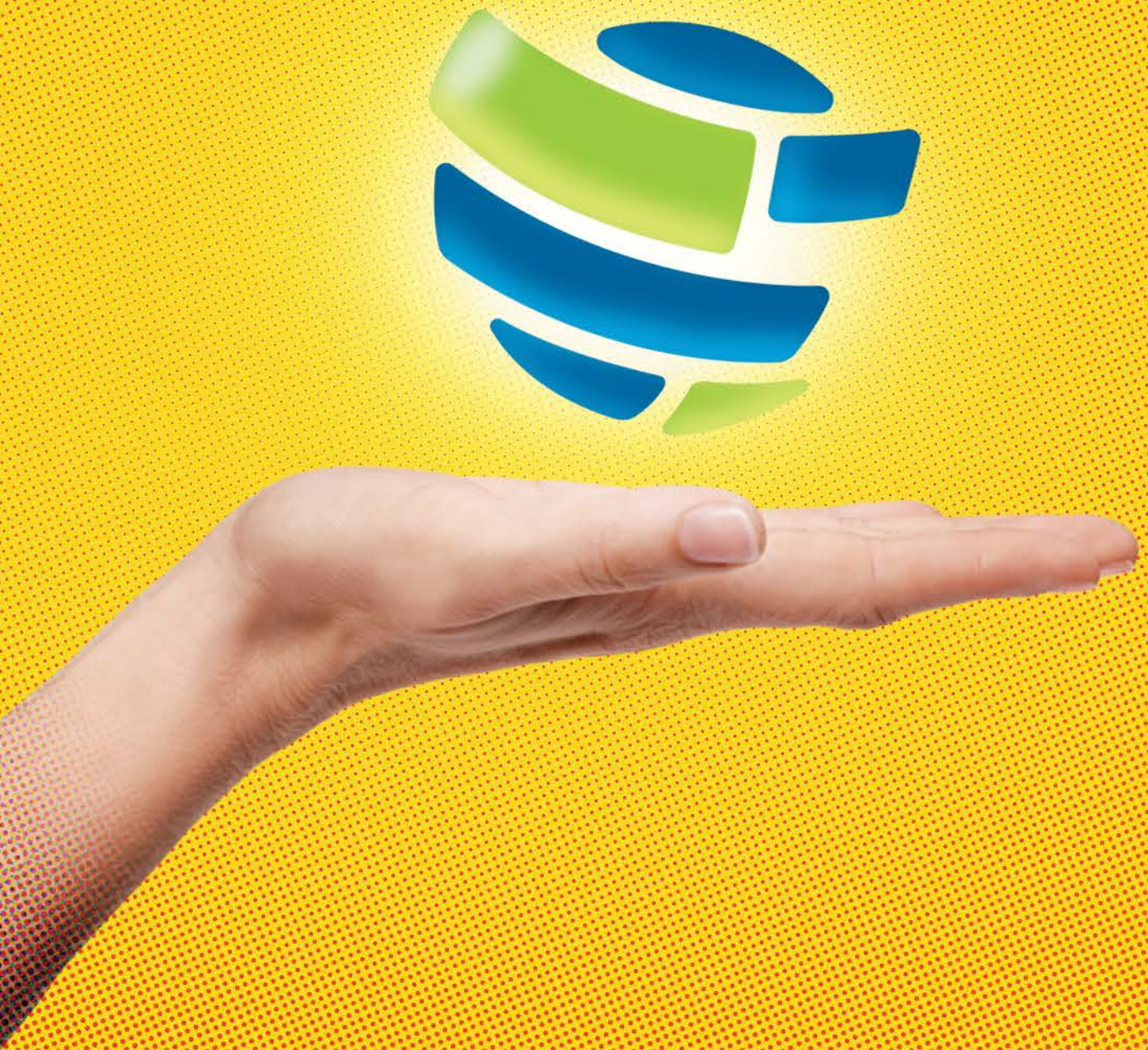
“...significant efforts were made in 2022 to cultivate and strengthen our relationships with all of our key stakeholders.”

- Mat Young

The IIA also experienced significant success from a global advocacy perspective, including:

- Initiating The IIA's first-ever global advocacy survey to gather key data and insights on our affiliate organizations' public policy advocacy priorities and engagements.
- Convening key stakeholders in-person and virtually through conferences, assemblies, one-on-one discussions, and regional meetings to discuss public policy advocacy. After three years of not meeting face-to-face, The IIA's Global Assembly gathered in-person once again with record-breaking affiliate participation. In 2022, we engaged with over 50 affiliates on advocacy matters.
- Spearheading a comment letter to the Organisation of Economic Co-operation and Development's (OECD) Secretariat and the OECD Corporate Governance Committee on their proposed updates to the G-20/OECD Principles of Corporate Governance. In this letter, The IIA, with the input of affiliate partners and their regional bodies, called for the Principles to include a new, separate section specifically discussing the purpose, value, ideal structure, and role of an internal audit function.
- Weighing in on the importance of internal audit's role in areas like data privacy and cybersecurity, and in combating organizations' integrity risks. The IIA also participated in the Business 20's (B20) Integrity & Compliance Task Force policy report for their recommendations to the G20.

“To ensure a great impact in the public policy arena, we transitioned from what had historically been a more reactive stance regarding advocacy for The IIA to a truly proactive approach. Being able to do that effectively is dependent on the relationships we build, so significant efforts were made in 2022 to cultivate and strengthen our relationships with all of our key stakeholders,” said Young.



Taking Our Brand
and Platform to New
Heights

Evolve Image & Heighten Brand Awareness

Taking Our Brand and Platform to New Heights

To become a truly global organization, The IIA launched a monumental initiative: Digital Transformation (DT). The groundwork for the project was laid in 2021 and DT was completed in 2022. As Charlie Wright, CIA, CPA, CISA, former Chair of The IIA's Global Board of Directors, explained in the 2021 annual report, "This project is a once-in-a-generation investment that lays the foundation for us to deliver modern technological services and training activities as we embrace the future."

These technological investments included overhauling The IIA's website and implementing a new, more robust association management system. The overhaul of The IIA's website:

- Merged the North American and Global websites.
- Brought The IIA's complete portfolio of products, services, and related content together in one place.
- Elevated the look and feel of the organization by incorporating the new logo, created in 2021, and the supporting branding elements to reflect a global organization that represents the evolution of the profession.
- Delivers an enhanced user experience by offering features such as past purchase summaries and suggestive "you may also be interested in" functionality.

The implementation of a new association management system and customer service platform provides The IIA with enhanced capabilities to:

- More effectively communicate with and provide support to chapters and affiliates.
- Gather business intelligence that informs the development of services and products driven by real-time customer demand.
- Allow the organization to streamline content by reducing redundancies and focusing on high-demand content.

The new brand was also carried across to the redesign of *Internal Auditor* magazine. The magazine is now "designed for digital" and enhances the reader experience by:

- Reflecting IIA Global's new brand.
- Improving key word search and filter functionality.
- Offering a more interactive user experience through engaging videos, dynamic blog posts, and other extras.

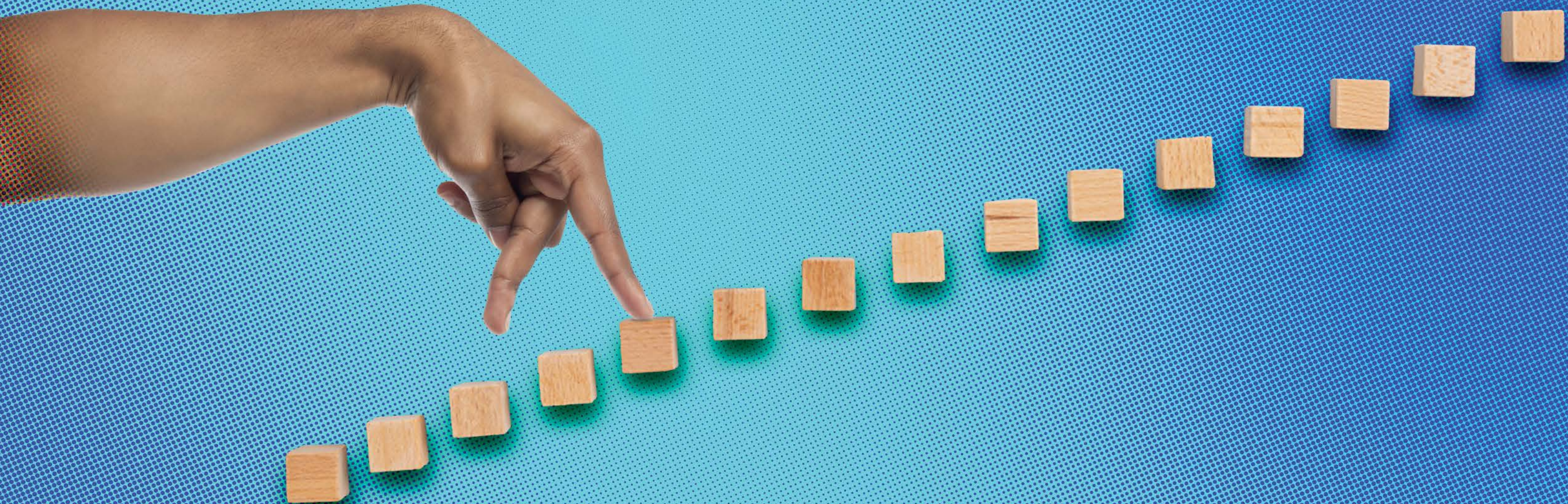
The DT project, which involved years of legwork and a significant expansion of the budget to scale to more complex system requirements, was completed at the end of 2022. "We work for our members and the profession. Our job is to make it easier for them to do their jobs," said IIA Chief Financial Officer Ann Cohen, who is responsible for financials, information technology, human resources, business intelligence, and the project management office. "The systems we've put in place and the people we recruited to leverage the full capabilities of these systems was a herculean effort. While there are still tweaks that need to be made, as is the case with any project of this magnitude, we feel confident these enhancements position the organization for continued success."

"This project is a once-in-a-generation investment that lays the foundation for us to deliver modern technological services and training activities as we embrace the future."

- Charlie Wright



Evolving to Meet the Moment and Beyond



Evolving to Meet the Moment and Beyond

The Standards

In 2022, the International Internal Audit Standards Board (IIASB) worked to reexamine the International Standards for the Professional Practice of Internal Auditing (Standards) and other foundational elements that make up the International Professional Practices Framework (IPPF). As internal auditors continue to tackle emerging issues, including cybersecurity and artificial intelligence, the standards that guide the profession must also evolve. The board solicited feedback from internal audit practitioners, regulators, standard setters, and other stakeholders around the world to ensure the final product fully reflects the needs of the profession globally.

There was a consensus that the Standards need to be:

- Simplified and streamlined.
- More user-friendly.
- More reflective of timely issues.

The IIASB began by simplifying the name. The International Standards for the Professional Practice of Internal Auditing (Standards) are now called the Global Internal Audit Standards™. In addition, the number of elements that comprise the standards has been reduced from seven to three and the complexity of each element has been streamlined to allow for more effective practical application.

While 2022 was spent gathering input globally, the IIASB released the exposure draft in March 2023 in more than 20 languages. The new IPPF is scheduled for release by the end of 2023 and its importance cannot be overstated. “The changes to the IPPF will drive change for everything,” said IIASB Chair J. Michael Peppers, CIA, QIAL, CRMA. “They will not only make the Standards more accessible and useful to practitioners, but the changes will affect every product and service The IIA offers. Getting as much feedback as possible so that the IIASB can produce the best version possible is essential.”

Enable *the Profession* for the Future

Guidance

In 2022, nine new Practice Guides and Global Technology Audit Guides (GTAGs) were published, including:

- Auditing Capital Adequacy and Stress Testing for Banks, 2nd Edition
- Auditing Liquidity Risk Management for Banks, 2nd Edition
- Building an Effective Internal Audit Activity in the Public Sector
- GTAG: Auditing Cyber Incident Response and Recovery
- GTAG: Auditing Cybersecurity Operations: Prevention and Detection
- GTAG: Auditing Mobile Computing
- Integrated Approaches to Internal Auditing
- Internal Audit and Fraud, 2nd Edition
- Unique Aspects of Internal Auditing in the Public Sector

Recommended Guidance helps internal auditors understand their organizations' governance, risk management, and control processes, as well as apply new techniques to their work, both of which enhance their competencies and the value of their assurance and advice.

Internal Audit Foundation

Research conducted by practitioners for practitioners is a critical component of moving the internal audit profession forward. The Internal Audit Foundation develops research products and reports to help practitioners navigate a volatile business environment that presents risks from every angle. Like many organizations, the Foundation was still recovering from the impacts of the global COVID-19 pandemic in 2022. However, even in the wake of recovery, generous donors and dedicated staff and volunteer leaders helped secure US \$687,000 in donations to continue producing the invaluable research our profession requires to evolve.

In 2022, The IIA and the Internal Audit Foundation released nine research reports. Two key reports were:

- 2022 Premier Global Research, Internal Audit: A Global View – a report that collected feedback from 3,600 internal audit professionals from 159 international locations about internal audit focus, how functions meet expectations, conformance to the Standards, and demographic trends worldwide.
- 2023 North American Pulse of Internal Audit: Benchmarks for Internal Audit Leaders – an annual report The IIA has issued since 2008 that captures valuable benchmarking information from internal audit leadership about risks, audit plans, budgets, staff, and more.

The Foundation also released two thought leadership reports in partnership with Deloitte, focused on the roles internal audit must play related to DEI issues in the marketplace:

- Diversity, Equity, and Inclusion (DEI) 101: Internal Audit's Invaluable Role in Creating a Sense of Belonging at Work
- Driving an Inclusive Culture: Internal Audit's Role in Recruiting, Retaining, and Developing Diverse Talent



Enable *the Profession* for the Future



“The project is intended to create a sense of unity as to where the profession is headed.”

- Anthony Pugliese

Beyond developing and supporting research that propels current internal auditors forward, the Foundation is focused on filling the pipeline with highly educated and skilled future internal auditors who will be able to start adding value immediately upon graduation. To that end, the Foundation helps to fund Internal Auditing Education Partnership (IAEP) and Internal Audit Awareness Program (IAAP) efforts worldwide. There are currently 118 IAEP and IAAP programs and in 2022, the Foundation awarded US \$64,000 in IAEP grants to nine schools globally. In addition, a staff member was added to the Foundation’s Academic Relations team to continue to support the growth and expansion of IAEP and IAAP initiatives around the world.

Another exciting future-focused initiative that was conceived in 2022 was “Internal Audit: Vision 2035, Creating Our Future Together.” During a time of significant disruption to the profession, when ESG, cybersecurity, blockchain, cryptocurrency, and artificial intelligence are all common in the global marketplace, it is imperative to explore what the future of the profession holds so that we can venture into it prepared to continue adding value.

The purpose of Vision 2035 is to answer two key questions:

- What *will* the internal audit profession be in 2035?
- What should the internal audit profession *aspire* to be in 2035?

The initiative will include three research phases. The first two phases, which include online research and information gathering, as well as in-depth interviews and focus groups, are slated to be completed in 2023. The final phase, the quantitative survey released to members and stakeholders, is scheduled to be completed in the second quarter of 2024, with the report to follow by the end of the third quarter. “The project is intended to create a sense of unity as to where the profession is headed,” said IIA President and CEO Anthony Pugliese. “It is also intended to identify the roadblocks we may face in the future, so that we can clear them now and pave a smoother road for the journey ahead.”



Conclusion

2022 was a year of making strides in the infrastructure needed to achieve The IIA's new strategic plan, including completing an organizationwide digital transformation, developing work to reimagine the global internal audit Standards, adding headcount to IIA Global staff, and undergoing a seismic cultural transformation. Taken together, these accomplishments reveal the strength of our character, an unmatched commitment to our members, and the promise of #OnellA.

The organization could not have made the tremendous strides it did in 2022 without the tireless dedication of IIA members, volunteer chapter and affiliate leaders, and global staff. The collective work of these individuals built a solid foundation that will propel the profession forward for decades to come. We extend our sincerest appreciation to everyone who contributed to the long list of achievements captured in this report. Your work has and will shape the future of the internal audit profession and positively impact the global marketplace.



2022 Financials

Strong IIA finances allow **reinvestment** in the profession

The IIA's finances and reserves are strong and well-positioned for continued reinvestment into value-creating experiences and resources that ensure IIA members are future-ready and best-in-class internal auditors.

2022 was an investment year, with new domestic and global advocacy initiatives and work towards a global operating model. The IIA met its revenue budget and outperformed year-over-year total revenue by \$6.3 million.

The IIA's complete financial statements, audited by BDO USA, P.A., follow this report.

	2022	2021
Total Revenue	\$65.4 MILLION	\$59.1 MILLION
Net Contribution (Loss)	(\$9.2) MILLION	\$10.1 MILLION
Total Net Assets	\$73.1 MILLION	\$82.6 MILLION

Independent Auditor's Report

Board of Directors
The Institute of Internal Auditors, Inc. and Subsidiaries
Lake Mary, Florida

Opinion
We have audited the consolidated financial statements of The Institute of Internal Auditors, Inc. and Subsidiaries (the Institute), which comprise the consolidated statements of financial position as of December 31, 2022, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Institute as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter
The 2021 consolidated financial statements of the Institute were audited by other auditors, whose report dated July 13, 2022 expressed an unmodified opinion on those consolidated statements.

Emphasis of Matter
As discussed in Note 1 to the consolidated financial statements, in fiscal year ended December 31, 2022, the Institute adopted Financial Accounting Standards Board Accounting Standards Codification 842, Leases (ASC 842). Our opinion is not modified with respect to this matter.

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information
Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

August 16, 2023

BDO USA, P.A.

The Institute of Internal Auditors, Inc. and Subsidiaries CONSOLIDATED STATEMENTS OF FINANCIAL POSITION December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash	\$ 24,664,471	25,392,128
Investments	55,671,360	65,011,106
Accounts receivable, net	3,691,010	2,917,622
Prepaid expenses and other assets	4,031,456	3,671,087
Deferred project costs, net	1,480,478	4,984,194
Employee savings plans	443,589	554,022
Property and equipment, net	7,927,795	4,731,489
Operating right-of-use assets, net	4,686,134	0
Total Assets	\$ 102,596,293	\$ 107,261,648
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 5,042,275	\$ 6,567,836
Accrued payroll	3,962,773	1,998,655
Deferred revenue	14,068,341	13,904,234
Deferred rent	-	1,664,934
Deferred employee compensation	443,589	554,022
Operating lease liabilities	5,984,015	-
Total liabilities	29,500,993	24,689,681
Commitment (Notes 8)		
NET ASSETS		
Without donor restrictions:		
Undesignated	71,419,198	80,888,015
Board designated for specified purposes	514,403	534,618
Total Net Assets Without Donor Restrictions	71,933,601	81,422,633
With donor restrictions:		
Restricted for specified purposes	1,026,699	1,014,334
Restricted in perpetuity - endowment	135,000	135,000
Total Net Assets With Donor Restrictions	1,161,699	1,149,334
Total net assets	73,095,300	82,571,967
Total liabilities and net assets	\$ 102,596,293	\$ 107,261,648

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2022 and 2021

	2022	2021
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating Revenues		
Member Competency and Learning	\$ 19,203,048	\$ 14,917,343
Certifications	21,505,843	20,128,839
Membership	17,697,990	17,993,610
Quality services	2,658,553	2,353,842
Educational products and research	877,732	1,096,929
Other revenues	903,109	880,945
Contributions	261,618	598,678
Net assets released from restrictions	135,500	80,603
Total Operating Revenues	63,243,393	58,050,789
Operating Expenses		
Program Services		
Member Competency and Learning	15,051,490	9,670,466
Certifications	10,981,892	10,573,975
Membership	7,978,148	5,682,643
Quality Services	1,330,849	1,310,311
Educational products and research	1,063,928	1,264,123
Other program services	266,013	328,036
Total Program Services	36,672,320	28,829,554
Supporting Services:		
General and administrative	26,751,610	24,059,684
Total Operating Expenses	63,423,930	52,889,238
Change in Net Assets Without Donor Restrictions,		
before non-operating (loss) income	(180,537)	5,161,551
Non-operating (loss) income:		
Net investment (loss) income	(9,257,747)	4,987,712
Change in net assets without donor restrictions	(9,438,284)	10,149,263
Change in net assets with donor restrictions		
Contributions	145,000	204,351
Net investment (loss) income	(47,883)	22,207
Net assets released from restrictions	(135,500)	(80,603)
Change in Net Assets with Donor Restrictions	(38,383)	145,955
Change in Net Assets	(9,476,667)	10,295,218
Net Assets, beginning of year	82,571,967	72,276,749
Net Assets, end of year	\$ 73,095,300	\$ 82,571,967

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022									
	PROGRAM SERVICES							SUPPORTING SERVICES	
	Member Competency and Learning	Certifications	Membership	Quality Services	Educational Products and Research	Other Program Services	Total Program Services	General and Administrative	Total Expenses
Salaries and related benefits	\$4,537,127	\$ 2,498,850	\$ 4,364,298	\$ 349,777	\$ 271,524	\$ -	\$ 12,021,576	\$ 16,179,308	\$28,200,884
Contract services and professional fees	4,043,233	3,379,361	628,873	842,932	151,242	238,680	9,284,321	2,972,796	12,257,117
Travel, lodging, meals and meeting space	3,761,053	158,402	636,771	14,443	6,766	-	4,577,435	1,026,474	5,603,909
Occupancy, office and other expenses	1,633,803	999,372	1,641,945	119,699	266,061	16,107	4,676,987	4,363,934	9,040,921
Advertising and promotions	484,774	32,742	25,612	943	2,629	-	546,700	914,836	1,461,536
Payments to affiliates	225,235	3,615,240	569,106	3,055	314,705	-	4,727,341	-	4,727,341
Depreciation and amortization	366,265	297,925	111,543	-	51,001	11,226	837,960	1,294,262	2,132,222
Total Expenses	\$ 15,051,490	\$ 10,981,892	\$ 7,978,148	\$ 1,330,849	\$ 1,063,928	\$ 266,013	\$ 36,672,320	\$ 26,751,610	\$ 63,423,930

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2021									
	PROGRAM SERVICES							SUPPORTING SERVICES	
	Member Competency and Learning	Certifications	Membership	Quality Services	Educational Products and Research	Other Program Services	Total Program Services	General and Administrative	Total Expenses
Salaries and related benefits	\$ 3,378,523	\$ 2,342,927	\$ 2,926,838	\$ 264,554	\$ 988,565	\$ 60,291	\$ 9,961,698	\$ 16,486,837	\$ 26,448,535
Contract services and professional fees	3,997,738	3,768,591	475,796	942,209	130,199	235,022	9,549,555	1,747,231	11,296,786
Travel, lodging, meals and meeting space	1,184,143	3,991	165,965	(1,688)	105	-	1,352,516	343,771	1,696,287
Occupancy, office and other expenses	358,057	811,246	1,352,662	105,236	31,672	21,497	2,680,370	3,721,542	6,401,912
Advertising and promotions	134,323	6,985	19,735	-	-	-	161,043	394,878	555,921
Payments to affiliates	236,082	3,361,162	665,000	-	43,912	-	4,306,156	-	4,306,156
Depreciation and amortization	381,600	279,073	76,647	-	69,670	11,226	818,216	1,365,425	2,183,641
Total Expenses	\$ 9,670,466	\$ 10,573,975	\$ 5,682,643	\$ 1,310,311	\$ 1,264,123	\$ 328,036	\$ 28,829,554	\$ 24,059,684	\$ 52,889,238

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended December 31, 2022 and 2021

YEAR ENDED DECEMBER 31,	2022	2021
Cash Flows from Operating Activities		
Cash received from members, customers and donors	\$ 62,396,924	\$ 58,897,211
Cash paid for program and supporting services	(61,345,111)	(50,845,454)
Net Cash Provided by Operating Activities	1,051,813	8,051,757
Cash Flows from Investing Activities		
Investment income received	1,026,920	1,741,342
Proceeds from sales of investments	14,887,228	155,761
Purchases of investments	(15,880,032)	(6,939,333)
Purchases of property and equipment	(261,418)	(77,766)
Expenditures for deferred project costs	(1,552,168)	(2,190,314)
Net cash used in investing activities	(1,779,470)	7,310,310
Net Increase (Decrease) in Cash	(727,657)	741,447
Cash, beginning of year	25,392,128	24,650,681
Cash, end of year	\$ 24,664,471	\$ 25,392,128
Non-Cash Investing and Financing Activities		
Establishment of right-of-use asset, net of deferred rent	\$ 5,753,738	-
Establishment of operating lease liability	\$ 7,418,672	-
Transfer of deferred project costs to property and equipment	\$ 5,004,883	-

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Institute of Internal Auditors, Inc. (the Institute), formed in 1941 as a not-for-profit corporation, was formed to cultivate, promote and disseminate knowledge and information concerning internal auditing and related subjects. The Institute is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate and principal educator.

The Institute's primary program activities include conducting seminars and conferences to educate and train internal auditors; publishing and selling periodicals and materials which inform internal auditors and members of the Institute on current professional issues, standards and practices; offering examinations and certifications to internal auditors and evaluating the performance of internal audit departments.

In conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), the Institute's consolidated financial statements include the accounts of the following organizations, which are separate legal entities (collectively referred to as the Organization):

- Internal Audit Foundation (the Foundation), a not-for-profit corporation formed to expand knowledge and understanding of internal auditing by providing relevant research and educational products to advance the profession globally. The Institute's Board of Directors has the authority to appoint the members of the Foundation's governing body.
- IIA Quality Services, LLC (Quality Services), a Florida limited liability company organized for the purpose of conducting external quality assessments and related activities. The Institute is the sole member of Quality Services.
- Canadian Institute of Internal Auditors (the Canadian Institute), a not-for-profit Canadian corporation formed to cultivate, promote and disseminate knowledge and information concerning internal auditing and related subjects in Canada. The Institute controls the Canadian Institute by virtue of provisions contained in the Canadian Institute's governing documents. Due to the amount of activity within the Canadian Institute, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- SINO Certifications, LLC (SINO), a Florida limited liability company organized for the purpose of conducting certification and related activities in China. The Institute is the sole member of SINO. Due to the amount of activity within SINO, the activities and balances are included in the financial statements of the Institute in the accompanying

consolidating statement of financial position and the consolidating statement of activities.

- IIA Global Development, LLC (Global Development), a Florida limited liability company organized for the purpose of supporting the development of the internal audit profession through an alternative service model. The Institute is the sole member of Global Development. Due to the amount of activity within Global Development, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- The Institute of Internal Auditors PAC (IIA PAC) - a political action committee registered with the U.S. Federal Election Committee and formed to make contributions and expenditures, without regard to party affiliation, in support of candidates for federal public office, political party committees, and other political committees in the United States that support the public policy views and interests of the IIA. The Institute's Board of Directors has the authority to appoint the members of The PAC's governing body.

All significant intercompany balances and transactions have been eliminated in consolidation. A summary of the Organization's significant accounting policies follows:

Basis of presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors. The Board of Directors established a board designated fund for specified purposes. As of December 31, 2022 and 2021, \$514,403 and \$534,618, respectively, had been designated by the Board of Directors for academic advancement.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization, passage of time, or permanently maintained by the Organization.

Net assets with donor restrictions restricted for specified purposes at December 31, 2022 and 2021, were \$1,026,699 and \$1,014,334, respectively, and consist primarily of amounts held by the Foundation restricted for educational activities and the William G. Bishop Memorial Fund to be used for the Common Body of Knowledge program. During the years ended December 31, 2022 and 2021, net assets of \$135,500 and \$80,603,

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. **NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Revenue recognition and operating activities: The Organization recognizes revenue and incurs expenses in its operation for the following activities:

Member competency and learning: Conference and seminar fees are recognized as income in the period in which the event is completed. Expenses include the costs of conducting conferences and seminars. Webinar revenue is recognized as income in the period in which the webinar is completed, or ratably throughout the life of the subscription. Expenses include the costs of creating and conducting the webinars.

Certifications: Exam registration fees are recognized as Revenue in the period in which the exams are taken. Application fees are nonrefundable and are recognized as Revenue at a point in time. Expenses include the costs of conducting exams.

Membership: Membership dues are recognized as Revenue over time throughout the membership period, which is generally one year. Expenses include the costs of delivering member benefits, as well as costs associated with recruiting new members and servicing and retaining existing members worldwide.

Membership includes subscriptions and print advertising revenue which are recognized as income in the period in which the related publications are issued. Website advertising revenue is recognized as advertisement is placed.

Quality services: Quality services are recognized as Revenue in the period in which the engagement is completed. Expenses include the costs of conducting quality assessments.

Educational products and research: Educational product sales are recognized as income when the related inventory is shipped. Expenses include the costs of producing and delivering publications and educational products, as well as website maintenance.

General and administrative: Expenses include executive operations, shared services, including professional practices, direct costs of creating and maintaining authoritative guidance organized in the International Professional Practices Framework. There is no direct revenue generated from general and administrative, rather these costs support other sources of revenue.

Revenue received in advance of the recognition period is a contract liability and is included in deferred revenue in the accompanying consolidated statements of financial position until earned in accordance with the revenue recognition discussions above. Deferred revenue consists primarily of membership and certification fees not yet earned and fees for upcoming conferences.

Contributions and donor-imposed restrictions: Unconditional

promises to give are recognized as contributions in the period received at their fair value. Conditional contributions or intentions to give, that is those with both a measurable performance or other barrier and a right of return or release, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend on are substantially met.

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support, depending on the existence or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of the donor-imposed restriction. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified into net assets without donor restrictions and are reported in the accompanying consolidated statements of activities as net assets released from restrictions.

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended December 31, 2022 and 2021.

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, the Organization considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalent accounts maintained in brokerage accounts are considered investments by the Organization.

The Organization maintains its cash and cash equivalents in deposit accounts and money market funds which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk related to cash and cash equivalents.

Investments and investment income: Investments are reported at fair value (see Note 2). Realized gains and losses are recorded at date of disposition based on the difference between the net proceeds received and the cost of the investments sold, using the specific identification method. Unrealized gains and losses are reported for the changes in fair value between reporting periods. Dividend and interest income is recognized when earned, net of investment expenses. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. **NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Accounts receivable, net: Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance for doubtful accounts is estimated based on an analysis of specific accounts and other economic factors, taking into consideration the age of the past due account and an assessment of the member's or customer's ability to pay. Accounts are considered past due when payments are not made in accordance with specified terms. Accounts are written off when management determines the amounts are uncollectible. In the opinion of management, the allowance for uncollectible accounts of \$351,397 and \$104,709 at December 31, 2022 and 2021, respectively, reflects management's best estimate of uncollectible accounts.

Property and equipment, net: Property and equipment are recorded at cost when purchased or at fair value at the date of gift, if contributed. Depreciation of property and equipment is computed using the straight-line method of accounting over the estimated useful lives of the depreciable assets. Routine maintenance and repair costs are charged to expense as incurred, while major replacements and improvements are capitalized as additions to the related assets. When assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and gains or losses from dispositions are credited or charged to income. Amortization of leasehold improvements is provided on the straight-line method of accounting over the remaining term of the lease or the useful life of the improvement, whichever is shorter.

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups has been recognized during the years ended December 31, 2022 and 2021.

Deferred project costs, net: Costs related to curriculum development, technology improvements and educational product development or revision are deferred until the related projects are completed. Seminar costs are presented net of accumulated amortization. Seminar costs are amortized over three years using the straight-line method of accounting, and educational product development or revision costs over three years at 60% the first year, 30% the second year and 10% the third year. During the year ended December 31, 2022 and 2021, the Organization recorded amortization expense of

\$51,001 and \$69,670, respectively, included in depreciation and amortization expenses in the accompanying consolidated statements of functional expenses. At December 31, 2022 and 2021, accumulated amortization was \$738,761 and \$687,760 respectively.

Functional allocation of expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Advertising costs: Advertising costs are expensed as incurred. Total advertising costs were approximately \$459,700 and \$252,800 for the years ended December 31, 2022 and 2021, respectively, and are included in advertising and promotions expenses in the accompanying consolidated statements of functional expenses.

Fair Value of Financial Instruments: The Organization reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - This level consists of unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 - This level consists of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - This level consists of inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management. The respective carrying value of certain financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include accounts receivable, accounts payable and accrued expenses and accrued payroll. The carrying amount of the operating lease liabilities approximates fair value because the interest rates are commensurate with market interest rates.

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization's Level 1 financial assets include investments as disclosed in Note 2. The Organization does not have any Level 2 or 3 financial assets or liabilities.

Use of estimates: The presentation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: The Institute is exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(6) and from state income tax pursuant to state law. The Foundation is exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and from state income tax pursuant to state law. Quality Services, SINO and Global Development are treated as disregarded entities for federal tax purposes. The Canadian Institute is exempt from taxation under applicable Canadian law.

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before December 31, 2019.

Leases and Recently Adopted Accounting Pronouncement: Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), and subsequent amendments. The Organization used the optional transition method upon adoption, which did not result in any change to beginning net assets. Under this method, the Organization's classification of existing leases at the adoption date are not reassessed and all of the Organization's leases continued as operating leases. As a result of this adoption, on January 1, 2022, the Organization recorded an operating right-of-use asset of \$5,753,738, net of lease incentives of \$1,664,934 and an operating lease liability of \$7,418,672.

The Organization determines if an arrangement is a lease or contains a lease, including lease classification as operating or finance, at inception. In a lessee arrangement, leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis.

The lease liability is measured at the present value of the lease payments over the remaining lease term for leases that

existed at the date of adoption of Topic 842 and over the lease term for new leases entered into after the date of adoption. The ROU asset equals the lease liability adjusted for any initial direct costs and lease incentives. The Organization elected the practical expedient to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term remaining as of the date of adoption. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization elected the practical expedient not to separate lease and non-lease components for all leases. Lease terms may include options to extend the lease and the present value of future minimum lease payments includes these options only when they are reasonably certain to be exercised.

The Organization has also elected the practical expedient not to record leases with an initial term of 12 months or less on the accompanying consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Accounting Pronouncement Issued but Not Yet Adopted Financial Instruments - Credit Losses: In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments. The standard provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected-loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2017-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued several amendments to the standard. In November 2019, the FASB amended the standard with the issuance of ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. The amendment revised the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. The Organization intends to adopt this new standard on January 1, 2023. Management is currently evaluating the impact of this ASU on its financial statements.

Reclassifications: Accrued payroll was reclassified from accounts payable and accrued expenses in the 2021 consolidated statement of financial position to conform to the 2022 presentation with no impact on change in net assets.

Dividend and interest income, net, was reclassified from operating revenues to non-operating (loss) income and included in net investment (loss) income in the 2021 consolidated statement of activities to conform to the 2022 presentation with no impact on change in net assets.

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. INVESTMENTS

The fair value of investments at December 31, 2022 and 2021, consists of the following:

December 31,	2022	2021
Cash and cash equivalents	\$ 1,895,497	\$ 1,114,117
Level 1 mutual funds:		
U.S. fixed income	22,599,510	23,553,103
U.S. large cap equity fund	15,468,146	21,873,884
EAFE equity fund	2,881,639	3,356,692
Real estate and infrastructure fund	3,096,974	2,625,465
Emerging market equity fund	3,304,812	4,183,089
Global equity fund	498,426	2,636,930
Asia ex-Japan equity fund	486,385	642,603
Japanese large cap equity fund	1,563,626	2,058,950
Equity precious metals fund	1,935,582	2,018,529
European large cap equity fund	1,182,591	-
U.S. mid cap equity fund	758,172	947,744
	<u>\$ 55,671,360</u>	<u>\$ 65,011,106</u>

Net investment (loss) income consists of the following:

Year ended December 31,	2022	2021
Interest and dividends	\$ 1,958,670	\$ 1,939,615
Realized (loss) gain	(3,298,232)	1,349,477
Unrealized (loss) gain	(7,815,696)	1,919,100
Investment fees	(150,372)	(198,273)
	<u>\$ (9,305,630)</u>	<u>\$ 5,009,919</u>

Net investment (loss) income is classified on the accompanying consolidated statement of activities as follows:

Year ended December 31,	2022	2021
Without donor restrictions	\$ (9,257,747)	\$ 4,987,712
With donor restrictions	(47,883)	22,207
	<u>\$ (9,305,630)</u>	<u>\$ 5,009,919</u>

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021:

	Useful Lives (years)	2022	2021
Computer equipment & software	3-10	\$ 17,545,484	\$ 12,282,341
Furniture, fixtures & equipment	3-7	1,763,525	1,785,501
Leasehold improvements	10-12	2,344,546	2,344,546
		<u>21,653,555</u>	<u>16,412,388</u>
Less: accumulated depreciation and amortization		(13,725,760)	(11,680,899)
		<u>\$ 7,927,795</u>	<u>\$ 4,731,489</u>

Depreciation and amortization expense for the years ended December 31, 2022 and 2021, was \$2,132,222 and \$2,183,641, respectively.

NOTE 4. LINE OF CREDIT

The Institute has a \$10,000,000 line of credit agreement with a bank bearing interest at the Secured Overnight Financing Rate (SOFR) plus 1.30% (4.3% at December 31, 2022). The line of credit matures on September 20, 2023. The line of credit was collateralized by certain investment accounts of the Institute. There was no outstanding balance on the line of credit at December 31, 2022 and 2021.

NOTE 5. OPERATING LEASES

The Organization has four leases for office space and one lease for equipment which are accounted for as operating lease obligations in accordance with Topic 842, which was adopted effective January 1, 2022. These leases expire on various dates ranging from January 2023 to April 2027. Two of the Organization's office leases has options to extend through September 2035, which are not reasonably expected to be exercised. The lease agreements do not contain

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

any material residual value guarantees or material restrictive covenants.

As of December 31, 2022, the weighted average remaining lease term for operating leases is approximately 2.4 years, and the weighted average discount rate used to calculate the operating lease liabilities is 1.76%. The components of total lease cost associated with the Organization's operating leases are approximated as follows:

Years Ended December 31, 2022:	
Operating lease expense ^(a)	\$ 1,125,000
Variable lease expense ^(b)	146,500
	<u>\$ 1,271,500</u>

(a) Expenses are classified within occupancy, office, and other expenses in the consolidated statement of functional expenses.

(b) Variable lease costs consist primarily of taxes and common area and is included within occupancy, office and other expenses in the consolidated statement of functional expenses.

As of December 31, 2022, future payments due under operating lease liabilities are as follows:

Years Ended December 31:	
2023	\$ 1,327,758
2024	1,464,071
2025	1,469,247
2026	1,455,998
2027	494,216
Total Lease Payments	\$ 6,211,290
Less: imputed interest	(227,275)
Operating Lease liabilities	<u>\$ 5,984,015</u>

Cash paid for amounts included in the measurement of operating lease liabilities was \$1,544,764 during the year ended December 31, 2022.

Future annual minimum lease payments due under operating leases prior to adoption of Topic 842 as of December 31, 2021 are as follows:

Years Ended December 31:	
2022	\$ 1,446,227
2023	1,387,939
2024	1,421,254
2025	1,449,414
2026	1,467,541
2027	494,216
Total	<u>\$ 7,666,591</u>

Prior to adoption of Topic 842, total rent expense related to leases and additional amounts for short-term rentals and

related charges amounted to approximately \$2,161,000 during the year ended December 31, 2021.

NOTE 6. RELATED PARTY TRANSACTIONS

Payments to affiliates primarily represents payments for certification revenue sharing with unconsolidated affiliate membership Institutes and amounted to approximately \$4,738,000 and \$4,306,000 during the years ended December 31, 2022 and 2021, respectively.

NOTE 7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserve within one year:

December 31,	2022	2021
FINANCIAL ASSETS, AT YEAR-END		
Cash	\$ 24,664,471	\$ 25,392,128
Investments	55,671,360	65,011,106
Accounts receivable, net	3,691,010	2,917,622
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(1,026,699)	(1,014,334)
Restricted by donors in perpetuity	(135,000)	(135,000)
Board designations:		
Board designated for academic advancement	(514,403)	(534,618)
Amounts set aside for operating reserve	(15,063,996)	(13,988,939)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 67,286,743</u>	<u>\$ 77,647,965</u>

Operating funds: Cash and cash equivalents should be convertible to cash within three months. The Organization maintains operating funds, which, when added to the accounts receivable balance at the quarterly review date, will be equal to or greater than the balances in accounts payable and accrued expenses for the same time period. In addition,

The Institute of Internal Auditors, Inc. and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

the Organization has a line of credit available to cover operating needs. At the end of each quarter, any balance in operating funds in excess of the balances calculated above, may be transferred to the investment/portfolio account.

Reserve funds: The Organization sets aside an amount for operating reserve equal to or greater than the total amount of operating costs for the Institute for the succeeding three months based on the forecast of revenues and expenses. If the balance in the reserve fund is not sufficient to meet the succeeding three months of expenses, investments can be liquidated to fund the deficit.

Investment funds: The amount of funds in excess of the reserve fund requirements is available for investments, projects or other initiatives approved in accordance with the delegation of authority.

NOTE 8. RETIREMENT PLANS

The Institute participates in a defined contribution pension plan organized under Section 401(k) of the Internal Revenue Code. The Institute contributes a certain percentage of the total salary of eligible employees to the plan. During the years ended December 31, 2022 and 2021, the Institute contributed approximately \$1,639,000 and \$1,572,000, respectively, to this retirement plan.

The Institute maintains Section 457 deferred compensation plans for the benefit of certain employees. One plan permits employee salary deferral contributions, while another plan permits discretionary employer contributions. Employer contributions were \$349,000 and \$280,000 during years ended December 31, 2022 and 2021, respectively. The Institute held \$443,589 and \$554,022 in the plans as of December 31, 2022 and 2021, respectively, which is reflected in the accompanying consolidated statements of financial position under employee savings plans and deferred employee compensation.

NOTE 9. SUBSEQUENT EVENTS

Management has assessed subsequent events through August 16, 2023, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION
The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	December 31, 2022				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
ASSETS					
Cash	\$ 20,840,251	\$ 2,121,600	\$ 1,702,620	\$ -	\$ 24,664,471
Investments	52,576,823	3,094,537	-	-	55,671,360
Due from affiliates	1,234,562	157,043	1,101,683	(2,493,288)	-
Accounts receivable, net	3,195,179	66,017	429,814	-	3,691,010
Prepaid expenses and other assets	3,989,955	29,001	12,500	-	4,031,456
Deferred project costs, net	1,348,107	132,371	-	-	1,480,478
Employee savings plans	443,589	-	-	-	443,589
Property and equipment, net	7,927,795	-	-	-	7,927,795
Operating right-of-use assets, net	4,686,134	-	-	-	4,686,134
Total assets	\$96,242,395	\$5,600,569	\$3,246,617	\$(2,493,288)	\$102,596,293
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable and accrued expenses	\$ 4,958,394	\$ 47,582	\$ 36,299	\$ -	\$ 5,042,275
Due to affiliates	1,222,915	80,978	1,189,395	(2,493,288)	-
Accrued payroll	3,962,773	-	-	-	3,962,773
Deferred revenue	14,068,341	-	-	-	14,068,341
Deferred employee compensation	443,589	-	-	-	443,589
Operating lease liabilities	5,984,015	-	-	-	5,984,015
Total Liabilities	30,640,027	128,560	1,225,694	(2,493,288)	29,500,993
Net Assets:					
Without donor restrictions:					
Undesignated	65,602,368	3,795,907	2,020,923	-	71,419,198
Board designated for specified purposes	-	514,403	-	-	514,403
Total without donor restrictions	65,602,368	4,310,310	2,020,923	-	71,933,601
With donor restrictions:					
Restricted for specified purposes	-	1,026,699	-	-	1,026,699
Restricted in perpetuity - endowment	-	135,000	-	-	135,000
Total Net Assets with Donor Restrictions	-	1,161,699	-	-	1,161,699
Total net assets	65,602,368	5,472,009	2,020,923	-	73,095,300
Total liabilities and net assets	\$ 96,242,395	\$ 5,600,569	\$ 3,246,617	\$ (2,493,288)	\$102,596,293

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF ACTIVITIES

	Year Ended December 31, 2022				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
Change in net assets without donor restrictions					
Operating revenues:					
Member Competency and Learning	\$ 19,203,048	\$ -	\$ -	\$ -	\$ 19,203,048
Certifications	21,505,843	-	-	-	21,505,843
Membership	17,697,990	-	-	-	17,697,990
Quality services	-	-	2,658,553	-	2,658,553
Educational products and research	687,168	190,564	-	-	877,732
Other revenues	914,776	-	-	(11,667)	903,109
Contributions	-	498,353	-	(236,735)	261,618
Net assets released from restrictions	-	135,500	-	-	135,500
Total Operating Revenues	60,008,825	824,417	2,658,553	(248,402)	63,243,393
Operating expenses:					
Program services:					
Member Competency and Learning	15,051,490	-	-	-	15,051,490
Certifications	10,981,892	-	-	-	10,981,892
Membership	7,978,148	-	-	-	7,978,148
Quality Services	-	-	1,342,516	(11,667)	1,330,849
Educational products and research	630,015	433,913	-	-	1,063,928
Other program services	266,013	-	-	-	266,013
Total program services	34,907,558	433,913	1,342,516	(11,667)	36,672,320
Supporting services:					
General and administrative	25,845,073	236,735	906,537	(236,735)	26,751,610
Total Operating Expenses	60,752,631	670,648	2,249,053	(248,402)	63,423,930
Change in net assets without donor restrictions					
before non-operating losses	(743,806)	153,769	409,500	-	(180,537)
Non-operating losses:					
Net investment loss	(8,785,485)	-	-	-	(9,257,747)
Change in Net Assets Without Donor Restrictions	(9,529,291)	(318,493)	409,500	-	(9,438,284)

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATING STATEMENT OF ACTIVITIES

	Year Ended December 31, 2022				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
Change in Net Assets with Donor Restrictions					
Contributions	-	145,000	-	-	145,000
Net investment loss	-	(47,883)	-	-	(47,883)
Net assets released from restrictions	-	(135,500)	-	-	(135,500)
Change in Net Assets with Donor Restrictions	-	(38,383)	-	-	(38,383)
Change in Net Assets	(9,529,291)	(356,876)	409,500	-	(9,476,667)
Net Assets, beginning of year	75,131,659	5,828,885	1,611,423	-	82,571,967
Net Assets, end of year	\$ 65,602,368	\$ 5,472,009	\$ 2,020,923	\$ -	\$ 73,095,300



The Institute of
Internal Auditors
Elevating Impact