

2019 annual report



DECADE

of PROGRESS





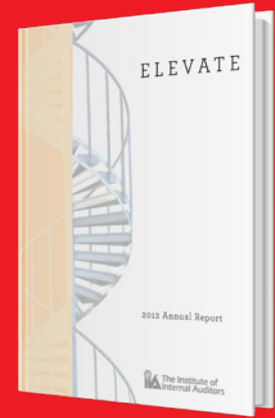
10 years of *excellence*



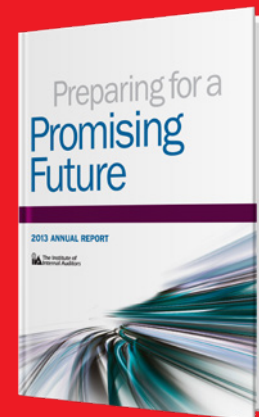
- 2010**
Positioned for Success
- Audit Executive Center launches
 - Members Mean More initiative debuts
 - Free monthly members-only webinars added



- 2011**
Invest. Advance. Evolve.
- CRMA is first new certification in a decade
 - IPPF Oversight Council is created
 - AuditChannel.tv video website debuts



- 2012**
Elevate
- Standardized global curriculum is unveiled
 - Redesigned *Internal Auditor* magazine debuts, along with mobile app
 - Sawyer's Guide for Internal Auditors, 6th Edition, debuts



- 2013**
Preparing for a Promising Future
- Global Internal Audit Competency Framework debuts
 - IIA and ISACA co-host first joint GRC conference
 - *IIA SmartBrief* launches



- 2014**
Agents of Change
- QIAL unveiled for next generation of leaders
 - IPPF undergoes relook
 - IIA Risk Resource Exchange goes online



- 2015**
Internal Audit Rising
- Common Body of Knowledge reports debut
 - Financial Services Audit Center launches
 - *Global Perspectives and Insights* series debuts in 8 languages



- 2016**
Celebrating Successes. Embracing Challenges.
- IIA marks 75th anniversary; rings NYSE opening bell
 - African Development Initiative launches
 - IIA Global HQ consolidates offices in Lake Mary, Florida, USA



- 2017**
Blueprint for the Future
- IIA invests in sweeping Digital Transformation project
 - Global Speaker Database launches with 150 speakers
 - Young Professionals Task Force forms



- 2018**
Disruption by Design
- Conference livestreaming debuts at GAM
 - Public Sector Audit Center (formerly ACGA) hosts first virtual symposium
 - IIA and World Bank release study of internal audit in Africa

2019 Decade of Progress



2019
Decade of Progress

- Global membership surpasses **200,000**
- Conference attendance **exceeds goals**
- OnDemand training **expands globally**
- **Revised CIA exam** launches
- CIA designations exceed **165,000**
- IIA leaders present at **United Nations**
- **17-member** Global Board of Directors takes office
- Unique study on risk, **OnRisk 2020**, debuts
- 1st U.S. measure of governance, **American Corporate Governance Index**, launches
- 2,000 respondents weigh in on **Three Lines of Defense** refresh

Table of Contents

06

President and CEO
Message

07

Global Chairman
Message

09

Record
Membership

10

Greater
Gatherings

13

Training
Reimagined

14

Rising in Rank

16

Globally
Speaking

18

Global Advocacy

21

North American
Advocacy

22

Must-read
Publications

24

Leading the Way

26

Milestones

28

Board of Directors

30

2019 Financials

President and CEO Message

When I was appointed President and CEO of The IIA a little more than a decade ago, it was a time of economic turmoil that required tough decisions. As we looked for ways to make the organization more efficient, we also focused on creating new opportunities to ensure The IIA would not just weather the storm of the Great Recession but would chart a sustainable course well into the future. We deployed new research to define and address important issues facing our members, new tools and services so that those members could better perform their jobs, and an ambitious goal to elevate the profession on a global scale like never before.

Last year, 2019, was a capstone to those and many other initiatives throughout the 2010s, as The IIA reached important milestones in membership, certifications, conferences, and training. Now in nearly 200 countries and territories, we have topped 200,000 members and 200,000 certifications, including more than 160,000 premier Certified Internal Auditors worldwide, and we are bringing training and conferences directly into your homes and businesses via virtual offerings. Through the years, I have been privileged to work with 11 different board chairmen, hundreds of employees and volunteer members, and many others, and these men and women have been instrumental in guiding The IIA to the successful association it is today.

This annual report is a celebration of 2019 and a decade of progress. But as we well know, the world has changed dramatically since the end of the year. Few could have predicted that the planet would be undergoing the kind of transformation we're experiencing as a result of the COVID-19 pandemic.

These are extraordinary times, as businesses, governments, households, individuals, and organizations like ours are once again making some very difficult decisions while ensuring we don't take our eye off the future. I have written often in my weekly blog that internal audit must never confront challenges merely as problems, but as opportunities. As this letter to you is being written, we are in the depths of the coronavirus pandemic, but like most of you, we are looking beyond the dark horizon to find the light of success.

I can tell you this: We would never have had the ability to deal with the issues presented by the pandemic if we had not spent the past decade consistently focused on laying a strong foundation. The IIA has achieved much, as chronicled in this annual report, and we will continue to work hard to not just meet your expectations, but to exceed them.

In the coming year, and through the next decade, The IIA will continue to define and support the evolving role of internal audit. We will remain nimble to address key priorities, even as those priorities might change with world circumstances.

This pandemic will pass, and the world will get on with business. The IIA is ready.

Richard F. Chambers

Richard F. Chambers
CIA, QIAL, CGAP, CCSA, CRMA
President and CEO



Global Chairman Message

I am grateful for the opportunities I had to share my chairman's theme, "Audit in Tune," with internal audit professionals throughout the world. During my visits, I was repeatedly struck by the passion and enthusiasm our members showed for advancing and promoting our profession. We are truly a global band of auditors. Despite cultural, language, and regulatory differences, the practitioners I met are continually and consistently working to improve their skills and knowledge to enhance their organizations' operations and, in many cases, to serve and protect the public interest.

Before us are some very real challenges as we face a world greatly transformed by the coronavirus (COVID-19). However, as I think about the future of our profession, I feel comfortable making two certain predictions: One, internal audit definitely has a positive future; and, two, it will look very different than the profession of today, and nearly unrecognizable from when my career started.

Business and operational risks will continue to demand the assurance, advice, and insight that a professional internal auditor, a "trusted advisor," can provide. The skill sets that successful internal auditors will need to possess will continue to evolve at a rapid pace. While changes in technology will enhance how we conduct and document our work, I believe our biggest opportunity — and challenge — will be in maintaining the personal "people" aspect of our role.

How will we build relationships that foster trust and confidence when our customers are no longer based in an office, but are merely remote voices on the other end of the phone or email chain? How will we promote and monitor an ethical culture when personal interactions and observations are significantly reduced? How will our processes evolve at the speed the business requires? I am confident that our profession of today will continue to identify new and innovative ways to pave the way for our profession of tomorrow.

Though travel and other restrictions put in place to prevent spread of the virus kept me from meeting as many of you as I would have liked, I thank all those internal audit professionals with whom I had the opportunity to meet for their gracious hospitality. Your dedication to The IIA and support of the internal audit profession is inspiring, and I wish continued success for all.

J. Michael Joyce Jr.



J. Michael Joyce Jr.
CIA, CRMA
Chairman of the Global Board, 2019–20



Digital. Agile.
Insightful. Impactful.
Still Human.

I believe that internal audit can play an important role in the future only if internal auditors keep up to the speed of digitalization, use agile methodologies, and listen carefully to the needs of their stakeholders to deliver insightful and impactful audit results. And internal audit will not survive just as a means of automated processes; it will always need the analytical thinking of humans to connect the dots.

Günther Meggeneder
(2010–11)



Decade of Progress

When the calendar changed to 2020, it signaled celebration and the culmination of a decade of key accomplishments for The Institute of Internal Auditors (IIA). But only a few months later, the new year also would present The IIA with one of the greatest challenges in its long and storied history — advent of the coronavirus (COVID-19).

To be sure, there were major milestones in 2019, including unprecedented membership growth, record certifications, sold-out conferences, innovative training programs, and breakthrough research that brought into focus just how much the profession of internal auditing has evolved since The IIA was founded in 1941.

The IIA also continued to establish itself as internal auditing’s global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. As an organization dedicated to putting its members first, The IIA has been working toward a digital transformation that promises to change the way the association serves internal auditors and the way they interact with the association and each other.

As we moved into 2020, additional milestones were reached, including a switch to single sign-on (SSO) technology and the launch of an integrated Certification Candidate Management System (CCMS) that eliminates multiple databases and streamlines processes. Transformative development continues on a centralized e-commerce platform, an association management and new CRM system, and a new website. This multimillion-dollar project represents The IIA’s commitment to providing the highest level of service in support of the organization’s growing global family.

From the Great Recession of a decade ago to the unprecedented economic turmoil brought on by the coronavirus of 2020, The IIA has become a messenger of stability and guidance on doing things right and doing the right things for our members and the profession we serve.

Internal audit’s response to COVID-19 illustrates how the profession has ventured far beyond its original role of merely assessing mostly financial risks, corporate processes, and internal controls. Today’s practitioners provide assurance on a growing number of real and potential risks, including those involving technology, cybersecurity, environmental and health concerns, corporate reputation, governance, and more.

Internal audit is an integral part of well-governed organizations as executive management, boards, and audit committees are held to higher standards than ever before. The profession is well-positioned to become even more essential as the world grapples with the far-reaching health, financial, governmental, and societal effects of the COVID-19 pandemic, and The IIA is here to support it.

Record Membership

Given a risk landscape that is constantly evolving, the need for internal audit has become increasingly crucial. The profession has not only grown in stature; the integral role internal audit plays in good governance has become even clearer to organizations. The IIA has continued to help internal auditors meet the challenges they face — and embrace the myriad opportunities those challenges present. Internal audit professionals have turned to the association in record numbers, with membership topping 200,000 in 2019 — a milestone celebrated that March with a balloon drop and a roomful of cheers at the annual North American chapter Leadership Academy in Orlando, Florida.

North America membership remained strong in 2019, finishing the year with membership of nearly 73,000, and an 87% retention rate, the highest in five years. As further reflection of The IIA’s strong global network, two existing Affiliates, IIA–Papua New Guinea and IIA–Guyana, transitioned to international chapters to take advantage of the service delivery model offered by this program. Overall, The IIA’s global reach comprised 159 chapters in North America and 110 Affiliates worldwide, including 93 institutes, 15 international chapters, and two networks at year’s end.

Members are at the heart of The IIA’s mission. In 2019, final touches were made on an enhanced membership model, and in March 2020, North America membership was expanded to include free access to the Financial Services, Public Sector, and Environmental, Health & Safety Audit Centers. The enhanced membership model, which will roll out in 2021, features membership tiers and benefits designed to further strengthen the membership experience, from recruitment to retention.

Assisting in the effort to quickly engage new members and familiarize them with their benefits is an enhanced onboarding program that includes an information-packed webinar and a focus on higher touchpoints and direct outreach to welcome new members, both of which have met with great success.

The IIA’s 2019 Leadership Academy, “Take a Trip Back to the 80s and Get on Track to Your Future,” offered 370 North American chapter leaders a selection of future-focused learning categories, timely resources, and the unparalleled opportunity to share knowledge and to network with peers.



In 2019, The IIA’s Customer Service team fielded 50,000-plus service requests that included everything from how to post jobs and renew memberships to rescheduling exams and registering for events.

Global Membership

2010	168,985
2011	176,202
2012	181,783
2013	189,200
2014	184,628
2015	188,235
2016	193,420
2017	193,592
2018	199,598
2019	203,409



Balloon drop marking 200,000 members held at North American chapter Leadership Academy in Orlando, Florida, USA.



Richard Dreyfuss and Richard Chambers on stage at the International Conference (IC), Anaheim, California

Greater Gatherings

International Conference Attendance

2010 – Atlanta, Georgia, USA	2,199
2011 – Kuala Lumpur, Malaysia.....	2,031
2012 – Boston, Massachusetts, USA	2,298
2013 – Orlando, Florida, USA	2,018
2014 – London, England, UK	1,976
2015 – Vancouver, BC, Canada	1,857
2016 – New York, New York, USA	2,310
2017 – Sydney, Australia	1,577
2018 – Dubai, UAE	2,449
2019 – Anaheim, California, USA.....	2,114

Conferences and events showed strong increases in numbers in the past decade as The IIA continued to bring thousands together each year to examine trends, exchange ideas, and explore the latest tools and techniques in the internal audit profession. In 2019, conferences brought in record numbers of attendees, increases in sponsorship support and revenue, and higher satisfaction ratings.

The largest event was the International Conference (IC) in Anaheim, California. With peer-to-peer networking, engaging keynote speakers, a wide array of educational sessions, and access to key products and services, IC remains the premier event for internal auditors. One of several sold-out events in 2019, IC attracted 2,114 attendees and garnered an overall satisfaction rating of 89 percent, seven points over the previous IC, thanks to a dynamic lineup of sessions and speakers, including actor Richard Dreyfuss, who brought insight into the lead character he portrayed in the television mini-series “Madoff,” about fallen financier Bernie Madoff.

With its more than 1,200 attendees, the General Audit Management (GAM) Conference in March in Dallas-Fort Worth, Texas, was successful on a number of levels. Taking into consideration busy schedules and limited travel budgets, The IIA GAM Conference offered for the first time livestreaming of several sessions. Other enhancements included a LinkedIn career center, a headshot photo station, and industry meet-ups. The livestreaming feature would prove a prescient move when, in 2020, the in-person event was quickly transformed into the first-ever, albeit abbreviated, “Virtual GAM.” The impact of the COVID-19 pandemic prompted many contingencies, including postponing, canceling, or modifying in-person events into what would be widely attended virtual platforms.

But in 2019, successes were plentiful, including a sold-out Governance, Risk, and Control (GRC) Conference, held in August in Hollywood, Florida, in collaboration with ISACA. The event, which attracted nearly 880 attendees, received an overall satisfaction rating of 85 percent. The IIA and ISACA first teamed up on GRC in 2013.

Other North America highlights included the Financial Services Exchange, held in September in Washington, D.C., which sold out with 500 paid attendees; the All Star Conference, held in October in Las Vegas, Nevada, with 550 attendees; and the IIA–Canada National Conference, held in September in Calgary, which reached its goal of nearly 700 attendees. The Women in Internal Audit Leadership Forum, also held in September in Washington, D.C., was a sellout event as well, with 100 attendees.

The Internal Audit Student Exchange, held in September in Orlando, Florida, had record attendance of 183 participants from nine countries and 45 colleges and universities. The event is a highlight of The IIA’s Academic Awareness Program and the Internal Auditing Education Partnership (IAEP), both of which support colleges and universities in creating stellar learning opportunities for those interested in internal audit careers. At year’s end, there were 54 IAEP schools and 21 in the Awareness program.

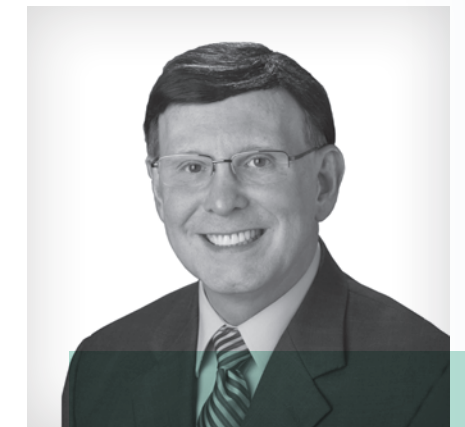
Strong attendance was also recorded at regional conferences around the globe. The Asian Confederation of Institutes of Internal Auditors (ACIIA) Conference hosted by IIA–Japan in September attracted almost 1,400 attendees. The largest delegation came from Indonesia. The European Confederation of Institutes of Internal Auditing (ECIIA) Conference in September, hosted by IIA–Luxembourg, far exceeded expectations with 700 attendees. The African Federation of Institutes of Internal Auditors (AFIIA) Conference, hosted by IIA–Botswana in May, had more than 400 participants from across Africa. Finally, the Fundación Latinoamericana de Auditores Internos (FLAI) Conference, hosted by IIA–Paraguay in October, attracted 600 attendees, with the highest attendance coming from Costa Rica.

In addition to these great events made possible by dedicated staff and volunteers, The IIA’s efforts are greatly enhanced by the support of many sponsors and partners, including Principal Partners AuditBoard, Crowe, Deloitte, EY, Galvanize, Grant Thornton, KPMG, Protiviti, PwC, Refinitiv, Wolters Kluwer, and Workiva. Their many contributions aid The IIA in elevating the internal audit profession.

2019 Events by the Numbers

General Audit Management.....	1,203	Orange denotes sold-out.
Governance, Risk, and Control	878	
Financial Services Exchange	500	
All Star.....	550	
Women in Internal Audit Leadership Forum.....	100	
International Conference	2,114	

Chairman Spotlight



Internal auditing’s role will continue to evolve. To remain relevant and to exceed management’s and the board’s ever increasing expectations, internal auditors will need to:

- Ensure they have a strong voice and a strategic relationship with the full board and audit committee.
- Demonstrate they have the talent to add real value and to assist management with strategic initiatives before they are implemented.
- Be perceived as risk experts and help the board and management identify emerging risks, not just known risks.

Denny Beran
(2011–12)





Training Reimagined

Few could have conceived 10 years ago the technological advances that would take place by 2020. Even as The IIA further invested in and invigorated its training programs in 2019 to advance topics essential to practitioners, it could not have known how crucial delivering anytime/anyplace training would be to members forced to adhere to restricted-movement orders during the COVID-19 pandemic. Advances in training technology and virtual formats offer members multiple ways to stay current in their work and the profession from the comfort of their homes and offices.

With few exceptions, training maintained a strong pace throughout 2019, resulting in record revenue that, in turn, enhanced existing programs and helped to develop new ones to meet members' needs. Partnerships with other content providers, in addition to a broad content development collaboration within the organization, will allow further innovation in training offerings.

As part of the strategy to implement and grow training services globally, creating a consistent learning experience for members, The IIA expanded its OnDemand program. Part of the Global Training Marketplace, the Global OnDemand training program gives participants an opportunity to expand local training services while earning revenue to support Affiliate operations.

As governance grows increasingly complex, internal audit teams face the challenge each year of staying abreast of a growing number of issues. The IIA's Training and Development department is concentrating time and resources to proactively offer education on topics that are essential to today's internal audit professional. These include a focus on risks facing organizations such as the popular Cybersecurity Auditing in an Unsecure World.

In addition, several timely topics were made available through The IIA's OnDemand training modules in 2019, including Understanding and Auditing Big Data, Auditing IT Governance, Organizational Political Pressure, Auditing Culture, and Breaking Down the Standards for the CAE. As The IIA continues on a solid training trajectory, it helps internal auditors prepare for the next decade.

A draft syllabus for a new Financial Services Certificate was completed in early 2019. In support of that effort, 12 OnDemand courses are being developed on topics specific to the financial services sector. Public Sector and IT certificates, and the training courses to support them, are in the development stages as well.

Certificate programs that train auditors on guidance from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) also grew globally in 2019, approaching a milestone of 1,000 students outside North America. Several IIA Affiliates committed to offering the COSO ERM Certificate program, and IIA–United Arab Emirates agreed to host the first COSO Internal Control Certificate course in the Middle East. At the same time, the COSO Internal Control Certificate program grew in popularity after being translated into French and Spanish, and The IIA was developing the COSO ERM Certificate in Spanish.

Training Across Modalities

	COURSE OFFERING TOTAL	ATTENDANCE TOTAL
Seminars	208 (32 locations)	2,612
Vision University	4	77
eSeminars	64	1,217
OnDemand	NA	14,460 CPEs
Members-only webinars	12	31,344

- In-person seminars for in-depth education
- Online eSeminars in real time with a facilitator at the lead
- OnDemand courses offered 24/7 on a variety of topics
- On-site tailored to audience-specific company at their location
- Vision University's immersive executive development for new CAEs
- Webinars for delivering the latest information
- Conferences and events in-person and virtually for leader-driven, dynamic learning



Smarter ways of working are the future, but with humans being what they are, there will always be a need for face-to-face intervention. In order to stay ahead, we need to harness our use of AI in our evaluative work to provide better value to our stakeholders.

Philip D. Tarling
(2012–13)



Rising in Rank

As it did in the past decade, The IIA continues the push to elevate the profession so that internal auditors are seen as crucial to enhancing and protecting organizational value. Attaining professional designations, most notably that of the globally recognized Certified Internal Auditor (CIA), is key to reaching that goal. Thanks in part to the advent of computer-based testing, particularly in China, there has been a steady increase in the number of individuals studying for and attaining professional certifications and designations. As in-person activities — including certification exam sessions — were impacted due to the worldwide effort to blunt the spread of COVID-19, The IIA began working to provide alternatives for exam candidates, including live online proctoring.

In 2019, however, the number of CIAs awarded continued to climb, far surpassing the record reached in 2018 of 150,000 CIAs and rising above 165,000 by year's end. CIA exams taken outside North America increased 13 percent for the year. And, for the first time, the number of people holding the CIA designation in China surpassed that in North America, further reinforcing the continued growth of the profession globally.

At the beginning of 2019, The IIA launched an updated exam for the CIA to reflect the evolution of the internal audit profession worldwide. First offered in English, the exam was expanded to French and Spanish, then German and Turkish; Arabic and Russian; Korean and Portuguese; and Japanese and Traditional Chinese. In 2020, plans call for translations in Thai, Polish, and Simplified Chinese.

The all-time number of total certifications issued by The IIA reached a record 200,000 in 2019, finishing the year at 203,176 and growing. Certifications continued to be a driving force for global revenue growth in 2019, bringing in an estimated \$19.6 million, or more than \$2.4 million above budget for the year.

Also in 2019, the Professional Certification Board (PCB) approved new Certification in Risk Management Assurance (CRMA) requirements and a revised exam syllabus, paving the way for The IIA to position the designation as a core internal audit certification after the CIA. The new exam is set to launch early in 2021.

Special marketing efforts have helped drive growth in the number of people sitting for exams for professional designations. For instance, the Hong Kong Institute of Certified Public Accountants (HKICPA) offered internal auditors a special opportunity to earn a CIA designation through a challenge exam package that also included a one-year IIA membership, resulting in 243 new members. In Israel, a CIA challenge exam was also offered to CPAs there for the first time.

2019 Certifications

IIA REGION	CIA	CCSA	CGAP	CFSA	CRMA	QIAL	IAP	GRAND TOTAL
<i>Africa</i>	3,988	828	146	179	565	19	74	5,799
<i>Asia Pacific</i>	77,521	2,476	721	1,215	4,353	11	97	86,394
<i>Caribbean</i>	86	1	4	11	16	–	3	121
<i>Central/S. America</i>	1,643	554	182	61	710	3	34	3,187
<i>Europe</i>	18,010	1,615	1,752	952	3,015	473	170	25,987
<i>Middle East</i>	4,025	271	54	147	737	23	114	5,371
<i>Other</i>	5,036	43	6	53	1	–	–	5,139
<i>N. America</i>	54,962	1,979	2,773	4,513	6,437	49	465	71,178
TOTAL	165,271	7,767	5,638	7,131	15,834	578	957	203,176

As of Dec. 31, 2019



IIA representatives from around the world gather in Tokyo, Japan, for the final time as the Global Council.

Globally Speaking

GOVERNANCE TRANSITION

Organizations increasingly reached across international borders to conduct business in the past decade, which required internal auditors to think on a global scale as they expanded their knowledge and expertise. The IIA has been paving the way with a host of initiatives designed to be evolutionary, phased in and expanded over time, rather than revolutionary. To that end, the Global Relations team continued to work to build an imperative for change among Affiliates by supporting the strengthening of principles of effective governance. The message: Together, internal auditors around the world can create change that elevates the voice and stature of the profession. This collaborative mindset is the fuel that drives The IIA's 159 chapters in North America, Canada, and the Caribbean and 110 Affiliates spanning the globe.

Some of the most significant changes in The IIA's global operations over the past decade came in the area of governance. A new 17-member IIA Global Board of Directors seated in July 2019 streamlined the governing body from its former size of 38 — a concept that was in development for several years. As part of the 2019–23 Global Strategic Plan, committees of The IIA's Global Board, including the Global Nominating and Board Policy Oversight committees, undertook a redesign of the nominating system for Global Board positions and streamlined the Global Board Policy Manual. The Global Committee task force is working to launch a new committee structure in 2021 that will be more nimble and flexible to support the Global Strategic Plan as well as to help engage and develop younger generations of volunteer leaders.

For North American chapters, a new governance structure, outlined in the Guiding Principles of Effective Chapter Governance and designed to promote consistency in board composition, was approved by the NA Board for a 2020 rollout.

Add to the list of transformative changes in 2019 the Global Council. Comprising representatives from more than 100 IIA Affiliates, the Global Council completed its transformation to the new Global Assembly, which is designed to provide a forum for Affiliates to provide input to the Global Board on the strategic direction of the profession, as well as key IIA initiatives, priorities, and activities. The final meeting of the Global Council in March 2019 in Tokyo, Japan, attracted more than 120 delegates representing 90 Affiliates. The Global Assembly had already begun collaborating through periodic conference calls and projects when the decision was made based on COVID-19 concerns to replace the group's first in-person gathering in London, England, with a virtual teleconference addressing emerging unprecedented needs.

Chairman Spotlight



A decade from now, technology will dramatically change how risk management, internal control, and assurance are achieved in organizations. Instead of traditional forms of assurance, internal audit will demonstrate how indispensable they are to their organizations by being the catalyst for combined assurance and using new tools to assess and improve governance, risk management, and control.

Paul J. Sobel
(2013–14)





Challenging times, change, disruption. Now more than ever, the internal auditor of the future will need the skill to look beyond the horizon and be able to assess what future demands might impact the way internal audit remakes its business. The provision of high-end, digitally enabled, consulting advice will be critical. Organizations in 2030 will demand more intrinsic value from internal audit, more insight into the affairs of the business, and an improved level of assistance around robotic controls optimization and crisis management assurance.

Anton B. van Wyk
(2014–15)



Global Advocacy

The concerted effort by IIA leaders over the past decade to forge relationships with other prestigious organizations, including the United Nations, is helping to get the voice of the internal audit profession heard at the highest levels worldwide. Developing these connections is a process that takes time and dedication, and the results are showing.

Highlights from 2019 included participation in a meeting hosted by the U.N. at its New York headquarters in July on the topic of Sustainable Development Goals (SDGs) addressing social, political, and economic issues. It was yet another opportunity to stress The IIA's position that internal auditors bring much-needed expertise in key areas, including risk, control, data analytics, and root cause analysis, as well as an independent and objective perspective. Working with the International Organization of Supreme Audit Institutions (INTOSAI) Development Initiative and Supreme Audit Institutions (SAIs) from around the world, the U.N. Department of Economic and Social Affairs is promoting and monitoring progress toward the SDGs.

Additionally, IIA leaders attended the triennial congress of INTOSAI in Moscow to explore opportunities for collaboration. High-ranking officials who addressed the congress included Russian President Vladimir Putin. IIA representatives also attended two gatherings in Paris of the Organisation for Economic Co-Operation and Development (OECD), the Auditors Alliance, and the Integrity Forum. The IIA's goals are to support the OECD's work in influencing governments' thinking and actions, especially in relation to governance, and to work toward establishing a relationship that can lead to future collaborative advocacy efforts.

In an effort to elevate the capacity of the internal audit profession across Africa, The IIA launched an African Development Plan and began collaborating with the World Bank Group's internal audit department. IIA leaders also consulted with IIA Affiliates in East Central Africa that have been pursuing government regulation or licensing of the internal audit profession.





**ADVOCACY
IS ESSENTIAL**



**ADVOCACY
AWARENESS
TOOLS**



**ADVOCACY
CONTENT**

NA Advocacy

North American Advocacy

In the United States, much of The IIA's advocacy work in the past decade centered around federal laws and regulations, and their effects on the internal audit profession. In 2019, The IIA continued its years-long effort to effect federal legislation that would require publicly traded companies to disclose whether they have an independent internal audit function. IIA leaders continued to meet with the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) to discuss The IIA's priorities and public policy initiatives. The goal is to be able to partner with the PCAOB on future projects.

Additionally, The IIA commented on a proposed federal bill that would establish a whistleblower program at the PCAOB similar to the program at the SEC. The IIA's position is that any whistleblower program should not undermine the effectiveness of internal processes, as long as an organization is operating in good faith toward complying with existing laws and regulations. Also in 2019, The IIA was asked to submit written comments to the SEC and for congressional hearings on issues concerning risk management, compliance and corporate governance, and the role of internal audit.

At the state and local level, The IIA joined with chapters to advocate on specific local and state issues, and the organization continued its work as a founding member of the Professional Certification Coalition. The coalition, with more than 120 member organizations, is focused on addressing legislative proposals that would undermine the recognition of certifications developed or offered by private, voluntary certification organizations like The IIA.

The IIA also continued to play an active role as a member of the Anti-Fraud Collaboration, which in 2019 hosted a webcast viewed by more than 1,900 on the topic of conducting a robust culture assessment. Through both individual efforts and partnerships, The IIA is advocating for a better working landscape for internal auditors in the next decade and beyond.

Chairman Spotlight



To remain relevant, we must increase our learning activities to provide greater insight and foresight into continually changing technology, including cyber assurance; focus more efforts on emerging and high level risks, including governance and culture; adopt AI and other tools within our functions. And we must do this while constantly advocating our value through courage, leadership, relationships, communication, and the quality of our input.

Lawrence J. Harrington
(2015–16)



Chairman Spotlight



The future of internal audit starts TODAY. Organizations' risk profiles are changing rapidly as new technologies and transformation continue to drive that change. The same applies to our profession. Internal audit has to transform, as well, by providing continuous risk assurance and advisory services. As internal auditors, we work tirelessly and passionately in our pursuit of excellence. Though we may achieve our mission through different and diverse pathways, we must be ever vigilant in finding ways and opportunities to add value.

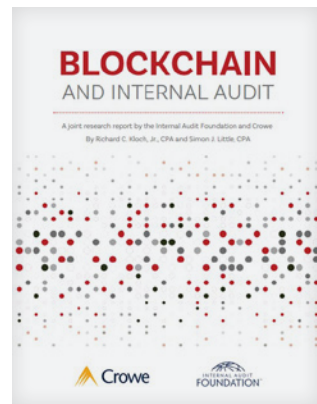
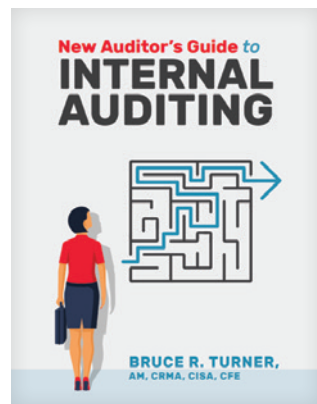
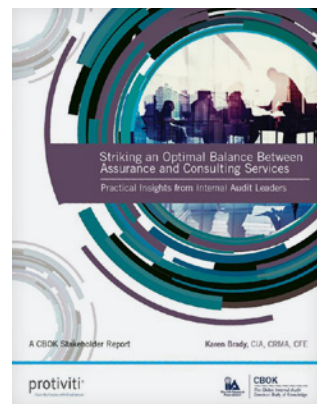
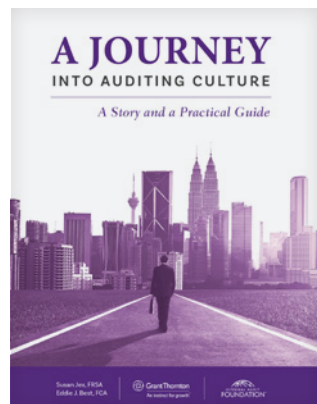
Angela Witzany
(2016–17)



Must-read Publications

Publishing is one of the most effective ways The IIA can help educate those in the internal audit profession and provide guidance on the work they do every day. The development of relevant content and guidance continues to be a top priority. While the award-winning *Internal Auditor* magazine may be the most visible offering, the depth and breadth of IIA publications in 2019 was remarkable. From Practice Guides to Tone at the Top to Global Perspectives and Insights to IIA Bulletins, The IIA was at the ready to provide the highest quality and most relevant information for internal auditors and stakeholders across industries, experience levels, and job categories.

INTERNAL AUDIT FOUNDATION



As the producer, keeper, and distributor of written education for the profession, the Internal Audit Foundation produced numerous written works over the past decade. This was especially so in 2019, when the Foundation allocated \$350,000 to execute research and produce 12 leading-edge educational and career development books. The Foundation also released timely, informative publications, including joint white papers with Principal Partners Crowe, Deloitte, and Protiviti.

In other activities, the Foundation awarded \$136,000 in grants and scholarships, raised money through its first crowdfunding effort, and hosted the first Larry Sawyer Educators' Symposium at the International Conference, providing a way for researchers to share information about their projects and receive input from others.

Also in 2019, the Foundation counted more than 100 colleges and universities using the textbook *Internal Auditing: Assurance & Advisory Services, 4th Edition*. The fifth edition is scheduled for release in early 2022.

In addition, the first report in a three-part series on robotic process automation was released.



INTERNAL AUDITOR MAGAZINE

Aside from the wealth of information readers will find bimonthly in print and online, the magazine marked the decade since the Great Recession with an article chronicling The IIA's experience as the world powered through the economic downturn. In its always-encouraging look at the bright future of internal audit, the magazine reached out to some of the "Emerging Leaders" profiled from 2013 through 2018 to find out what they're doing now. The information was enlightening:

FACT BoX

Emerging Leaders

- Total Emerging Leaders 2013–18: 100
- Those who had the CIA at the time they were Emerging Leaders: 74
- Number today with the CIA: 89
- Countries represented: 14
- Chapters represented: 48
- Since being named Emerging Leaders:
 - 71 earned new job titles and/or moved to new companies.
 - Three are or have been on an IIA board.
 - 17 have served on one or more IIA committees.

Chairman Spotlight



In discussing purpose, service, and impact with internal auditors around the world, I was struck by their collective passion for providing the assurance, advice, and insight their organizations depend on. I think the future will find our members even more thoughtfully choosing places where they can align their ability to deliver technically with their personal and professional values ... truly making a difference.

J. Michael Peppers
(2017–18)





OnRisk

Leading the Way

Training, certifications, and guidance strengthen the ability of internal auditors to deliver assurance and advisory services to their organizations. But thought leadership elevates them beyond that level and supports their ability to provide insight and foresight. Over the past decade, The IIA has increasingly invested in this area as it becomes ever more critical to the successful and sustainable evolution of the profession.

In 2019, The IIA broke new ground with the launch of two reports that uncovered critical issues in corporate governance and controls and the impact those deficiencies will have on effectively managing risks. The first, *OnRisk 2020: A Guide to Understanding, Aligning, and Optimizing Risk*, offered a unique look at risk management from the perspectives of boards, executive management, and internal audit. The report resonated with readers, bringing close to 5,000 downloads by the end of 2019. The other report, the *American Corporate Governance Index (ACGI)*, was the first tool of its kind to measure governance at U.S. publicly traded companies and was unveiled at two well-attended news media events in Washington, D.C., and New York. Both reports, which will be published annually, give insight into what areas are most in need of attention as the profession enters the next decade.

In an annual project first released in 2011, *The 2019 Pulse of Internal Audit: Defining Alignment in a Dynamic Risk Landscape* garnered strong media attention, including an article in *The Wall Street Journal* and nearly 40 media hits that created potential exposure to more than 16 million readers and viewers. The annual survey gathers insight from leaders in the profession about established and emerging issues. *The 2020 Pulse of Internal Audit: Bridging Critical Gaps* continues The IIA's cutting-edge thought leadership, going back to the profession's roots to examine audit plan allocations, risk levels, staffing, reporting lines, and audit function maturity.

In 2019, The IIA also modernized a thought leadership tool that has provided members guidance in risk and control for more than two decades: the Three Lines of Defense model. More than 2,000 people responded to a global survey, which closed in September 2019. An update to the model was set for release in July 2020.



ACGI



Pulse

Standards and Professional Knowledge heightened its delivery of intelligence and thought leadership to internal auditors, including heads of audit through the Audit Executive Center, by tackling topical issues in the monthly *Tone at the Top* newsletter and, new in 2019, the CAE Podcast, which is available to members and nonmembers and features conversations with industry experts on critical issues and audit function challenges. Add to that content mix a virtual symposium, online learning events, webinars, and workshops provided by the Financial Services; Environmental, Health & Safety; and Public Sector Audit Centers.

Standards and Professional Knowledge also provided three in-depth Global Perspectives and Insights reports: *Optimizing Talent Management in an Evolving Audit Landscape*, and Parts I and II of *5G and the Fourth Industrial Revolution*.

There is never a shortage of guidance from The IIA, and 2019 was a particularly bountiful year. Code of Ethics Implementation Guides on Integrity, Objectivity, Confidentiality, and Competency were released in February. Those were quickly followed by the release in March of the first of five Practice Guides, *Assessing the Risk Management Process*. Others were: *Demonstrating the Core Principles for the Professional Practice of Internal Auditing*, *Foundations of Internal Auditing in Financial Services Firms*, *Unique Aspects of Internal Auditing in the Public Sector*, and *Auditing Culture*.

With a wealth of published pieces in just the past year, and numerous others already under way for release in 2020, The IIA continues its proud tradition of making sure internal auditors have all the tools needed — including cutting-edge thought leadership and timely bulletins — to walk confidently into the future. Given the challenges wrought by the fast-spreading coronavirus in 2020, there has never been a time so in need of a well-trained internal audit force capable of providing great value to organizations everywhere as the world begins to settle into a new normal.

Knowledge Briefs

Audit Executive Center	14
Financial Services Audit Center	13
Environmental Health & Safety Audit Center	12
Public Sector Audit Center	10

Chairman Spotlight



The future of internal audit greatly depends on what we do now to continue to elevate the profession. That means embracing completely the standards that guide the profession and pursuing with passion the gold-standard Certified Internal Auditor designation. These are clear signs of our commitment to the profession and what will help set us solidly on the path to sustainability.

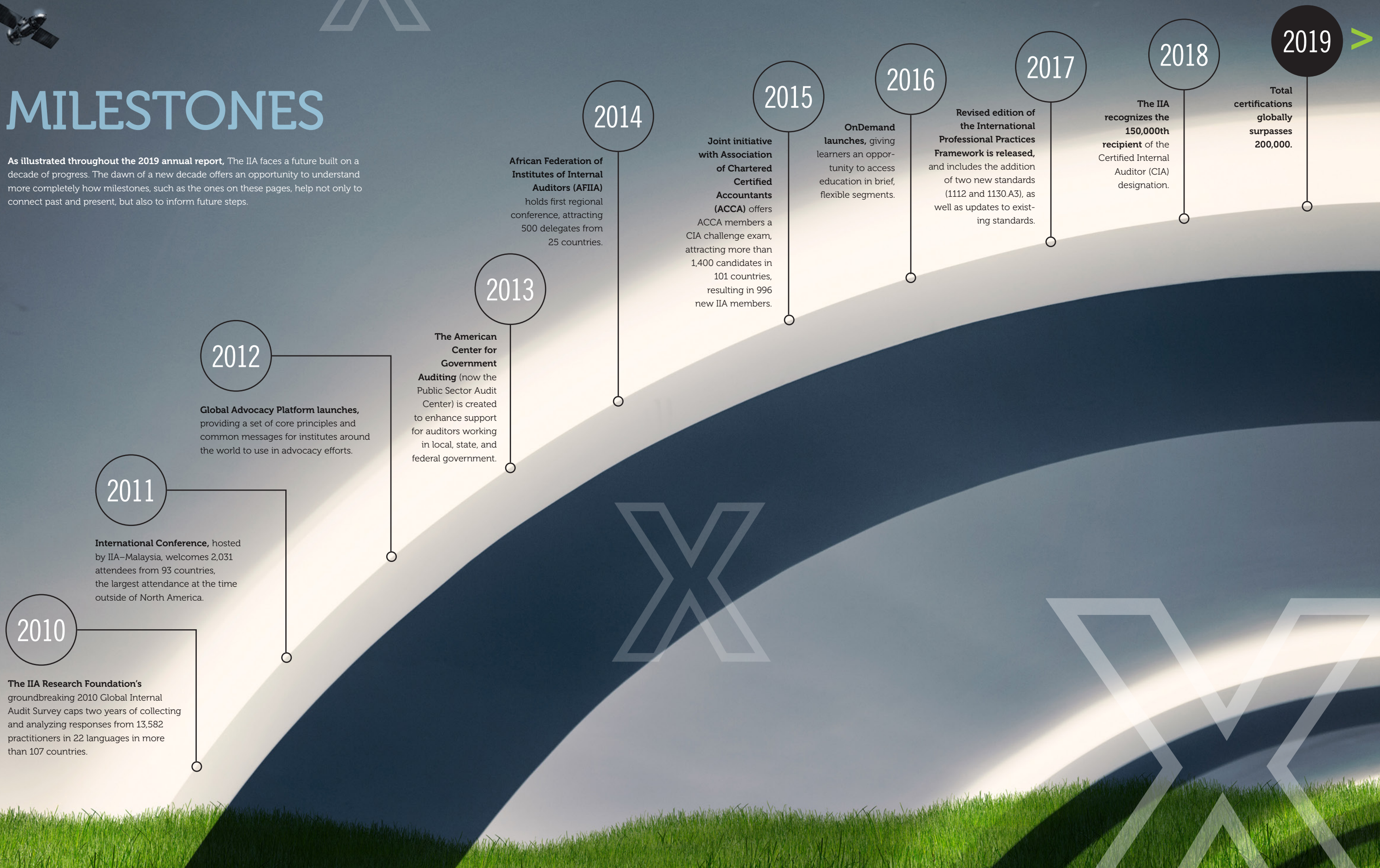
Naohiro Mouri
(2018–19)





MILESTONES

As illustrated throughout the 2019 annual report, The IIA faces a future built on a decade of progress. The dawn of a new decade offers an opportunity to understand more completely how milestones, such as the ones on these pages, help not only to connect past and present, but also to inform future steps.



2019–20 IIA Global Board of Directors



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The Institute of Internal Auditors HQ
USA



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Dalian Wanda Group
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Auditor General*
Metropolitan Transportation Authority
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Executive Vice President
and Chief Auditor
American International Group
Japan

North American Themes and Board Chairs

- 2019 *Step Forward*, Benito Ybarra
- 2018 *Find Your Voice*, Karen Brady
- 2017 *The Innovative Internal Auditor*, Shannon Urban
- 2016 *Craft Our Role*, Robert Kuling
- 2015 *Make Your Mark*, J. Michael Joyce Jr.
- 2014 *A Lifetime of Opportunities*, John Wszelaki
- 2013 *We Can Do Hard Things*, Carolyn Devine Saint
- 2012 *Forward Momentum*, J. Michael Peppers
- 2011 *Passionate About the Profession*, Lawrence J. Harrington



Benito Ybarra

Karen Brady

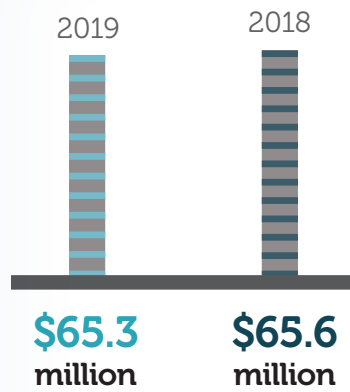
Shannon Urban



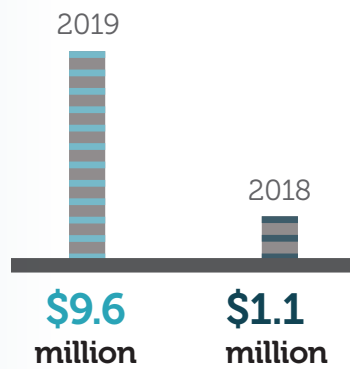
2019 Financials >



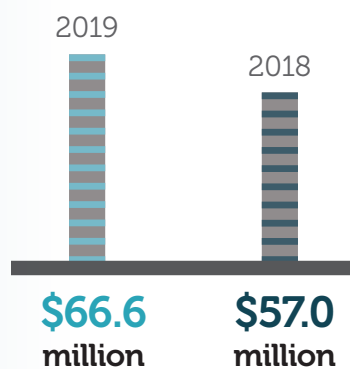
TOTAL REVENUE



NET CONTRIBUTION



TOTAL NET ASSETS



2019 Financial Discussion and Analysis

As **The Institute of Internal Auditors** reviews its 2019 fiscal position, it is pleased to outline the financial performance that supported the aforementioned achievements.

For the 12-month period ending Dec. 31, 2019, total revenue was \$65.3 million for The Institute of Internal Auditors, Inc., and related entities (IIA). That represented a decrease of \$297,000 (0.5 percent) from 2018. Change in Net Assets (net contribution) was \$9.56 million in 2019, an increase of \$8.44 million (753 percent) from 2018.

The IIA also tracks revenue, expenses, and net contribution by geographic segment between North American Operations and Global Operations. For the 12-month period ending Dec. 31, 2019, total revenue for North American Operations was \$38.6 million, while net contribution was \$1.0 million. For Global Operations, total revenue was \$25.9 million, while net contribution was \$1.4 million.

As a result of the strong financial performance, The IIA ended 2019 with \$22.7 million in cash. That represented a year-over-year increase of \$2.0 million (9 percent).

During 2019, The IIA continued its practice to reinvest prior year net contribution into improving the products and services offered to its members. In 2019, The IIA committed \$2.0 million into capital-related projects.

The IIA's investment portfolio in 2019 increased from \$44.3 million to \$51.3 million primarily as a result of unrealized and realized gains, dividends, and interest income. Overall, the investment portfolio has performed consistent with expectations given the conservative nature of an investment policy which was revised March 2017.

Total net assets in 2019 for The IIA were \$66.6 million, compared with \$57.0 million in 2018.

(All monetary figures represent U.S. dollars).

Independent Auditor's Report

Board of Directors
The Institute of Internal Auditors, Inc. and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Institute of Internal Auditors, Inc. and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Institute of Internal Auditors, Inc. and Affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

RSM US LLP

RSM US LLP
Orlando, Florida | April 3, 2020

The Institute of Internal Auditors, Inc. and Affiliates
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash	\$ 22,727,965	\$ 20,765,756
Investments	51,323,358	44,297,580
Accounts receivable, net	2,902,619	4,577,876
Prepaid expenses and other assets	2,660,121	3,307,215
Property and equipment, net	3,370,647	4,083,704
Deferred project costs, net	5,669,136	2,675,999
Employee savings plans	683,425	715,504
Total assets	\$ 89,337,271	\$ 80,423,634
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 7,315,720	\$ 7,904,630
Deferred revenue	12,683,026	12,541,804
Deferred employee compensation	683,425	715,504
Other liabilities	2,079,289	2,242,860
Total liabilities	22,761,460	23,404,798
Commitments (Notes 4 and 7)		
NET ASSETS		
Without donor restrictions:		
Undesignated	65,136,714	55,304,708
Board designated for specified purposes	550,075	918,139
Total without donor restrictions	65,686,789	56,222,847
With donor restrictions:		
Restricted for specified purposes	754,022	660,989
Restricted in perpetuity - endowment	135,000	135,000
Total with donor restrictions	889,022	795,989
Total net assets	66,575,811	57,018,836
Total liabilities and net assets	\$ 89,337,271	\$ 80,423,634

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

Years Ended December 31, 2019 and 2018

	2019	2018
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Learning solutions	\$ 21,965,625	\$ 22,311,900
Certifications	18,290,260	18,856,376
Membership	18,202,880	17,757,718
Quality services	2,080,793	2,152,833
Educational products and research	1,853,481	2,170,206
Dividend and interest income, net	1,366,851	1,185,740
Other revenues	1,067,440	712,142
Contributions	396,714	435,175
Net assets released from restrictions	93,131	32,270
Total revenues	65,317,175	65,614,360
EXPENSES		
Program Services		
Learning solutions	16,024,379	16,457,294
Certifications	10,507,761	10,221,735
Membership	6,595,239	7,608,872
Educational products and research	2,076,108	2,019,677
Quality services	1,276,538	1,194,120
Other program services	553,239	280,092
Total program services	37,033,264	37,781,790
Supporting Services		
General and administrative	24,613,323	22,502,836
Total supporting services	24,613,323	22,502,836
Total expenses	61,646,587	60,284,626
Other Changes		
Net realized and unrealized gains (losses) on investments	5,793,354	(4,207,626)
Change in net assets without donor restrictions	9,463,942	1,122,108
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	150,822	46,149
Dividend and interest income, net	6,428	6,497
Net realized and unrealized gains (losses) on investments	28,914	(22,183)
Net assets released from restrictions	(93,131)	(32,270)
Change in net assets with donor restrictions	93,033	(1,807)
Change in net assets	9,556,975	1,120,301
NET ASSETS		
Beginning of year	57,018,836	55,898,535
End of year	\$ 66,575,811	\$ 57,018,836

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

Year Ended December 31, 2019									
	PROGRAM SERVICES						SUPPORTING SERVICES		Total Expenses
	Learning Solutions	Certifications	Membership	Educational Products and Solutions	Quality Services	Other Program Services	Total Program Services	General and Administrative	
Salaries and related benefits	\$ 4,103,554	\$ 2,422,658	\$ 3,144,398	\$ 1,117,260	\$ 309,925	\$ 180,771	\$ 11,278,566	\$ 17,390,186	\$ 28,668,752
Contract services and professional fees	3,971,977	3,519,119	516,946	141,063	790,228	310,045	9,249,378	1,203,255	10,452,633
Travel, lodging, meals and meeting space	5,525,995	173,172	637,594	81,436	25,369	-	6,443,566	1,619,650	8,063,216
Occupancy, office and other expenses	1,374,110	1,079,503	1,485,293	484,654	137,912	18,570	4,580,042	2,895,781	7,475,823
Advertising and promotions	376,447	9,829	27,417	39,457	3,269	-	456,419	663,084	1,119,503
Payments to affiliates	432,245	3,294,258	662,959	69,099	9,835	-	4,468,396	-	4,468,396
Depreciation and amortization	240,051	9,222	120,632	143,139	-	43,853	556,897	841,367	1,398,264
Total Expenses	\$ 16,024,379	\$ 10,507,761	\$ 6,595,239	\$ 2,076,108	\$ 1,276,538	\$ 553,239	\$ 37,033,264	\$ 24,613,323	\$ 61,646,587

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

Year Ended December 31, 2018									
	PROGRAM SERVICES						SUPPORTING SERVICES		Total Expenses
	Learning Solutions	Certifications	Membership	Educational Products and Solutions	Quality Services	Other Program Services	Total Program Services	General and Administrative	
Salaries and related benefits	\$ 3,620,541	\$ 2,303,062	\$ 3,623,548	\$ 483,158	\$ 286,340	\$ 104,148	\$ 10,420,797	\$ 14,737,578	\$ 25,158,375
Contract services and professional fees	4,190,887	3,774,692	683,542	167,951	805,998	111,973	9,735,043	1,390,590	11,125,633
Travel, lodging, meals and meeting space	5,585,073	201,702	720,230	64,931	34,230	-	6,606,166	1,555,497	8,161,663
Occupancy, office and other expenses	1,777,884	766,124	1,566,356	391,936	51,922	20,118	4,574,340	3,303,731	7,878,071
Advertising and promotions	625,057	26,233	10,882	45,200	5,000	-	712,372	583,117	1,295,489
Publishing costs	-	-	-	480,188	-	-	480,188	-	480,188
Payments to affiliates	494,416	3,093,916	705,873	235,769	10,630	-	4,540,604	-	4,540,604
Depreciation and amortization	163,436	56,006	298,441	150,544	-	43,853	712,280	932,323	1,644,603
Total Expenses	\$ 16,457,294	\$ 10,221,735	\$ 7,608,872	\$ 2,019,677	\$ 1,194,120	\$ 280,092	\$ 37,781,790	\$ 22,502,836	\$ 60,284,626

The Institute of Internal Auditors, Inc. and Affiliates
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and customers	\$ 65,824,494	\$ 62,487,523
Cash paid for program and supporting services	(60,406,973)	(59,226,910)
Investment income received	1,373,279	1,192,237
Net cash provided by operating activities	6,790,800	4,452,850
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,203,930	3,299,054
Purchases of investments	(3,407,440)	(4,447,641)
Purchases of property and equipment	(504,512)	(1,344,901)
Expenditures for deferred project costs	(3,120,569)	(1,778,717)
Net cash used in investing activities	(4,828,591)	(4,272,205)
Net increase in cash	1,962,209	180,645
CASH		
Beginning of year	20,765,756	20,585,111
End of year	\$ 22,727,965	\$ 20,765,756

The Institute of Internal Auditors, Inc. and Affiliates
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'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 accompanying consolidating statement of activities.
- The Board of Environmental Health & Safety Auditor Certifications (BEAC), a Virginia not-for-profit corporation formed for the purpose of issuing professional certifications relating to environmental, health, and safety auditing and related activities. The Institute's Board of Directors has the authority to appoint the members of BEAC's governing body. Due to the amount of activity within BEAC, the activities

and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the accompanying 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 accompanying consolidating statement of activities.

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, 2019 and 2018, \$550,075 and \$918,139, respectively, had been designated by the Board of Directors for these purposes.

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, 2019 and 2018, were \$754,022 and \$660,989, respectively. Net assets with donor restrictions restricted in perpetuity – endowment were \$135,000 at December 31, 2019 and 2018, and consists of an endowment fund held by the Foundation, the distributions from which are to be used for scholarships for internal auditing students.

Net assets with donor restrictions subject to expenditure for specified purpose at December 31, 2019 and 2018, 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. As of December 31, 2019 and 2018, net assets of \$93,131 and \$32,270, 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:

Learning solutions: Conference and seminar fees are recognized as income in the period in which the event is completed. Expenses include the direct 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 direct costs of creating and conducting the webinars.

Certifications: Exam registration fees are recognized as income in the period in which the exams are taken. Application fees are nonrefundable and are recognized as income when received. Expenses include the direct costs of conducting exams.

Membership: Membership dues are recognized as income ratably throughout the membership period, which is generally one year. Expenses include the direct 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.

Membership also includes revenue from Global Auditing Information Network (GAIN) subscription fees and Audit Executive Center (AEC) membership dues. GAIN subscription fees are recognized as income ratably over the life of the subscription. One-time purchases are recognized as income when the product is shipped. Expenses include fulfillment of GAIN subscriptions. GAIN is a knowledge exchange forum available to member organizations of the Institute.

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

Quality services: Quality services are recognized as income in the period in which the engagement is completed. Expenses include the direct 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 direct costs of producing and delivering publications and educational products, as well as website maintenance. Advertising costs are expensed as incurred.

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.

Other activities: During 2019 and 2018, the Foundation reimbursed the Institute for certain personnel-related costs and certain shared costs. Such reimbursements are reflected as expenses of the Foundation based on the nature of the specific expenses.

Additionally, the Institute absorbs certain overhead costs of the Foundation, for which reimbursement is not required. These activities are reflected within contributions in the accompanying consolidating statement of activities.

Revenue received in advance of the recognition period is included in deferred revenue in the accompanying consolidated statements of financial position. Deferred revenue consists primarily of membership and certification fees not yet earned and fees for upcoming conferences.

Contributions: Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support, depending on the existence and/or nature of any donor restrictions at fair value. All donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and 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, 2019 and 2018.

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 believe 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.

Accounts receivable: 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 \$86,634 and \$41,867 at December 31, 2019 and 2018, respectively, reflects management's best estimate of uncollectible accounts.

Property and equipment: 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, 2019 and 2018.

Deferred project costs: Costs related to curriculum development, technology improvements and educational product development or revision are deferred until the related projects are completed. 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.

Functional allocation of expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities. Expenses of the Organization are charged directly to a specific program or supporting services.

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 and BEAC are 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 and SINO 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, 2016.

Recent accounting pronouncement adopted: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The update will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will become effective for annual reporting periods beginning after December 15, 2018. The Organization has adopted ASU 2014-09 as of January 1, 2019 with no material impact on its consolidated financial statements.

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Recent accounting pronouncements: In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance-sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2020. The Organization is currently evaluating the impact of this ASU on its consolidated financial statements.

The FASB has issued certain new or modifications to, or interpretations of, existing accounting guidance in addition to the ASU described above. The Organization has considered the new pronouncements and does not believe that any other new or modified guidance will have a material impact on the Organization's reported financial position or activities in the near term.

Subsequent events: Management has assessed subsequent events through April 3, 2020, the date the consolidated financial statements were available to be issued.

NOTE 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value of investments at December 31, 2019 and 2018, consists of the following:

	2019	2018
Cash and cash equivalents	\$ 747,253	\$ 1,258,596
Mutual funds	50,576,105	43,038,984
	\$ 51,323,358	\$ 44,297,580

The Organization follows accounting standards relating to fair value measurements which defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The accounting standards relating to fair value measurements establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Investments recorded at fair value in the accompanying consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs, as defined by this guidance, are as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured and reported on a fair value basis. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

NOTE 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize the fair value measurements by level measured on a recurring basis as of December 31, 2019 and 2018:

	2019			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 747,253	\$ -	\$ -	\$ 747,253
Mutual Funds				
U.S. fixed income	22,595,995	-	-	22,595,995
U.S. large cap equity fund	10,740,242	-	-	10,740,242
EAFE equity fund	4,741,547	-	-	4,741,547
Real estate and infrastructure fund	2,949,879	-	-	2,949,879
Emerging market equity fund	3,014,376	-	-	3,014,376
Asia ex-Japan equity fund	1,062,663	-	-	1,062,663
Japanese large cap equity fund	1,089,127	-	-	1,089,127
Equity precious metals fund	1,073,116	-	-	1,073,116
European large cap equity fund	587,445	-	-	587,445
U.S. mid cap equity fund	2,337,788	-	-	2,337,788
Allocation equity fund	383,927	-	-	383,927
	\$ 51,323,358	\$ -	\$ -	\$ 51,323,358

	2018			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,258,596	\$ -	\$ -	\$ 1,258,596
Mutual Funds				
U.S. fixed income	18,797,319	-	-	18,797,319
U.S. large cap equity fund	7,509,546	-	-	7,509,546
EAFE equity fund	3,618,447	-	-	3,618,447
Real estate and infrastructure fund	2,667,530	-	-	2,667,530
Emerging market equity fund	2,345,858	-	-	2,345,858
Multisector bond fund	2,179,131	-	-	2,179,131
Asia ex-Japan equity fund	918,517	-	-	918,517
Japanese large cap equity fund	1,238,712	-	-	1,238,712
Equity precious metals fund	802,685	-	-	802,685
European large cap equity fund	423,129	-	-	423,129
U.S. mid cap equity fund	2,213,045	-	-	2,213,045
Allocation equity fund	325,065	-	-	325,065
	\$ 44,297,580	\$ -	\$ -	\$ 44,297,580

Shares of mutual funds are valued based on the quoted market price of the fund on active markets as of the valuation date, which represents the net asset value of shares held by the Organization.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Furniture, equipment and other	\$ 9,049,207	\$ 8,544,695
Leasehold improvements	2,344,546	2,344,546
	11,393,753	10,889,241
Less accumulated depreciation	(8,023,106)	(6,805,537)
	<u>\$ 3,370,647</u>	<u>\$ 4,083,704</u>

Depreciation expense for the years ended December 31, 2019 and 2018, was \$1,217,569 and \$1,349,272, respectively.

NOTE 4. OPERATING LEASES

The Organization leases office space and office equipment under operating leases expiring through April 1, 2027. Future annual minimum lease payments due under these operating leases as of December 31, 2019, are as follows:

Years Ending December 31:	
2020	\$ 1,397,739
2021	1,419,241
2022	1,393,943
2023	1,377,134
2024	1,421,254
Thereafter	3,364,656
	<u>\$ 10,373,967</u>

Total rent expense related to all leases and additional amounts for short-term rentals and related charges amounted to approximately \$2,737,000 and \$2,453,000 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5. RELATED PARTY TRANSACTIONS

Payments to affiliates primarily represents payments for certification revenue sharing with other affiliates and amounted to approximately \$4,468,000 and \$4,541,000 during the years ended December 31, 2019 and 2018, respectively.

NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2019 and 2018, 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 of December 31:

	2019	2018
FINANCIAL ASSETS, AT YEAR-END		
Cash	\$ 22,727,965	\$ 20,765,756
Investments	51,323,358	44,297,580
Accounts receivable, net	2,902,619	4,577,876
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(754,022)	(660,989)
Restricted by donors in perpetuity	(135,000)	(135,000)
Board designations:		
Board designated for academic advancement	(550,075)	(695,071)
Board designated for research	-	(223,068)
Amounts set aside for operating reserve	(13,158,198)	(13,249,469)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 62,356,647</u>	<u>\$ 54,677,615</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.

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.

Restricted (reserve) funds: The Organization maintains reserve funds at the periodic review date equal to or greater than the total amount of operating costs for the Organization for the succeeding three months, calculated from the income statement forecast prepared at the review date.

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 7. 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, 2019 and 2018, the Institute contributed approximately \$1,724,000 and \$1,602,000, 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 \$255,000 and \$295,000 during years ended December 31, 2019 and 2018, respectively. The Institute held \$683,425 and \$715,504 in the plans as of December 31, 2019 and 2018, respectively, which is reflected in the accompanying consolidated statements of financial position as employee savings plans and deferred employee compensation.

NOTE 8. SUBSEQUENT EVENT

The spread of COVID-19, a novel strain of coronavirus, appears to be altering the behavior of business and people in a manner that is having negative effects on local, regional and global economies. The extent to which COVID-19 impacts the operations of the Organization in the future will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information that may emerge concerning the severity of COVID-19, the actions taken to contain COVID-19 or treat its impact, and the impact of each of these items on the economies and financial markets in the United States. In particular, the continued spread of COVID-19 could adversely impact the Organization's valuation of the investment portfolio and investment income, including among others, revenues, contributions, programs and daily operations, and may have a material adverse effect on the financial condition of the Organization.

The Institute of Internal Auditors, Inc. and Affiliates
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	December 31, 2019				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
ASSETS					
Cash	\$ 20,605,654	\$ 1,563,651	\$ 558,660	\$ -	\$ 22,727,965
Investments	48,210,052	3,113,306	-	-	51,323,358
Due from affiliates	37,592	-	35,362	(72,954)	-
Accounts receivable, net	2,334,713	131,707	436,199	-	2,902,619
Prepaid expenses and other assets	2,474,146	177,618	8,357	-	2,660,121
Property and equipment, net	3,370,647	-	-	-	3,370,647
Deferred project costs, net	5,539,505	129,631	-	-	5,669,136
Employee savings plans	683,425	-	-	-	683,425
Total assets	\$ 83,255,734	\$ 5,115,913	\$ 1,038,578	\$ (72,954)	\$ 89,337,271
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 7,194,808	\$ 98,298	\$ 22,614	\$ -	\$ 7,315,720
Due to affiliates	-	72,954	-	(72,954)	-
Deferred revenue	12,679,484	3,522	20	-	12,683,026
Deferred employee compensation	683,425	-	-	-	683,425
Other liabilities	2,079,289	-	-	-	2,079,289
Total liabilities	22,637,006	174,774	22,634	(72,954)	22,761,460
Net Assets:					
Without donor restrictions:					
Undesignated	60,618,728	3,502,042	1,015,944	-	65,136,714
Board designated for specified purposes	-	550,075	-	-	550,075
Total without donor restrictions	60,618,728	4,052,117	1,015,944	-	65,686,789
With donor restrictions:					
Restricted for specified purposes	-	754,022	-	-	754,022
Restricted in perpetuity - endowment	-	135,000	-	-	135,000
Total with donor restrictions	-	889,022	-	-	889,022
Total net assets	60,618,728	4,941,139	1,015,944	-	66,575,811
Total liabilities and net assets	\$ 83,255,734	\$ 5,115,913	\$ 1,038,578	\$ (72,954)	\$ 89,337,271

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

	Year Ended December 31, 2019				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES					
Learning solutions	\$ 21,965,625	\$ -	\$ -	\$ -	\$ 21,965,625
Certifications	18,290,260	-	-	-	18,290,260
Membership	18,202,880	-	-	-	18,202,880
Quality services	-	-	2,080,793	-	2,080,793
Educational products and research	-	1,853,481	-	-	1,853,481
Dividend and interest income, net	1,299,717	67,134	-	-	1,366,851
Other revenues	1,076,886	-	-	(9,446)	1,067,440
Contributions	-	981,207	-	(584,493)	396,714
Net assets released from restrictions	-	93,131	-	-	93,131
Total revenues	60,835,368	2,994,953	2,080,793	(593,939)	65,317,175
EXPENSES					
PROGRAM SERVICES					
Learning solutions	16,024,379	-	-	-	16,024,379
Certifications	10,507,761	-	-	-	10,507,761
Membership	6,595,239	-	-	-	6,595,239
Educational products and research	-	2,076,108	-	-	2,076,108
Quality services	-	-	1,285,984	(9,446)	1,276,538
Other program services	553,239	-	-	-	553,239
Total program services	33,680,618	2,076,108	1,285,984	(9,446)	37,033,264
SUPPORTING SERVICES					
General and administrative	23,646,343	1,028,174	523,299	(584,493)	24,613,323
Total supporting services	23,646,343	1,028,174	523,299	(584,493)	24,613,323
Total expenses	57,326,961	3,104,282	1,809,283	(593,939)	61,646,587
OTHER CHANGES					
Net realized and unrealized gains on investments	5,471,896	321,458	-	-	5,793,354
Change in net assets without donor restrictions	8,980,303	212,129	271,510	-	9,463,942
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	150,822	-	-	150,822
Dividend and interest income, net	-	6,428	-	-	6,428
Net realized and unrealized gains on investments	-	28,914	-	-	28,914
Net assets released from restrictions	-	(93,131)	-	-	(93,131)
Change in net assets with donor restrictions	-	93,033	-	-	93,033
Change in net assets	8,980,303	305,162	271,510	-	9,556,975
NET ASSETS					
Beginning of year	51,638,425	4,635,977	744,434	-	57,018,836
End of year	\$ 60,618,728	\$ 4,941,139	\$ 1,015,944	\$ -	\$ 66,575,811

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for the preparation, integrity, and fair presentation of the accompanying financial statements. The accompanying statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and are not affected by material fraud or error. The financial statements include amounts that are based on management's best estimates and judgments.

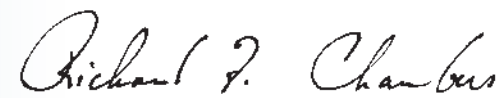
Management also prepared the supplemental information in the annual report and is responsible for its accuracy and consistency with the financial statements. The financial statements have been audited by RSM US LLP, independent certified public accountants, selected by the Board of Directors. Management has made available to RSM US LLP all financial records and related data as well as the minutes of Board of Directors meetings. Management believes that all representations made to RSM US LLP during its audit were valid and appropriate.

Management maintains a system of internal control, which is designed to provide reasonable assurance as to: the preparation and publication of reliable and accurate financial statements; safeguarding of assets against unauthorized acquisition, use or disposition; and compliance with applicable laws and regulations. The system includes a documented organizational structure and division of responsibility, established policies and procedures that are communicated throughout the organization, an internal audit function reporting to the audit committee of the Board of Directors, and the careful selection, training, and development of our people.

Management has voluntarily elected to evaluate its system of internal control in accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the COSO framework and has documented and tested the key processes used to record activities and prepare the appropriate financial statements.

For the annual report as of, and for the year ending, Dec. 31, 2019, we certify that to the best of our knowledge:

- This annual report does not contain any untrue statements of a material nature or omit to state a material fact necessary to make the statements not misleading with respect to the period covered by the annual statement
- The financial information included in this annual report fairly presents in all material respects the financial condition, results of operations, and cash flows as of and for the periods presented in the annual report;
- An adequate system for disclosing controls and procedures exists to ensure that material information is made known to us by others within the organization;
- Management has concluded that the system of internal control over financial reporting was effective as of Dec. 31, 2019.
- Disclosures of any change in the internal control over financial reporting that occurred during the most recent fiscal quarter and has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting are included in this report.



Richard F. Chambers,
CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer



Ann S. Cohen,
CPA, CGMA
Executive Vice President and Chief Financial Officer





GUIDING
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OF CORPORAT



The Institute of
Internal Auditors

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