INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Institute of Internal Auditors, Inc.
Altamonte Springs, Florida

We have audited the accompanying consolidating statements of financial position of The Institute of Internal Auditors, Inc. ("the Institute") and Affiliates as of December 31, 2008, and the related consolidating statements of activities and cash flows for the year then ended. We have also audited the consolidated statement of financial position of The Institute of Internal Auditors, Inc. and Affiliates as of December 31, 2007, and the related consolidated statements of activities and cash flows for the year then ended. These consolidating and consolidated financial statements are the responsibility of the Institute's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the 2008 consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of The Institute of Internal Auditors, Inc. and Affiliates as of December 31, 2008, the consolidating changes in their net assets and their consolidating cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2007 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Institute of Internal Auditors, Inc. and Affiliates as of December 31, 2007, the consolidated changes in their net assets and their consolidated cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Batts, Morrison, Wales & Lee, P.A.

Batts, Morrison, Wales & Lee, P.A.
Orlando, Florida
April 29, 2009

THE INSTITUTE OF INTERNAL AUDITORS, INC. AND AFFILIATES CONSOLIDATING AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	FOR THE YEARS ENDED DECEMBER 31, 2008					2007
	The Institute of Internal Auditors, Inc.	Institute of Internal Auditors - Research, Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	Eliminations	Consolidated Total	Consolidated Total
ASSETS						
Cash and cash equivalents	$ 1,501,776	$ 35,127	$ 730,495	$ —	$ 2,267,398	$ 2,266,727
Restricted investments	—	179,386	—	—	179,386	179,386
Investments	9,541,322	1,120,676	—	—	10,661,998	16,509,147
Due from affiliates, net	111,480	—	431,538	(543,018)	—	—
Accounts receivable, net	2,314,729	195,401	—	—	2,510,130	2,398,779
Inventories	—	299,040	—	—	299,040	318,633
Prepaid expenses and other assets	1,675,514	—	—	—	1,675,514	1,600,156
Property and equipment, net	7,105,616	150,484	—	—	7,256,100	5,622,816
Deferred project costs, net	1,481,709	180,344	—	—	1,662,053	1,272,448
Employee savings plan	678,285	—	—	—	678,285	1,247,539
TOTAL ASSETS	**$ 24,410,431**	**$ 2,160,458**	**$ 1,162,033**	**$ (543,018)**	**$ 27,189,904**	**$ 31,415,631**
LIABILITIES						
Accounts payable and accrued expenses	$5,713,305	$172,427	$ —	$—	$5,885,732	3,993,379
Due to affiliates, net	431,538	111,480	—	(543,018)	—	—
Deferred revenue	5,719,023	14,656	—	—	5,733,679	5,192,389
Note payable	4,579,012	—	—	—	4,579,012	—
Deferred employee compensation	678,285	—	—	—	678,285	1,247,539
TOTAL LIABILITIES	**$ 17,121,163**	**$ 298,563**	**$ —**	**$ (543,018)**	**$ 16,876,708**	**$ 10,433,307**
NET ASSETS						
Unrestricted	$ 7,289,268	$ 1,309,866	$ 969,905	$ —	$ 9,569,039	$ 20,438,066
Temporarily restricted	—	372,643	192,128	—	564,771	364,872
Permanently restricted	—	179,386	—	—	179,386	179,386
TOTAL NET ASSETS	**$ 7,289,268**	**$ 1,861,895**	**$ 1,162,033**	**$ —**	**$ 10,313,196**	**$ 20,982,324**
TOTAL LIABILITIES AND NET ASSETS	**$ 24,410,431**	**$ 2,160,458**	**$ 1,162,033**	**$ (543,018)**	**$ 27,189,904**	**$ 31,415,631**

THE INSTITUTE OF INTERNAL AUDITORS, INC. AND AFFILIATES CONSOLIDATING AND CONSOLIDATED STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED DECEMBER 31, 2008					2007
	The Institute of Internal Auditors, Inc.	Institute of Internal Auditors - Research, Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	Eliminations	Consolidated Total	Consolidated Total
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS REVENUES						
Seminars	$ 12,754,662	$ —	$ —	$ —	$ 12,754,662	$ 11,928,261
Relationship management	7,059,648	—	—	—	7,059,648	6,932,331
Conferences	3,478,169	—	—	—	3,478,169	3,849,549
Certification	3,340,585	—	—	—	3,340,585	5,849,214
Publishing	1,515,967	—	—	—	1,515,967	1,676,949
Quality assessment	1,127,718	—	—	—	1,127,718	1,556,547
Other program revenue	2,170,467	—	—	—	2,170,467	1,685,272
Publication sales	—	2,408,126	—	(42,278)	2,365,848	2,174,252
Contributions	328,319	384,064	619,412	(423,681)	908,114	324,821
Dividend and interest income	633,429	72,982	—	—	706,411	1,259,926
TOTAL REVENUES	**$ 32,408,964**	**$ 2,865,172**	**$ 619,412**	**$ (465,959)**	**$ 35,427,589**	**$ 37,237,122**
Net assets released from restrictions	90,310	37,022	102,450	—	229,782	359,036
TOTAL REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	**$ 32,499,274**	**$ 2,902,194**	**$ 721,862**	**$ (465,959)**	**$ 35,657,371**	**$ 37,596,158**
EXPENSES						
Seminars	$ 10,338,392	$ —	$ —	$ (25,366)	$ 10,313,026	$ 9,473,655
Relationship management	4,678,888	—	—	(4,228)	4,674,660	4,945,966
Certification	3,684,690	—	—	(4,228)	3,680,462	2,383,606
Conferences	2,597,975	—	—	—	2,597,975	3,243,406
Quality assessment	1,151,889	—	—	(8,456)	1,143,433	1,269,313
Publishing	498,882	—	—	—	498,882	596,983
Other program expenses	3,225,230	—	71,397	—	3,296,627	3,427,825
Educational products	—	1,875,775	—	—	1,875,775	2,160,155
Research projects	—	272,327	—	—	272,327	397,301
Academic programs	—	17,441	—	—	17,441	17,179
Grants	—	—	142,000	—	142,000	119,018
General and administrative	10,931,344	914,041	—	(573,681)	11,271,704	10,063,042
TOTAL EXPENSES	**$ 37,107,290**	**$ 3,079,584**	**$ 213,397**	**$ (615,959)**	**$ 39,784,312**	**$ 38,097,449**
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	**$ (4,608,016)**	**$ (177,390)**	**$ 508,465**	**$ 150,000**	**$ (4,126,941)**	**$ (501,291)**

THE INSTITUTE OF INTERNAL AUDITORS, INC. AND AFFILIATES CONSOLIDATING AND CONSOLIDATED STATEMENTS OF ACTIVITIES (Continued)

	FOR THE YEARS ENDED DECEMBER 31, 2008					2007
	The Institute of Internal Auditors, Inc.	Institute of Internal Auditors - Research, Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	Eliminations	Consolidated Total	Consolidated Total
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS FROM OPERATIONS						
Contributions	$ —	$ 189,290	$ 227,950	$ (150,000)	$ 267,240	$ 184,247
Dividend and interest income	—	12,441	—	—	12,441	9,573
Net assets released from restrictions	(90,310)	(37,022)	(102,450)	—	(229,782)	(359,036)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS FROM OPERATIONS	**$ (90,310)**	**$ 164,709**	**$ 125,500**	**$ (150,000)**	**$ 49,899**	**$ (165,216)**
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS FROM OPERATIONS						
Contributions	$ —	$ —	$ —	$ —	$ —	$ 44,386
CHANGE IN PERMANENTLY RESTRICTED NET ASSETS FROM OPERATIONS	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 44,386**
NON-OPERATING ACTIVITIES	**$ (6,089,039)**	**$ (503,047)**	**$ —**	**$ —**	**$ (6,592,086)**	**$ 919,268**
CHANGE IN NET ASSETS	**$ (10,787,365)**	**$ (515,728)**	**$ 633,965**	**$ —**	**$ (10,669,128)**	**$ 297,147**
NET ASSETS – BEGINNING OF YEAR	**$ 18,076,633**	**$ 2,377,623**	**$ 528,068**	**$ —**	**$ 20,982,324**	**$ 20,685,177**
NET ASSETS – END OF YEAR	**$ 7,289,268**	**$ 1,861,895**	**$ 1,162,033**	**$ —**	**$ 10,313,196**	**$ 20,982,324**

THE INSTITUTE OF INTERNAL AUDITORS, INC. AND AFFILIATES CONSOLIDATING AND CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31, 2008					2007
	The Institute of Internal Auditors, Inc.	Institute of Internal Auditors - Research, Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	Eliminations	Consolidated Total	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES						
CHANGE IN NET ASSETS	**$ (10,787,365)**	**$ (515,728)**	**$ 633,965**	**$ —**	**$ (10,669,128)**	**$ 297,147**
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:						
Depreciation	756,253	32,901	—	—	789,154	620,009
Amortization of deferred project costs	325,286	104,251	—	—	429,537	234,713
Net (gain)/loss on investments	4,154,386	503,047	—	—	4,657,433	(919,268)
Allowance for recoverability of construction expenditures	1,934,653	—	—	—	1,934,653	—
Change in restricted investments	—	—	—	—	—	(44,386)
Change in due to/from affiliates, net	136,637	77,828	(214,465)	—	—	—
Change in accounts receivable, net	(102,051)	(20,835)	11,535	—	(111,351)	(355,897)
Change in inventories	—	19,593	—	—	19,593	28,192
Change in prepaid expenses and other assets	(75,358)	—	—	—	(75,358)	(543,134)
Change in accounts payable and accrued expenses	2,002,299	46,371	(35,791)	—	2,012,879	(90,093)
Change in deferred revenue	560,758	(19,468)	—	—	541,290	(420,571)
TOTAL ADJUSTMENTS	**$ 9,692,863**	**$ 743,688**	**$ (238,721)**	**$ —**	**$ 10,197,830**	**$ (1,490,435)**
NET CASH FLOWS FROM OPERATING ACTIVITIES	**$ (1,094,502)**	**$ 227,960**	**$ 395,244**	**$ —**	**$ (471,298)**	**$ (1,193,288)**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales of investments	$ 2,000,000	$ —	$ —	$ —	$ 2,000,000	$ 2,001,169
Purchases of investments	(726,729)	(83,555)	—	—	(810,284)	(1,147,334)
Purchases of and improvements to property and equipment	(4,319,303)	(158,314)	—	—	(4,477,617)	(1,019,342)
Expenditures for deferred projects	(676,627)	(142,515)	—	—	(819,142)	(1,108,363)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**$ (3,722,659)**	**$ (384,384)**	**$ —**	**$ —**	**$ (4,107,043)**	**$ (1,273,870)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Borrowings	$ 4,579,012	$ —	$ —	$ —	$ 4,579,012	$ —
NET CASH FLOWS FROM FINANCING ACTIVITIES	**$ 4,579,012**	**$ —**	**$ —**	**$ —**	**$ 4,579,012**	**$ —**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$ (238,149)**	**$ (156,424)**	**$ 395,244**	**$ —**	**$ 671**	**$ (2,467,158)**
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	**$ 1,739,925**	**$ 191,551**	**$ 335,251**	**$ —**	**$ 2,266,727**	**$ 4,733,885**
CASH AND CASH EQUIVALENTS – END OF YEAR	**$ 1,501,776**	**$ 35,127**	**$ 730,495**	**$ —**	**$ 2,267,398**	**$ 2,266,727**

SUPPLEMENTAL DISCLOSURE: Interest paid during 2008 and 2007 amounted to approximately $1,000 (net of interest capitalized of approximately $35,000) and $0, respectively.

NOTE A – NATURE OF ACTIVITIES

The Institute of Internal Auditors, Inc. ("the Institute") was formed in 1941 and is a not-for-profit corporation 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 of current professional issues, standards and practices; offering examinations and certifications to internal auditors; and evaluating the performance of internal audit departments.

Institute of Internal Auditors - Research Foundation, Inc. ("the Foundation") is 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 appoints the Foundation's Board of Trustees. Accordingly, in conformity with Statement of Position 94-3, issued by the American Institute of Certified Public Accountants, the Institute's financial statements include the accounts of the Foundation. All significant interorganization transactions and balances have been eliminated.

Internal Auditing Academic Advancement Fund, Inc. ("the Fund") is a not-for-profit corporation formed to support the teaching of internal auditing, establish standards for internal auditing education at post-secondary educational institutions, and other related purposes. Certain of the Institute's employees and board members serve as ex-officio directors and corporate officers of the Fund. Additionally, the Fund is a supporting organization of the Institute. Accordingly, in conformity with Statement of Position 94-3, issued by the American Institute of Certified Public Accountants, the Institute's financial statements include the accounts of the Fund. All significant interorganization transactions and balances have been eliminated.

Canadian Institute of Internal Auditors ("the Canadian Institute") is 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. Accordingly, in conformity with Statement of Position 94-3, issued by the American Institute of Certified Public Accountants, the Institute's financial statements include the accounts of the Canadian Institute. Due to the immateriality of the amounts involved, the activities and balances of the Canadian Institute are included in the financial statements with the Institute.

IIA Properties, LLC ("IIA Properties") is a Florida limited liability company organized on May 20, 2008. IIA Properties was formed for the purpose of owning real property and carrying on various real estate-related transactions. The Institute is the sole member of IIA Properties. Accordingly, in conformity with Statement of Position 94-3, issued by the American Institute of Certified Public Accountants, the Institute's financial statements include the accounts of IIA Properties. Due to the immateriality of the amounts involved, the activities and balances of IIA Properties are included in the financial statements with the Institute.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as "net assets released from restrictions."

Revenue recognition and operating activities

The Institute recognizes revenue and incurs expenses in its operation of the following activities:

Seminars and conferences

Seminar and conference fees are recognized as income in the period in which the event is completed. Expenses include the direct costs of conducting seminars and conferences.

Relationship management

Membership dues are recognized as income ratably throughout the year. Membership application fees are nonrefundable and are recognized as income when received. 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.

Certification

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

Publishing and publication sales

Subscriptions and print advertising revenue are recognized as income in the period in which the related publications are issued. Website advertising revenue is recognized as income ratably over the length of the advertising contract. Educational product sales are recognized as income when the related inventory is shipped. Expenses include the direct costs of producing and delivering publications, as well as website maintenance. Advertising costs are expensed as incurred.

Global Auditing Information Network ("GAIN")

Subscription fees 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 IIA.

Quality assessment

Quality assessment service fees are recognized as income as the related service is provided based on the percentage of the engagement completed. Expenses include the direct costs of conducting quality assessments.

During 2008 and 2007, 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. Expenses of the Fund are not material to the accompanying financial statements and are paid by the Institute. Reimbursement is not required.

Revenue received in advance of the recognition period is included in "deferred revenue" in the accompanying statements of financial position.

Cash and cash equivalents
The Institute, the Foundation and the Fund consider all investment instruments purchased with original maturities of three months or less to be cash equivalents.

Restricted investments
Restricted investments consist of endowment funds given to the Foundation, the investment income from which is to be used for scholarships for internal auditing students.

Investments
Investments are carried at estimated fair value as determined by quoted market prices.

Allowance for doubtful accounts
Accounts receivable are stated net of an allowance for doubtful accounts. The Institute, the Foundation and the Fund estimate the allowance for doubtful accounts based on an analysis of specific accounts, taking into consideration the age of the past due account and an assessment of the client'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.

Inventories
Inventories consist of publications and are carried at the lower of cost or market value using the first-in, first-out (FIFO) cost flow method.

Property and equipment
Property and equipment are stated at cost. The Institute and the Foundation use the straight-line method of depreciating property and equipment over estimated useful lives.

Deferred project costs
Costs related to seminars, website development and design, and educational product development or revision are deferred until the related projects are completed. Seminar costs are amortized over three or four years using the straight-line method, website costs over three years using the straight-line method, and educational product development or revision costs over three years at 60% the first year, 30% the second year, and 10% the third year.

Restrictions on net assets
Temporarily restricted net assets consist primarily of amounts held by the Foundation restricted for the William G. Bishop Memorial Fund and amounts held by the Fund restricted for educational activities. Permanently restricted net assets consist of an endowment fund held by the Foundation, the investment income from which is to be used for scholarships for internal auditing students. "Net assets released from restrictions" for the Institute for 2008 consists of funds expended related to an initiative to develop certain educational curriculum.

Income taxes
The Institute is exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(6) and from state income tax pursuant to state law. The Institute engages in certain activities which are "unrelated business activities" as defined by the Internal Revenue Code, and which are subject to taxation. Income taxes on unrelated business income are recognized as expenses as incurred. The Foundation and the Fund are 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. The Foundation and the Fund have not incurred unrelated business income taxes.

Use of estimates
Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing the accompanying financial statements include those used in determining the useful lives of property and equipment and assessing the collectibility of accounts receivable. Actual results could differ from the estimates.

NOTE C – CONCENTRATION OF CREDIT RISK
The Institute, the Foundation and the Fund maintain their 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 Institute, the Foundation and the Fund have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D – INVESTMENTS

Investments consist of mutual funds. The Institute considers all dividends and interest from investments as operating revenues for purposes of the accompanying statements of activities. Gains and losses related to investments are considered to be nonoperating activities for purposes of the accompanying statements of activities.

Net gain/(loss) on investments (included in "Non-Operating Activities" in the accompanying statements of activities) consisted of the following:

	FOR THE YEARS ENDED DECEMBER 31, 2008			2007
	The Institute	The Foundation	Consolidated Total	Consolidated Total
Unrestricted	$ (4,154,386)	$ (503,047)	$ (4,657,433)	$ 919,268

Estimated fair value of assets measured on a recurring basis at December 31, 2008 are as follows:

	ESTIMATED FAIR VALUE MEASUREMENTS AT REPORTING DATE USING			
	Estimated Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
MUTUAL FUNDS —				
The Institute	$ 9,541,322	$ 9,541,322	$ —	$ —
The Foundation	1,120,676	1,120,676	—	—
TOTAL	**$ 10,661,998**	**$ 10,661,998**	**$ —**	**$ —**

Financial assets with estimated values determined using Level 1 inputs are based on unadjusted quoted market prices within active markets.

NOTE E – PROPERTY AND EQUIPMENT

Depreciation expense for the Institute amounted to approximately $756,000 and $612,000 for 2008 and 2007, respectively. Depreciation expense for the Foundation amounted to approximately $33,000 and $8,000 for 2008 and 2007, respectively. "Land" includes property held for possible future development. See Note F.

Property and equipment consisted of the following:

	FOR THE YEARS ENDED DECEMBER 31, 2008			2007
	The Institute	The Foundation	Consolidated Total	Consolidated Total
CATEGORY				
Land	$ 2,230,567	$ —	$ 2,230,567	$ 114,103
Buildings and building improvements	4,139,672	—	4,139,672	4,151,759
Furniture and equipment	3,948,628	202,849	4,151,477	3,744,998
Construction in progress, net	—	—	—	—
TOTAL PROPERTY AND EQUIPMENT	**10,318,867**	**202,849**	**10,521,716**	**8,010,860**
LESS: ACCUMULATED DEPRECIATION	**(3,213,251)**	**(52,365)**	**(3,265,616)**	**(2,388,044)**
NET PROPERTY AND EQUIPMENT	**$ 7,105,616**	**$ 150,484**	**$ 7,256,100**	**$ 5,622,816**

NOTE F – NOTE PAYABLE

The Institute's note payable is a revolving line of credit payable to a financial institution in an amount up to $6,660,015 for purposes approved by the financial institution. The note is payable in monthly installments of interest only at 6.08% through the maturity date of August 1, 2010 and is secured by a Real Estate Mortgage, Assignment of Rents and Security Agreement and is further collateralized by a portion of the Institute's securities accounts held by other third parties. The note (and related agreements) contain various financial and other covenants and cross-default provisions related to the construction loan agreement described below. Interest expense incurred during 2008 was approximately $1,000.

In connection with its potential relocation, the Institute entered into a construction loan agreement in an amount up to $9,500,000 for the construction of an 85,000 square foot facility located in Lake Mary, Florida. The construction loan agreement contains various financial and other covenants and cross-default provisions related to the note payable described above. The construction loan agreement was amended during December 2008 to temporarily suspend financing available under the agreement. As of December 31, 2008, no amounts were payable by the Institute in connection with the construction loan agreement.

The Institute also entered into a Development Management Agreement with an unrelated organization to manage the construction and development of the facility. The Development Management Agreement was amended during December 2008 to delay the effective date of certain provisions of the Development Management Agreement in return for certain payments.

The Institute also entered into a Right of Repurchase Agreement with the original sellers of the Lake Mary, Florida property allowing the sellers to repurchase the property should the Institute not meet certain provisions contained in the Right of Repurchase Agreement. The Right of Repurchase Agreement was amended during December 2008 to allow the Institute to defer certain provisions of the agreement until certain future dates in return for payments which will become due and payable at those future dates.

The Institute entered into a construction contract in the original amount of $7,654,670 (and subsequently increased to $9,304,636) in connection with its potential relocation. A Notice to Proceed has not been issued and accordingly, the contract has been suspended.

Current status of relocation project

Due to management's uncertainty regarding the Institute's ability to move forward under the terms of agreements described above, the Institute has established an allowance for impairment equal to the entire amount of construction and related expenditures incurred through December 31, 2008 (approximately $1,900,000). The allowance is included in "Non-Operating Activities" in the accompanying statements of activities. The allowance is subject to future adjustment based on the Institute's intent and ability to honor the related commitments. Recovery of any portion of the allowance is not assured.

NOTE G – OPERATING LEASES

The Institute leases office space and office equipment under operating leases expiring through July 2010. Approximate future lease payments are as follows:

FOR THE YEARS ENDED DECEMBER 31,	
2009	$ 157,000
2010	$ 21,000
TOTAL	**$ 178,000**

Total rent expense related to the above leases and additional amounts for short-term rentals and related charges amounted to approximately $849,000 and $1,087,000 for 2008 and 2007, respectively.

NOTE H – RETIREMENT PLANS

The Institute maintains a Section 401(k) retirement plan. The Institute contributes a certain percentage of the total salary of eligible employees to the plan.

The Institute previously maintained a money purchase pension plan. The Institute contributed a discretionary amount of the total salary of eligible employees to the money purchase pension plan. During 2006, the assets of the money purchase pension plan were merged into the Section 401(k) retirement plan described above.

During 2008 and 2007, the Institute contributed approximately $996,000 and $934,000, respectively, to its retirement plans.

The Institute maintains a Section 457 deferred compensation plan for the benefit of certain employees. Under the provisions of the plan, employees could elect to have a portion of their salary contributed to the plan. The Institute held approximately $678,000 and $1,248,000 in the plan as of December 31, 2008 and 2007, respectively, which is reflected in the accompanying statements of financial position under "employee savings plan" and "deferred employee compensation." Contributions to the plan were terminated effective December 31, 2001.

NOTE I – COMMITMENTS

The Foundation has entered into contracts and agreements with various parties for research projects. Unpaid commitments related to these contracts and agreements totaled approximately $392,000 as of December 31, 2008.

The Institute delivers certain of its examinations in a computer-based testing environment (referred to by the Institute as the "CBT" initiative). In connection with CBT, the Institute entered into an agreement with a third-party ("the hosting service") which licenses application software for the management, operation and administration of testing, certification and licensure programs and maintains database functions related to such programs, all of which are offered as a hosted service. In connection with the agreement, the Institute agrees to pay the hosting service an annual license fee of $103,000 plus certain incremental fees based on actual volume as described in the agreement. In connection with CBT, the Institute has also entered into a test delivery services agreement with another third-party ("the test provider"). Pursuant to the terms of the agreement, the test provider is responsible for various tasks related to administering tests to participants. The test provider will be paid per test fees and various other fees pursuant to the terms of the agreement. The initial term of the agreement expires during 2013.

NOTE J – EXPENSE ALLOCATIONS

Total expenses for the Institute include approximately $26,176,000 and $25,395,000 of program expenses, $10,923,000 and $10,027,000 of supporting expenses, and $8,000 of fund-raising expenses per year for 2008 and 2007, respectively.

During 2008 and 2007, the Foundation incurred approximately $66,000 and $39,000 respectively, of fund-raising expenses. Such amounts are included in "general and administrative" expense in the accompanying financial statements.

NOTE K – NON-OPERATING ACTIVITIES

Following is a recap of the amounts included in "Non-Operating Activities" in the accompanying statements of activities:

	FOR THE YEARS ENDED DECEMBER 31, 2008			2007
	The Institute	**The Foundation**	**Consolidated Total**	**Consolidated Total**
Net gain/(loss) on investments	$ (4,154,386)	$ (503,047)	$ (4,657,433)	$ 919,268
Provision for impairment of construction-related expenditures	(1,934,653)	—	(1,934,653)	—
TOTAL NON-OPERATING ACTIVITIES	**$ (6,089,039)**	**$ (503,047)**	**$ (6,592,086)**	**$ 919,268**

NOTE L – RELATED PARTY TRANSACTIONS

As of December 31, 2008, the Foundation was a party to certain contracts for research and educational projects with various third parties which include certain members of the Foundation's Board. The following table summarizes payments made by the Foundation to Board members in connection with these contracts:

PROJECT NAME	PAYMENTS – 2008	PAYMENTS – 2007
"Behavioral Dimensions of Internal Auditing"	$ —	$ 122
"Internal Assurance and Consulting Services Textbook"	$ 8,386	$ 14,536