

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

# ne IIA

# Table of Contents

03

**From the  
President  
& CEO**

04

**From the  
Global Chair**

05

**Association  
Governance &  
IIA Global Board  
of Directors**

06

**2023 Highlights**

10

**2023 Financials**



## From the **President & CEO**

Dear Members and Stakeholders,

I am honored to present our 2023 annual report, which highlights the significant progress we have collectively achieved as an organization and as a profession. This report affords us an opportunity to shine a light on our shared accomplishments and milestones over the last year while setting the stage for exciting things to come.

I believe this report effectively demonstrates our unwavering focus on The IIA's mission of creating a vibrant future for the global internal audit profession, while continuing to prioritize efforts that reimagine, transform, and modernize the organization. As we work to refine our vision, we remain committed to innovation, embracing technology, delivering a valuable member experience, strengthening global partnerships, and upskilling the profession to meet new challenges and remain at the forefront of a rapidly evolving business environment.

Last year was an incredibly exciting year for The IIA as we experienced solid growth and introduced new initiatives designed for future-focused organizations and an increasingly agile global profession. Some of the highlights you will read about in the annual report include:

- **Steady growth of The IIA** – Efforts to strengthen global partnerships, expand our advocacy endeavors, and introduce meaningful new ways to serve the unique needs of our chapters, institutes, and regions helped drive our growth from 232,000 members to more than 245,000 members worldwide in 2023.
- **The new Global Internal Audit Standards™** – One of the most impactful projects in The IIA's history, the new Standards were approved and will become effective in January 2025, culminating more than three years of research and global outreach.
- **Groundbreaking research initiatives** – We introduced the first global Risk in Focus research suite, which offers insights from internal audit leaders around the world on the greatest risks impacting their regions, and the Vision 2035 project, which is designed to envision the internal audit profession in 2035; both offer insight into the internal audit profession today and provide a roadmap for the future.

I am incredibly proud of the work of our volunteer members and staff who made this transformative year possible. I am confident that these efforts will enable our profession to continue demonstrating our value as a strategic partner to audit committees, boards, and the organizations we serve. As the world continues to evolve at a rapid pace, we remain committed to advancing the profession and developing the necessary professional guidance and resources, tools, training, and tailored support to position our members for success.

We also remain committed to sharpening our focus on global issues impacting the profession, including new and emerging technology, cybersecurity, and ESG, among others. By sharing resources and uniting as one, we are in the unique position of being able to harness the collective voices and expertise of more than 245,000 internal audit professionals to ensure we are equipped for the future.

I hope our annual report instills a sense of pride, admiration, and inspiration in the profession and reinforces a vision of The IIA as a future-focused organization with our members at the heart of everything that we do. We're excited to share our progress with you and invite you to join us as we embark on the next great chapter in the history of The IIA and the internal audit profession.

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



## From the **Global Chair**

**As I reflect on the past year,** I am filled with a profound sense of pride and gratitude for the resilience, innovation, and unwavering dedication demonstrated by the internal audit profession. It has been an incredible honor to serve as the Global Chair of The Institute of Internal Auditors during this pivotal time. Together we have faced unprecedented challenges and remarkable opportunities, compelling us to adapt, rethink our roles, and reimagine the value we bring to our organizations.

I chose 'Think Different' as the theme for my year, as it allowed us to focus on key areas where our profession can chart a new and creative path forward to reinforce our value in a world that increasingly demands adaptability. My efforts as Global Chair centered on the need to move the discussion away from numbers and financial statements, to focus more on risk, strategy, and organizational effectiveness. I wanted to encourage internal auditors to 'Think Different' about how we tackle the challenges and opportunities the profession presents, including:

- **Equipping ourselves with the skills to keep pace with innovation** in a rapidly changing world. Throughout the year, we emphasized continuing education and professional development to ensure our members are well-prepared to navigate transformational technologies such as artificial intelligence, while also addressing shifting regulatory and geopolitical landscapes. With the approval of the new Global Internal Audit Standards™, which will go into effect in early 2025, our profession now has a more flexible and relevant framework to guide us through these challenges.
- **Building a robust and diverse pipeline of talented professionals** as we focused on attracting and developing individuals to meet today's challenges and continue shaping the future of internal audit. Diversity and inclusion have been at the forefront of our efforts, as we know that a diverse workforce brings richer perspectives and fosters innovative solutions. The introduction of free student memberships in North America led to a significant increase in student members, and we expanded our academic network to include 14 new universities teaching internal audit.
- **Strengthening collaboration around the globe** by reimagining our Global Operating Model. As of the end of 2022, 70 percent of IIA members and 63 percent of CIAs awarded were outside of North America. With this in mind, we placed a renewed focus on developing a strategic initiative to design and deploy new ways of working between IIA Global and the IIA network of national institutes. The new Global Operating Model aims to promote stronger global collaboration and create efficiencies in delivering and exchanging resources, services, and knowledge.

The IIA continued to raise the bar for research initiatives, with globally oriented projects like Risk in Focus and Internal Audit: Vision 2035 - Creating Our Future Together. These efforts provide practical, data-driven insights to help internal auditors and their stakeholders navigate the evolving risk landscape and prepare for the future.

The past year has also shown us the importance of collaboration and forward-thinking. Together, we have dared ourselves to 'Think Different' as we have undertaken new challenges and leveraged opportunities to build a stronger, more innovative profession.

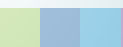
Looking ahead, I am filled with optimism and confidence in our ability to navigate the complexities of today's business landscape and drive our profession forward. The future holds great promise, and I am certain that, through our collective efforts, we will not only persevere but thrive.

Thank you for your dedication, support, and unwavering commitment to excellence. It's been an honor to have served as Global Chair, and I look forward to continuing this journey with all of you, working together to shape an exciting and prosperous future for internal audit.



A handwritten signature in black ink, appearing to read 'Sally-Anne Pitt'.

**Sally-Anne Pitt, CIA, CGAP**  
2023-24 Chair, IIA Global Board of Directors



# Association Governance & IIA Global Board of Directors

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

---



**BACK ROW (LEFT TO RIGHT):**

Benito Ybarra, Elizabeth Sullivan, Stacey Schabel, Mike Levy, Stefano Comotti, Larry Herzog Butler, Jorge Badillo Ayala, Hiroshi Naka, Huibo Liu, Emmanuel Johnannes Chacha, Mike Varney

**FRONT ROW (LEFT TO RIGHT):**

Elizabeth Honer, Terry Grafenstine, Anthony Pugliese, Sally-Anne Pitt, His Excellency Dr. Hussam Alangari, Karen Brady

# 2023 *Highlights*



**Global Internal Audit Standards:** Without a doubt, 2023 was one of the most transformative years for The Institute of Internal Auditors and the global internal audit profession in recent history. The IIA's largest project ever, the new Global Internal Audit Standards™, was approved and will go into effect in early 2025. This was the culmination of more than three years of research and global outreach to gather input from stakeholders around the world to ensure the new Standards reflect the diverse needs of the profession in today's rapidly evolving business environment. With these new Standards in place, internal audit professionals will be armed with a more flexible, relevant framework to adapt to unique challenges and guidance on important focus areas like emerging technology and cybersecurity.

**MoU With ARABCIIA and Regional UAE GAM Conference:** With a renewed focus on strengthening global partnerships, The IIA had a very successful year in the Middle East, including the implementation of a Memorandum of Understanding (MoU) with the newly formed Arab Confederation of Institutes of Internal Auditors (ARABCIIA). This agreement enables 13 of our institutes – The Kingdom of Saudi Arabia, Kuwait, Lebanon, Qatar, Oman, United Arab Emirates, Jordan, Egypt, Morocco, Bahrain, Tunisia, Somalia, and Sudan – to collaborate with one another, and with IIA Global, on research, events, and translation, and jointly pursue continuing professional education. Further underscoring our commitment to providing tailored, region-specific insights and innovative solutions to meet the needs of our diverse membership, The IIA held our first-ever Regional GAM event in Abu Dhabi in November.

**Partnership With ACFE on Fraud:** This year, we committed to enhancing The IIA's collaboration with organizations, including the Association of Certified Fraud Examiners (ACFE). Together through this partnership, we launched a new webinar series and committed to joint research and thought leadership opportunities. Partnerships like this will serve to raise the competency of each organization's members regarding fraud auditing and investigation.

**Advocacy Win:** This past year, in partnership with U.S. chapters, The IIA made significant progress in transforming the organization's relationship with the Public Company Accounting Oversight Board (PCAOB).

The effort to strengthen ties with the PCAOB was precipitated by publication of the 2022 proposed auditing standard entitled, “The Auditor’s Use of Confirmations.” Since the proposal misrepresented elements of internal audit, IIA Advocacy coordinated a robust grassroots campaign designed to educate the PCAOB on the pivotal role of an internal audit function. This important initiative was bolstered by committed chapter leaders and external stakeholders who proactively submitted dozens of letters to the PCAOB emphasizing the value of internal audit professionals.

Ultimately, the PCAOB not only removed the concerning provisions in the proposed standard, but also publicly acknowledged “internal auditors can and often do play an important role in enhancing the quality of a company’s internal reporting.” Throughout this process, The IIA was able to establish – for the first time – a productive dialogue with members of the PCAOB, laying the foundation for future engagements and collaborations.

**Groundbreaking Research:** In 2023, The IIA continued to raise the bar for research initiatives, including the first Global Risk in Focus research suite, offering insights from internal audit leaders around the world on the greatest risks impacting their regions. The reports provide practical, data-driven research to help internal auditors and their stakeholders understand the current risk landscape in their regions and prepare internal audit plans for the years ahead.

In addition, the Internal Audit Foundation undertook one of our most ambitious initiatives to date, Internal Audit: Vision 2035 – Creating Our Future Together. This project is intended to envision the internal audit profession in 2035, proactively determine how we can elevate the value of internal auditing while remaining relevant, and map out the steps we must take to make that future a reality. The final report, released in mid-2024, will help internal auditors anticipate and adapt to new trends that impact the profession by charting how the role of an internal auditor will evolve and how we can enhance the value of the profession.



**Strengthening the Pipeline:** The IIA remains committed to upskilling current professionals while prioritizing strengthening the pipeline of incoming talent. This effort begins with students and young professionals. Since introducing free student memberships in North America in 2022, North American student membership more than doubled in 2023. In addition, The IIA added 14 universities that teach internal audit into our academic network and provided new mentorship opportunities, as well as a robust collection of grants and awards. We also conducted an extensive CIA Market Study to better understand the profession's expectations and needs for our flagship certification, which will help us recognize what components of the CIA certification and exam need improvement for the benefit of those seeking it.

**Global Operating Model:** This year, we began reimagining our Global Operating Model by designing and deploying new ways of working between IIA Global and its network of affiliated national institutes. As we carry this project into 2024, the goal is to innovate how we exchange knowledge, develop resources, and provide services. Some of the first joint initiatives that came from the catalyst groups involved in this project included the Risk in Focus report, as well as the development of a benchmarking tool, knowledge sharing platform, and inclusive executive membership program.

**Great Place To Work®:** The IIA continues to transform from the inside out, and in 2023, we were honored to earn the Great Place To Work® certification, with employees citing feeling safe, welcome, and treated fairly as top attributes that make The IIA a Great Place To Work®.

**Leadership and Expansion:** In July, Sally-Anne Pitt, CIA, CGAP, was elected to serve as The IIA's Chair of the Global Board for 2023–24. In October, The IIA welcomed Benito Ybarra, CIA, CISA, CFE, CCEP, as its Executive Vice President of Global Standards, Guidance, and Certifications. Worldwide, The IIA grew to 116 national institutes with the addition of Malta and Somalia to our global federation.



# Independent Auditor's Report

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

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

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

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

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

August 16, 2023

*BDO USA, P.A.*

The Institute of Internal Auditors, Inc. and Subsidiaries  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
 December 31, 2023 and 2022

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 19,252,820	\$ 24,664,471
Investments	71,477,151	55,671,360
Accounts receivable, net	3,633,050	3,691,010
Prepaid expenses and other assets	2,896,281	4,031,456
Deferred project costs, net	1,689,358	1,480,478
Employee savings plans	558,374	443,589
Property and equipment, net	7,434,594	7,927,795
Operating right-of-use assets, net	3,819,216	4,686,134
<b>Total Assets</b>	<b>\$ 110,760,844</b>	<b>\$ 102,596,293</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 5,649,809	\$ 5,042,275
Accrued payroll	4,132,614	3,962,773
Deferred revenue	13,819,182	14,068,341
Deferred employee compensation	558,374	443,589
Operating lease liabilities	4,826,526	5,984,015
<b>Total Liabilities</b>	<b>28,986,505</b>	<b>29,500,993</b>
<b>Commitments (Note 6)</b>		
<b>Net Assets</b>		
Without donor restrictions:		
Undesignated	80,082,695	71,419,198
Board designated for specified purposes	486,372	514,403
<b>Total Net Assets Without Donor Restrictions</b>	<b>80,569,067</b>	<b>71,933,601</b>
With donor restrictions:		
Restricted for specified purposes	1,070,272	1,026,699
Restricted in perpetuity - endowment	135,000	135,000
<b>Total Net Assets with Donor Restrictions</b>	<b>1,205,272</b>	<b>1,161,699</b>
<b>Total Net Assets</b>	<b>81,774,339</b>	<b>73,095,300</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 110,760,844</b>	<b>\$ 102,596,293</b>

*See accompanying notes to consolidated financial statements.*

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

Years Ended December 31, 2023 and 2022

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Change in Net Assets Without Donor Restrictions</b>		
Operating revenues:		
Member competency and learning	\$ 23,739,690	\$ 19,203,048
Certifications	25,952,279	21,505,843
Memberships	18,982,687	17,697,990
Quality services	2,308,918	2,658,553
Educational products	848,363	877,732
Other revenues	768,833	903,109
Contributions	499,271	261,618
Net assets released from restrictions	36,171	135,500
<b>Total Operating Revenues</b>	<b>73,136,212</b>	<b>63,243,393</b>
Operating expenses:		
Program services:		
Member competency and learning	18,802,268	15,051,490
Certifications	15,016,367	10,981,892
Membership	8,342,470	7,978,148
Quality services	1,529,133	1,330,849
Educational products	428,483	1,063,928
Other program services	308,747	266,013
<b>Total Program Services</b>	<b>44,427,468</b>	<b>36,672,320</b>
Supporting services:		
General and administrative	27,212,122	26,751,610
<b>Total Operating Expenses</b>	<b>71,639,590</b>	<b>63,423,930</b>
<b>Change in Net Assets Without Donor Restrictions, before non-operating income (loss)</b>	<b>1,496,622</b>	<b>(180,537)</b>
Non-operating income (loss):		
Net investment income (loss)	7,175,659	(9,257,747)
<b>Change in Net Assets Without Donor Restrictions</b>	<b>8,672,281</b>	<b>(9,438,284)</b>
<b>Change in Net Assets with Donor Restrictions</b>		
Contributions	65,543	145,000
Net investment loss	(22,614)	(47,883)
Net assets released from restrictions	(36,171)	(135,500)
<b>Change in Net Assets with Donor Restrictions</b>	<b>6,758</b>	<b>(38,383)</b>
<b>Change in Net Assets</b>	<b>8,679,039</b>	<b>(9,476,667)</b>
<b>Net Assets, beginning of year</b>	<b>73,095,300</b>	<b>82,571,967</b>
<b>Net Assets, end of year</b>	<b>\$ 81,774,339</b>	<b>\$ 73,095,300</b>

*See accompanying notes to consolidated financial statements.*

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

Year Ended December 31, 2023

PROGRAM SERVICES

SUPPORTING SERVICES

	Member Competency and Learning	Certifications	Membership	Quality Services	Educational Products	Other Program Services	Total Program Services	General and Administrative	Total Expenses
Salaries and related benefits	\$ 5,390,206	\$ 2,443,906	\$ 4,568,223	\$ 384,862	\$ 99,640	\$ -	\$ 12,886,837	\$ 16,927,293	\$ 29,814,130
Contract services and professional fees	5,103,048	4,326,311	548,734	897,987	144,942	295,575	11,216,597	2,991,868	14,208,465
Travel, lodging, meals, and meeting space	4,211,155	206,414	552,994	23,402	-	1,751	4,995,718	2,135,985	7,131,703
Occupancy, office, and other expenses	3,439,856	3,390,872	1,584,969	222,882	39,573	7,677	8,645,629	2,888,043	11,533,672
Advertising and promotions	316,922	9,461	67,931	-	-	-	294,314	872,847	1,267,161
Payments to affiliates	-	4,346,436	876,231	-	95,089	-	5,317,676	-	5,317,676
Depreciation and amortization	345,281	432,967	143,388	-	49,719	3,742	970,697	1,196,086	2,366,783
<b>Total Expenses</b>	<b>\$ 18,802,268</b>	<b>\$ 15,016,367</b>	<b>\$ 8,342,470</b>	<b>\$ 1,529,133</b>	<b>\$ 418,483</b>	<b>\$ 308,747</b>	<b>\$ 44,427,468</b>	<b>\$ 27,312,123</b>	<b>\$ 71,639,990</b>

See accompanying notes to consolidated financial statements.

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

Year Ended December 31, 2022

PROGRAM SERVICES

SUPPORTING SERVICES

	Member Competency and Learning	Certifications	Membership	Quality Services	Educational Products	Other Program Services	Total Program Services	General and Administrative	Total Expenses
Salaries and related benefits	\$ 4,537,127	\$ 2,498,850	\$ 4,364,298	\$ 349,777	\$ 271,524	\$ -	\$ 12,021,576	\$ 16,179,308	\$ 28,200,884
Contract services and professional fees	4,043,233	3,379,361	628,873	842,932	151,242	238,680	9,284,321	2,972,796	12,257,117
Travel, lodging, meals, and meeting space	3,761,053	158,402	636,771	54,443	6,746	-	4,577,435	1,026,474	5,603,909
Occupancy, office, and other expenses	1,633,803	999,372	1,641,945	119,699	266,061	16,107	4,676,987	4,363,934	9,040,921
Advertising and promotions	484,774	32,742	25,612	943	2,429	-	546,700	914,836	1,461,536
Payments to affiliates	225,235	3,615,240	569,106	3,055	314,705	-	4,727,341	-	4,727,341
Depreciation and amortization	366,265	297,925	111,543	-	51,801	11,226	817,960	1,294,262	2,132,222
<b>Total Expenses</b>	<b>\$ 15,051,490</b>	<b>\$ 10,980,892</b>	<b>\$ 7,978,148</b>	<b>\$ 1,330,849</b>	<b>\$ 1,063,938</b>	<b>\$ 266,013</b>	<b>\$ 36,672,320</b>	<b>\$ 26,751,610</b>	<b>\$ 63,423,930</b>

See accompanying notes to consolidated financial statements.

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

Years Ended December 31, 2023 and 2022

<i>Year ended December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from members, customers, and donors	\$ 72,576,803	\$ 62,396,924
Cash paid for program and supporting services	(67,253,246)	(61,345,111)
<b>Net Cash Provided by Operating Activities</b>	<b>5,323,557</b>	<b>1,051,813</b>
<b>Cash Flows from Investing Activities</b>		
Investment income received	2,707,929	1,026,920
Proceeds from sales of investments	21,276,691	14,887,228
Purchases of investments	(32,637,366)	(15,880,032)
Purchases of property and equipment	(75,291)	(261,418)
Expenditures for deferred project costs	(2,007,171)	(1,552,168)
<b>Net Cash Used in Investing Activities</b>	<b>(10,735,208)</b>	<b>(1,779,470)</b>
<b>Net Decrease in Cash</b>	<b>(5,411,651)</b>	<b>(727,657)</b>
<b>Cash, beginning of year</b>	<b>24,664,471</b>	<b>25,392,128</b>
<b>Cash, end of year</b>	<b>\$ 19,252,820</b>	<b>\$ 24,664,471</b>
<b>Non-Cash Investing Activities</b>		
Establishment of right-of-use asset, net of deferred rent	\$ 278,530	\$ 5,753,738
Establishment of operating lease liability	278,530	7,418,672
Transfer of deferred project costs to property and equipment	1,798,291	5,004,883

*See accompanying notes to consolidated financial statements.*

# The Institute of Internal Auditors, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Nature of Institute

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

The Institute's primary program activities include conducting seminars and conferences to educate and train internal auditors; providing membership services; publishing and selling periodicals and materials that 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 educational products to advance the profession globally. The Institute's Board of Directors has the authority to appoint the members of the Foundation's governing body.
- *IIA Quality Services, LLC (Quality Services)* - A Florida limited liability company organized for the purpose of conducting external quality assessments and related activities. The Institute is the sole member of Quality Services.
- *Canadian Institute of Internal Auditors (the Canadian Institute)* - A not-for-profit Canadian corporation formed to cultivate, promote, and disseminate knowledge and information concerning internal auditing and related subjects in Canada. The Institute controls the Canadian Institute by virtue of provisions contained in the Canadian Institute's governing documents. Due to the amount of activity within the Canadian Institute, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- *SINO Certifications, LLC (SINO)* - A Florida limited liability company organized for the purpose of conducting certification and related activities in China. The Institute is the sole member of SINO. Due to the amount of activity within SINO, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- *IIA Global Development, LLC (Global Development)* - A Florida limited liability company organized for the purpose of supporting the development of the internal audit profession through an alternative service model. The Institute is the sole member of Global Development. Due to the amount of activity within Global Development, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- *The Institute of Internal Auditors PAC (IIA PAC)* - A political action committee registered with the U.S. Federal Election Committee and formed to make contributions and expenditures, without regard to party affiliation, in support of candidates for federal public office, political party committees, and other political committees in the United States that support the public policy views and interests of the Institute. The Institute's Board of Directors has the



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

NOTE 1. **NATURE OF INSTITUTE (Continued)**

---

authority to appoint the members of the IIA PAC's governing body. Due to the amount of activity within PAC, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.

***Principles of Consolidation***

The consolidated financial statements include the accounts of The Institute of Internal Auditors, Inc. and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

Assets are presented in the accompanying consolidated statements of financial position according to their nearest of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

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* - These consist of 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, 2023 and 2022, \$486,372 and \$514,403, respectively, had been designated by the Board of Directors for academic advancement.

*Net Assets with Donor Restrictions* - These consist of 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 in perpetuity - endowment were \$135,000 at both December 31, 2023 and 2022, and consist 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 restricted for specified purposes at December 31, 2023 and 2022 were \$1,070,272 and \$1,026,699, respectively, and consist primarily of amounts held by the Foundation restricted for educational activities, scholarships for internal auditing students, and the William G. Bishop Memorial Fund to be used for the Common Body of Knowledge program. During the years ended December 31, 2023 and 2022, net assets of \$36,171 and \$135,500, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

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

**NOTE 1. NATURE OF INSTITUTE (Continued)**

---

***Measure of Operations***

The Organization's operating revenues and expenses include all activities that are part of its main programs and support functions. This includes net assets released from donor restrictions to support current activities, and excludes net investment income or loss.

***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 Institute.

The Organization maintains its cash and cash equivalents in deposit accounts and money market funds that 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 historically experienced any losses in such accounts and believes they are not exposed to any significant credit risk related to cash and cash equivalents.

***Investments and Investment Income***

Investments are reported at fair value (see Note 3), except for certificates of deposit, which are recorded at amortized cost. Certificates of deposits included in investments are those with original maturity dates greater than three months. 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.

***Credit Losses***

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses, Measurement of Credit Losses on Financial Instruments*, establishing Accounting Standards Codification (ASC) Topic 326, and amended the guidance thereafter (ASC 326). ASC 326 replaces the prior incurred loss impairment model with an expected loss methodology, which results in more timely recognition of credit losses. The Organization adopted the standard for credit losses on January 1, 2023 using the modified retrospective approach. The adoption of ASC 326 did not have an impact on the Organization's financial position or changes in net assets within its consolidated financial statements.

The Organization records an allowance for credit losses for its accounts receivable, which represents the net amount expected to be collected. Accounts receivable are recorded when invoices are issued and are carried at original invoice amount. Allowance for credit risk for accounts receivable is established based on various factors including credit profiles of customers, historical payments, and current economic trends. The estimate of expected credit losses is based on information about past events, historical loss experience, balances past due by aging category, prior payment history with affected customers, geographic conditions, current economic conditions, and forecasts of future economic conditions that affect the collectability. The Organization also considers any known

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

**NOTE 1. NATURE OF INSTITUTE (Continued)**

disputes or collection issues with customers. Accounts receivable are written off on a case-by-case basis, net of any amounts that may be collected. The Organization generally does not charge interest on past-due accounts.

The following is a summary of accounts receivable:

<u>December 31,</u>	<u>2023</u>		<u>2022</u>	
Accounts receivable	\$	3,965,657	\$	4,042,152
Less: allowance for credit losses		(332,607)		(351,142)
<b>Accounts Receivable, Net</b>	<b>\$</b>	<b>3,633,050</b>	<b>\$</b>	<b>3,691,010</b>

The following table presents the activity in the allowance for credit losses:

<u>December 31,</u>	<u>2023</u>		<u>2022</u>	
Allowance for Credit Losses, beginning of year	\$	351,142	\$	104,709
Provision for credit losses		320,224		289,754
Write-offs		(406,682)		(43,321)
Recoveries		67,923		-
<b>Allowance for Credit Losses, end of year</b>	<b>\$</b>	<b>332,607</b>	<b>\$</b>	<b>351,142</b>

***Property and Equipment, Net***

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

***Impairment of Long-Lived Assets***

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. There were no assets or asset groups to be disposed of as of December 31, 2023 and 2022. No impairment of the Organization's long-lived assets or asset groups has been recognized during the years ended December 31, 2023 and 2022.

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

***Deferred Project Costs, Net***

Costs related to curriculum development, technology development and improvements, and educational product development or revision are deferred until the related projects are completed. Upon completion, curriculum development and educational product development or revisions are presented net of accumulated amortization, while technology development and improvement costs are transferred to property and equipment. Curriculum development is amortized over three years using the straight-line method of accounting, and educational product development or revision costs over three years at 60% the first year, 30% the second year, and 10% the third year. During the years ended December 31, 2023 and 2022, the Organization recorded amortization expense of \$74,658 and \$51,001, respectively, included in depreciation and amortization expense in the accompanying consolidated statements of functional expenses. At December 31, 2023 and 2022, accumulated amortization was \$813,419 and \$738,761, respectively.

***Leases***

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

The lease liability is measured at the present value of the lease payments over the lease term for new leases. The ROU asset equals the lease liability adjusted for any initial direct costs and lease incentives. The Organization elected the practical expedient to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term remaining as of the date of adoption. Lease expense is generally recognized on a straight-line basis over the lease term.

The Organization elected the practical expedient not to separate lease and non-lease components for all leases. Lease terms may include options to extend the lease and the present value of future minimum lease payments includes these options only when they are reasonably certain to be exercised.

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

***Deferred Revenue***

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

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

Deferred revenue is made up of the following:

Year ended December 31,	2023	2022
Member competency and learning	\$ 1,985,640	\$ 1,574,452
Certifications	3,863,055	4,730,351
Membership	7,776,785	7,473,363
Other deferred revenue	193,702	290,175
	\$ 13,819,182	\$ 14,068,341

**Revenue Recognition and Operating Activities**

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

*Member Competency and Learning*

Conference and seminar fees are recognized as revenue at the point in time when the event is completed. Expenses include the costs of conducting conferences and seminars. Webinar revenue is recognized as revenue at the point in time when the webinar is completed, or over time, ratably throughout the life of the subscription. Expenses include the costs of creating and conducting the webinars.

*Certifications*

Exam registration fees are recognized as revenue at the point in time when the exams are taken. Application fees are nonrefundable and are recognized at a point in time when received. Expenses include the costs of conducting exams.

*Membership*

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

Membership also includes subscriptions and print advertising revenue, which are recognized as revenue at the point in time when the related publications are issued. Website advertising revenue is recognized at the point in time when the advertisement is placed.

During the years ended December 31, 2023 and 2022, membership dues and subscriptions and print advertising revenues were \$18,324,940 and \$17,056,088, and \$657,747 and \$642,902, respectively.

*Quality Services*

Quality Services' revenue is derived from conducting external quality assessments, which are recognized as revenue at the point in time when the quality assessment is completed. Expenses include the costs of conducting quality assessments.

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

*Educational Products*

Educational product sales are recognized as revenue at the point in time when the related inventory is shipped. Expenses include the costs of producing and delivering publications and educational products, as well as website maintenance.

*General and Administrative*

Expenses include executive operations, shared services, including professional practices, and 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.

*Contributions and Donor-Imposed Restrictions*

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

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

Contributed services are recognized and reported at fair value in the period received, if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. There were no contributed services for the years ended December 31, 2023 and 2022.

*Functional Allocation of Expenses*

The costs associated with delivering the diverse programs and supporting services are summarized on a functional basis on the consolidated statements of activities and by their natural classification on the consolidated statements of functional expenses. All expenses are directly charged to the functional category to which they relate.

*Advertising Costs*

Advertising costs are expensed as incurred. Total advertising costs were approximately \$587,000 and \$459,700 for the years ended December 31, 2023 and 2022, respectively, and are included in advertising and promotions expense in the accompanying consolidated statements of functional expenses.

# The Institute of Internal Auditors, Inc. and Subsidiaries

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### *Fair Value of Financial Instruments*

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

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

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

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

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

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

### *Use of Estimates*

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

### *Income Taxes*

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

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

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions that 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, 2020.

### 3. Investments

The fair value of investments consists of the following:

<i>December 31,</i>	2023	2022
Cash and cash equivalents	\$ 949,092	\$ 1,895,497
Certificate of deposit	9,000,000	-
Level 1 mutual funds:		
U.S. fixed income	26,462,451	22,599,510
U.S. large-cap equity fund	18,103,699	15,468,146
EAFE equity fund	3,117,395	2,881,639
Real estate and infrastructure fund	3,397,274	3,096,974
Emerging market equity fund	3,145,569	3,304,812
Global equity fund	309,046	498,426
Asia ex-Japan equity fund	-	486,385
Japanese large-cap equity fund	1,638,908	1,563,626
Equity precious metals fund	1,858,898	1,935,582
European large-cap equity fund	2,209,397	1,182,591
U.S. mid-cap equity fund	1,285,422	758,172
	<b>\$ 71,477,151</b>	<b>\$ 55,671,360</b>

Net investment income (loss) consists of the following:

<i>Year ended December 31,</i>	2023	2022
Interest and dividends	\$ 1,937,018	\$ 1,958,670
Realized gain (loss)	3,133,926	(3,298,232)
Unrealized gain (loss)	2,257,001	(7,815,696)
Investment fees	(174,900)	(150,372)
	<b>\$ 7,153,045</b>	<b>\$ (9,305,630)</b>

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

<i>Year ended December 31,</i>	2023	2022
Without donor restrictions	\$ 7,175,659	\$ (9,257,747)
With donor restrictions	(22,614)	(47,883)
	<b>\$ 7,153,045</b>	<b>\$ (9,305,630)</b>



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

#### 4. Property and Equipment

Property and equipment consist of the following:

<i>December 31,</i>		2023	2022
	Useful Life (Years)		
Computer equipment and software	3-10	\$ 19,343,775	\$ 17,545,484
Furniture, fixtures, and equipment	3-7	1,763,525	1,763,525
Leasehold improvements	10-12	2,344,546	2,344,546
		23,451,846	21,653,555
Less: accumulated depreciation and amortization		(16,017,252)	(13,725,760)
<b>Total</b>		<b>\$ 7,434,594</b>	<b>\$ 7,927,795</b>

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was \$2,292,125 and \$2,081,221, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of functional expenses.

#### 5. Line of Credit

The Institute has a \$10,000,000 line of credit agreement with a bank bearing interest at the Secured Overnight Financing Rate (SOFR) plus 2.5% (SOFR was 5.38% and 4.3% at December 31, 2023 and 2022, respectively). The line of credit matures on September 20, 2024. The line of credit is collateralized by certain investment accounts of the Institute. There was no outstanding balance on the line of credit at December 31, 2023 and 2022.

#### 6. Operating Leases

The Organization has three leases for office space and two leases for equipment, which are accounted for as operating lease obligations. These leases expire on various dates ranging from August 2025 to August 2028. Two of the Organization's office leases have options to extend through September 2035, which are not reasonably expected to be exercised. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of December 31, 2023 and 2022, the weighted-average remaining lease term for operating leases is approximately three and two years, respectively, and the weighted-average discount rate used to calculate the operating lease liabilities is 2.68% and 1.76%, respectively.

ROU assets consist of the following:

<i>December 31,</i>	2023	2022
Operating ROU Assets	\$ 5,753,738	\$ -
Additions to ROU assets	278,530	5,753,738
Less: accumulated amortization	(2,213,052)	(1,067,604)
<b>Operating ROU Assets, Net</b>	<b>\$ 3,819,216</b>	<b>\$ 4,686,134</b>

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

The components of total lease cost associated with the Organization's operating leases are approximated as follows:

<u>Year ended December 31,</u>	<u>2023</u>	<u>2022</u>
Operating lease expense <sup>(a)</sup>	\$ 1,145,000	\$ 1,125,000
Variable lease expense <sup>(b)</sup>	309,000	146,500
	<u>\$ 1,454,000</u>	<u>\$ 1,271,500</u>

<sup>(a)</sup> Expenses are classified within occupancy, office, and other expenses in the consolidated statements of functional expenses.

<sup>(b)</sup> Variable lease costs consist primarily of taxes and common areas and are included within occupancy, office, and other expenses in the consolidated statements of functional expenses.

As of December 31, 2023, future payments due under operating lease liabilities are as follows:

<u>Year ending December 31,</u>		
2024	\$	1,427,105
2025		1,556,294
2026		1,472,787
2027		511,005
2028		8,395
<b>Total Lease Payments</b>		<b>4,975,586</b>
<b>Less: imputed interest</b>		<b>(149,060)</b>
<b>Operating Lease Liabilities</b>	<b>\$</b>	<b>4,826,526</b>

Cash paid for amounts included in the measurement of operating lease liabilities was \$1,427,595 and \$1,544,764 during the years ended December 31, 2023 and 2022, respectively, and is included in cash paid for program and supporting services on the accompanying consolidated statements of cash flows.

## 7. Related Party Transactions

Payments to affiliates primarily represent payments for certification revenue sharing with unconsolidated affiliate membership institutes and amounted to approximately \$5,318,000 and \$4,728,000 during the years ended December 31, 2023 and 2022, respectively.

*The remainder of this page intentionally left blank.*

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

**8. Liquidity and Availability of Resources**

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

<i>December 31,</i>	<b>2023</b>	<b>2022</b>
<b>Financial Assets, at year-end</b>		
Cash and cash equivalents	\$ 19,252,820	\$ 24,664,471
Investments	71,477,151	55,671,360
Accounts receivable, net	3,633,050	3,691,010
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(1,070,272)	(1,026,699)
Restricted by donors in perpetuity	(135,000)	(135,000)
Board designations:		
Board designated for academic advancement	(486,372)	(514,403)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 92,671,377</b>	<b>\$ 82,350,739</b>

The Organization maintains operating funds, which, when added to the accounts receivable balance at the quarterly review date, will be equal to or greater than the balances in accounts payable and accrued expenses for the same time period. In addition, the Organization has a line of credit available to cover operating needs.

At the end of each quarter, any balance in operating funds in excess of the balances calculated above may be transferred to the investment/portfolio account.

**9. Retirement Plans**

The Organization participates in a defined contribution pension plan organized under Section 401(k) of the Internal Revenue Code. The Organization contributes a certain percentage of the total salary of eligible employees to the plan. During the years ended December 31, 2023 and 2022, the Organization contributed approximately \$2,395,000 and \$1,639,000, respectively, to this retirement plan.

The Organization 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 approximately \$155,000 and \$349,000 during years ended December 31, 2023 and 2022, respectively. The Organization held \$558,374 and \$443,589 in the plans as of December 31, 2023 and 2022, respectively, which is reflected in the accompanying consolidated statements of financial position under employee savings plans and deferred employee compensation.

**10. Subsequent Events**

Management has assessed subsequent events through September 11, 2024, the date the consolidated financial statements were available to be issued.

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

December 31, 2022

	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IA Quality Services, LLC	Eliminations	Total
<b>Assets</b>					
Cash	\$ 15,796,062	\$ 1,849,645	\$ 1,607,113	\$ -	\$ 19,252,820
Investments	68,003,638	3,473,513	-	-	71,477,151
Due from affiliates	8,290,399	207,589	1,255,711	(9,753,699)	-
Accounts receivable, net	2,856,892	71,916	704,342	-	3,633,050
Prepaid expenses and other assets	2,887,947	8,334	-	-	2,896,281
Deferred project costs, net	1,628,021	61,337	-	-	1,689,358
Employee savings plans	558,374	-	-	-	558,374
Property and equipment, net	7,434,594	-	-	-	7,434,594
Operating right-of-use assets, net	3,819,216	-	-	-	3,819,216
<b>Total Assets</b>	<b>\$ 111,275,143</b>	<b>\$ 5,672,334</b>	<b>\$ 3,567,066</b>	<b>\$ (9,753,699)</b>	<b>\$ 110,760,844</b>
<b>Liabilities and Net Assets</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued expenses	\$ 5,573,829	\$ 315	\$ 75,665	\$ -	\$ 5,649,809
Due to affiliates	7,129,412	114,891	2,509,396	(9,753,699)	-
Accrued payroll	4,132,614	-	-	-	4,132,614
Deferred revenue	13,819,182	-	-	-	13,819,182
Deferred employee compensation	558,374	-	-	-	558,374
Operating lease liabilities	4,826,526	-	-	-	4,826,526
<b>Total Liabilities</b>	<b>36,029,937</b>	<b>115,206</b>	<b>2,585,061</b>	<b>(9,753,699)</b>	<b>28,966,505</b>
<b>Net Assets</b>					
Without donor restrictions:					
Undesignated	75,235,206	3,865,484	982,005	-	80,082,695
Board designated for specified purposes	-	486,372	-	-	486,372
<b>Total Net Assets Without Donor Restrictions</b>	<b>75,235,206</b>	<b>4,351,856</b>	<b>982,005</b>	<b>-</b>	<b>80,569,067</b>
With donor restrictions:					
Restricted for specified purposes	-	1,070,272	-	-	1,070,272
Restricted in perpetuity - endowment	-	135,000	-	-	135,000
<b>Total Net Assets with Donor Restrictions</b>	<b>-</b>	<b>1,205,272</b>	<b>-</b>	<b>-</b>	<b>1,205,272</b>
<b>Total Net Assets</b>	<b>75,235,206</b>	<b>5,557,128</b>	<b>982,005</b>	<b>-</b>	<b>81,774,339</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 111,275,143</b>	<b>\$ 5,672,334</b>	<b>\$ 3,567,066</b>	<b>\$ (9,753,699)</b>	<b>\$ 110,760,844</b>

Year ended December 31, 2023

	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IA Quality Services, LLC	Eliminations	Total
<b>Change in Net Assets Without Donor Restrictions</b>					
Operating revenues:					
Member competency and learning	\$ 23,739,690	\$ -	\$ -	\$ -	\$ 23,739,690
Certifications	25,952,379	-	-	-	25,952,379
Membership	18,982,687	-	-	-	18,982,687
Quality services	-	-	2,308,918	-	2,308,918
Educational products	799,044	49,319	-	-	848,363
Other revenues	778,833	-	-	(10,000)	768,833
Contributions	450	984,717	-	(485,896)	499,271
Net assets released from restrictions	-	36,171	-	-	36,171
<b>Total Operating Revenues</b>	<b>70,252,983</b>	<b>1,070,207</b>	<b>2,308,918</b>	<b>(495,896)</b>	<b>73,136,212</b>
Operating expenses:					
Program services:					
Member competency and learning	18,802,368	-	-	-	18,802,368
Certifications	15,016,367	-	-	-	15,016,367
Membership	8,342,470	-	-	-	8,342,470
Quality services	-	-	1,539,133	(10,000)	1,529,133
Educational products	250,828	177,655	-	-	428,483
Other program services	308,747	-	-	-	308,747
<b>Total Program Services</b>	<b>42,720,680</b>	<b>177,655</b>	<b>1,539,133</b>	<b>(10,000)</b>	<b>44,427,468</b>
Supporting services:					
General and administrative	24,673,726	1,215,539	1,808,703	(485,896)	27,212,132
<b>Total Operating Expenses</b>	<b>67,394,406</b>	<b>1,393,194</b>	<b>3,347,836</b>	<b>(495,896)</b>	<b>71,629,590</b>
<b>Change in Net Assets Without Donor Restrictions, before non-operating income</b>	<b>2,858,577</b>	<b>(322,987)</b>	<b>(1,038,918)</b>	<b>-</b>	<b>1,496,622</b>
Non-operating income:					
Net investment income	6,724,311	401,348	-	-	7,125,659
<b>Change in Net Assets Without Donor Restrictions</b>	<b>9,632,838</b>	<b>78,361</b>	<b>(1,038,918)</b>	<b>-</b>	<b>8,672,281</b>
<b>Change in Net Assets with Donor Restrictions</b>					
Contributions	-	65,543	-	-	65,543
Net investment loss	-	(22,614)	-	-	(22,614)
Net assets released from restrictions	-	(36,171)	-	-	(36,171)
<b>Change in Net Assets with Donor Restrictions</b>	<b>-</b>	<b>6,758</b>	<b>-</b>	<b>-</b>	<b>6,758</b>
<b>Change in Net Assets</b>	<b>9,632,838</b>	<b>85,119</b>	<b>(1,038,918)</b>	<b>-</b>	<b>8,679,039</b>
<b>Net Assets, beginning of year</b>	<b>65,602,368</b>	<b>5,472,009</b>	<b>2,020,933</b>	<b>-</b>	<b>73,095,300</b>
<b>Net Assets, end of year</b>	<b>\$ 75,235,206</b>	<b>\$ 5,557,128</b>	<b>\$ 982,005</b>	<b>\$ -</b>	<b>\$ 81,774,339</b>



The Institute of  
**Internal Auditors**  
*Elevating Impact*