



2024 annual report



The Institute of
Internal Auditors

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A handwritten signature in black ink that reads "Anthony J. Pugliese".

From the President & CEO

Dear Members and Stakeholders,

It is my privilege to share The IIA's 2024 Annual Report, an account of a truly transformative year for both our organization and the internal audit profession worldwide. This report reflects the progress we achieved together in 2024 and sets the foundation for an even brighter future.

Throughout the year, The IIA remained guided by its Strategic Plan, which serves as a template across The IIA's global federation. Our global operating model has strengthened collaboration across regions, enabling innovation, enhancing member value, and equipping practitioners worldwide with the skills and resources needed to advance the profession.

By embracing technology and building global partnerships, we have driven meaningful progress and professional excellence for our members and the internal audit profession worldwide.

2024 was one of The IIA's most transformative years, marked by growth, groundbreaking research, and exciting global initiatives that prepared internal auditors to lead with agility and confidence. Some of the highlights you will read about in the report include:

- **The new Global Internal Audit Standards™:** Released in January, this integral part of the International Professional Practices Framework® (IPPF®) evolution is already reshaping how the profession delivers value. Over the past year, we collaborated with partners, boards, and senior leaders to encourage early adoption and created resources to help practitioners prepare ahead of the Standards going into effect in 2025.
- **Vision 2035:** We unveiled the groundbreaking project, "Vision 2035 – Creating Our Future Together," at the 2024 International Conference. This ambitious global undertaking explores the next decade, examining how internal audit can remain indispensable in a rapidly changing world and ensure its relevance through 2035 and beyond.
- **Global Advocacy:** In 2024, our advocacy efforts advanced worldwide, with teams engaging policymakers and National Institutes across continents to elevate and protect the profession. From legislative letters in North America to finalizing the Global Public Policy Position Paper (GP4) with input from more than 250 global sources, The IIA amplified the voice of internal auditors around the world.

I am incredibly proud of our volunteer members and staff whose contributions fueled The IIA's accomplishments in 2024. Thanks to their efforts, we continue to demonstrate The IIA's value as a strategic partner to audit committees, boards, and organizations navigating an increasingly complex risk landscape.

Looking ahead, we remain focused on addressing global issues impacting the profession, including emerging technology, cybersecurity, and digital disruption, among many others. With the insight and engagement of our 265,000 members worldwide, The IIA is uniquely positioned to lead the way, ensuring the profession is equipped to meet today's demands and ready for tomorrow's opportunities.

As you read this report, I hope you feel a sense of pride in what we have achieved together and in the future we are shaping. Our members are at the heart of everything we do, and with your continued involvement, we are poised to embark on the next great chapter of The IIA and the internal audit profession.

Anthony J. Pugliese, CIA, CPA, CGMA, CITP
President and Chief Executive Officer
The Institute of Internal Auditors, Global Headquarters



From the **Global Chair**

As I reflect on this transformative year, I have a sense of deep appreciation for the courage, curiosity, and commitment that define our global internal audit community. Serving as Global Chair of The Institute of Internal Auditors has been an extraordinary privilege – one marked by bold questions, strategic foresight, and a shared dedication to elevating our profession.

We didn't just navigate complexity, we leaned into it. We didn't just challenge assumptions, we reimagined them. And we didn't just ask questions, we asked the ones that matter.

I chose 'Ask Questions' as the theme for my term because I believe that inquiry is the most powerful tool in an internal auditor's toolkit. A well-placed question can illuminate hidden risks, inspire innovation, and build trust. It can shift perspectives, expose blind spots, and catalyze meaningful change. This year, we championed a culture of curiosity – empowering internal auditors to ask bolder, smarter questions that drive deeper insights and stronger outcomes.

My focus as Global Chair centered on three strategic imperatives:

- **Championing technological foresight and cyber resilience.** In an era of rapid digital transformation, internal auditors must be equipped to use technology with precision and purpose. During my term, we prioritized upskilling in areas such as cyber governance, AI ethics, and digital risk management to ensure our profession remains a proactive force in safeguarding organizational integrity. Vision 2035 underscored the urgency of this shift, and IIA members around the world responded with resolve.
- **Strengthening global collaboration and knowledge exchange.** As our profession becomes increasingly borderless, our ability to share insights and resources across geographies is critical. In 2024, we made great strides in advancing our Global Operating Model to deliver education, certifications, and thought leadership with greater agility and reach, ensuring every member has the tools to thrive.
- **Investing in the next generation of auditors.** Expanding our academic outreach and welcoming new universities into our education network remains a top priority. With a growing number of student members, we're nurturing young professionals to think critically, ask questions, and challenge convention to build a resilient and diverse pipeline of future leaders.

Throughout the year, I was inspired by stories of auditors who used inquiry to drive transformation – from uncovering systemic vulnerabilities to guiding strategic pivots. These stories reaffirm that asking questions isn't a sign of uncertainty, it's a hallmark of leadership.

As we look to the future, I'm confident our profession will continue to lead with curiosity, resilience, and vision. The questions we ask and the actions we take today will define the impact we deliver tomorrow.

Thank you for your dedication, insight, and commitment to excellence. It has been an extraordinary honor to serve as your Global Chair, and I look forward to continuing this journey together as we build a future defined not only by what we know, but also by the possibilities we have the courage to explore.



Terry Grafenstine, CIA, CPA, CISA, CISSP
2024-25 IIA Chair of the Global Board

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):

Reyes Fuentes Ortea, Isabel Derison, Jorge Badillo, Hiroshi Naka, Huibo Liu, Michael R. Varney, Elizabeth Sullivan, Stacey Schabel, Larry Herzog Butler

FRONT ROW (LEFT TO RIGHT):

Beili Wong, Emmanuel Johannes, H.E. Dr. Hussam Alangari, Anthony Pugliese, Terry Grafenstine, Stefano Comotti, Sally-Anne Pitt, Yulia Gurman

2024 **Highlights**



Introducing the New Global Internal Audit Standards. 2024 was a remarkable year for The IIA and the internal audit profession. In January, The IIA released the new Global Internal Audit Standards™, with an effective date of January 9, 2025. This global effort involved the International Internal Audit Standards Board, all IIA National Institutes, and thousands of stakeholders who worked together to revise the Standards as a comprehensive approach to internal auditing that will help practitioners provide the most value to stakeholders.

Throughout the year, the new Standards were translated into 24 languages and downloaded nearly 600,000 times. To help raise awareness and encourage early adoption of the new Standards, The IIA offered a portfolio of resources and supporting activities, including a complete summary report, webinars, virtual and in-person courses, conference sessions and workshops, and speaking engagements.

Additionally, The IIA published several updated and new Global Guidance resources, including a new Quality Assessment Manual, and developed the first of several Topical Requirements on the topic of cybersecurity. These important resources will help internal auditors navigate the increasingly complex risk landscape and stakeholder expectations.

As a result of the successful rollout of the new Standards, the American Society of Association Executives honored The IIA with a Power of Associations Gold Award in its Power of Industry and Professional Advancement category. This category recognizes associations that have made a positive and measurable contribution toward professional advancement within their industry, underscoring the enormous impact the new Standards' launch has had on the industry.

Strengthening Global Partnerships. Fostering global collaboration and deepening strategic partnerships was a top priority in 2024. The IIA extended its MoU with the U.K.-based Association of Chartered Certified Accountants, which allows further partnership in advancing the respective professions through initiatives that serve the public interest.



Advocacy Wins. The IIA's Advocacy team advanced the profession's interests worldwide, engaging lawmakers and public officials while educating policymakers and regulators on key issues. IIA President and CEO Anthony Pugliese represented the profession in a number of efforts across the U.S. and Canada, including a joint letter to the House of Commons of Canada Standing Committee on Public Safety and National Security regarding the proposed Critical Cyber Systems Protection Act and recommendations to the U.S. Senate regarding the Validation and Evaluation for Trustworthy AI Act. The IIA also collaborated with the Public Company Accounting Oversight Board on developing potential amendments to Audit Standard 2605: Consideration of the Internal Audit Function, and published its Global Public Policy Position Paper, a model legal and regulatory framework that serves as a roadmap for IIA National Institutes in their engagement with policymakers.

Throughout the year, the Advocacy team focused on equipping Institutes with resources to strengthen their engagement with policymakers worldwide. In partnership with AFIIA, the team also established the African Government Recognition Working Group and drafted the Internal Audit Model Act, designed to support Institutes seeking to advance legislation in their respective countries.

Vision 2035. The IIA's groundbreaking report, "Internal Audit: Vision 2035 – Creating Our Future Together," was unveiled at the 2024 International Conference. This collaborative effort reflected more than a year of research and input from practitioners, stakeholders, regulators, educators, and students worldwide.

Vision 2035 identified five key themes critical for the future of internal audit:

- Shifting current perceptions of internal audit
- Embracing technology
- Expanding the scope of internal audit
- Connecting with internal audit strategy
- Growing our talent pipeline



The findings highlight the growing need for internal auditors to adopt a more strategic advisory role, alongside compliance and assurance responsibilities. Looking ahead, The IIA is committed to making the recommendations in Vision 2035 come to life in its Strategic Plan. This evolution will become essential for the profession to remain valuable and relevant to organizations, particularly as the risk landscape continues to grow in complexity.

Growing the Talent Pipeline. In 2024, The IIA sharpened efforts to reach students, educators, and young professionals exploring internal auditing as a career. In April, the Internal Audit Foundation released “Fueling the Internal Audit Student Talent Pipeline: Perspectives from Educators and Practitioners,” a report examining how organizations find and develop the next generation of internal auditors.

The IIA also reached a historic milestone with the growth of its Internal Auditing Education Partnership program and Internal Audit Awareness Program, which encompassed more than 140 total schools globally at year’s end. Additionally, The IIA saw the largest year-over-year increase in total partnerships, as the programs added a combined 20 schools and expanded into Mongolia, Pakistan, Peru, the Philippines, Romania, Singapore, and Somalia.

Learning Resources. With Vision 2035 in mind, The IIA’s Member Competency and Learning (MC&L) team advanced exciting projects to enhance member skills and resources. Highlights included the launch of The IIA’s Internal Audit Benchmark Hub™, an interactive tool enabling users to benchmark performance using data from 800+ global respondents, designed to help users assess, measure, and compare their function’s performance. By leveraging insights from peers and industry leaders, users can position their internal audit teams to thrive in an expanding role.

The MC&L team has also supported The IIA’s focus on artificial intelligence, curating The IIA’s AI Knowledge Center with an indispensable trove of articles, podcasts, guidance, and other valuable resources to enhance understanding and application of AI within internal audit.

2024 Highlights



Enhancing Our Certifications. The IIA celebrated awarding 200,000 Certified Internal Auditor® (CIA®) certifications to people in over 160 countries and commemorated the 50th anniversary of the CIA. These milestones underscore the extent to which the CIA designation has become synonymous with excellence, setting the gold standard in internal auditing globally. Furthermore, the Certifications team began efforts to modernize several of its credentials, including streamlining the CIA syllabus to better align with the current global practice of internal auditing and the new Standards.

Great Place To Work®. Reflecting The IIA's commitment to fostering a thriving workplace culture, the organization earned a Great Place to Work® certification for the second consecutive year. This recognition underscores our dedication to advancing the internal audit profession while putting people at the center of everything we do.

Leadership and Growth. In July, Terry Grafenstine, CIA, CPA, CISA, CISSP, was elected to serve as The IIA's Chair of the Global Board for 2024-25. Also in 2024, The IIA grew from 245,000 members to 265,000 members worldwide and established a new Institute in Cameroon.

2024 Financials

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 its subsidiaries (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2024, and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are 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 Organization'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 Organization'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.

BDO USA, P.C.

October 31, 2025

The Institute of Internal Auditors, Inc. and Subsidiaries
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2024 and 2023

| <u>December 31,</u> | 2024 | 2023 |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 20,988,256 | \$ 19,252,820 |
| Investments | 77,616,720 | 71,477,151 |
| Accounts receivable, net | 4,227,703 | 3,633,050 |
| Prepaid expenses and other assets | 4,343,591 | 2,896,281 |
| Deferred project costs, net | 1,935,470 | 1,689,358 |
| Employee savings plans | 779,671 | 558,374 |
| Property and equipment, net | 6,325,977 | 7,434,594 |
| Operating right-of-use assets, net | 2,654,081 | 3,819,216 |
| Total Assets | \$ 118,871,469 | \$ 110,760,844 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 7,053,640 | \$ 5,649,809 |
| Accrued payroll | 4,289,613 | 4,335,739 |
| Deferred revenue | 15,213,012 | 13,819,182 |
| Deferred employee compensation | 504,670 | 355,249 |
| Operating lease liabilities | 3,357,270 | 4,826,526 |
| Total Liabilities | 30,418,205 | 28,986,505 |
| Commitments and Contingencies (Note 6 and 10) | | |
| Net Assets | | |
| Without donor restrictions: | | |
| Undesignated | 86,785,838 | 80,082,695 |
| Board designated for specified purposes | 448,994 | 486,372 |
| Total Net Assets Without Donor Restrictions | 87,234,832 | 80,569,067 |
| With donor restrictions: | | |
| Restricted for specified purposes | 1,083,432 | 1,070,272 |
| Restricted in perpetuity - endowment | 135,000 | 135,000 |
| Total Net Assets with Donor Restrictions | 1,218,432 | 1,205,272 |
| Total Net Assets | 88,453,264 | 81,774,339 |
| Total Liabilities and Net Assets | \$ 118,871,469 | \$ 110,760,844 |

See accompanying notes to consolidated financial statements.

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

Years Ended December 31, 2024 and 2023

| <i>Year ended December 31,</i> | 2024 | 2023 |
|---|----------------------|----------------------|
| Change in Net Assets Without Donor Restrictions | | |
| Operating revenues: | | |
| Member competency and learning | \$ 24,165,013 | \$ 22,376,070 |
| Certifications | 29,406,747 | 28,484,626 |
| Membership | 19,532,160 | 18,430,370 |
| Quality services | 4,004,006 | 2,339,988 |
| Educational products | 1,749,106 | 614,181 |
| Other revenues | 31,315 | 355,535 |
| Contributions | 1,488,439 | 499,271 |
| Net assets released from restrictions | 8,500 | 36,171 |
| Total Operating Revenues | 80,385,286 | 73,136,212 |
| Operating expenses: | | |
| Program services: | | |
| Member competency and learning | 18,555,619 | 18,802,268 |
| Certifications | 16,802,797 | 15,016,367 |
| Membership | 8,543,897 | 8,342,470 |
| Quality services | 2,010,097 | 1,529,133 |
| Educational products | 1,301,088 | 428,483 |
| Other program services | 528,866 | 308,747 |
| Total Program Services | 47,742,364 | 44,427,468 |
| Supporting services: | | |
| General and administrative | 32,268,314 | 27,212,122 |
| Total Operating Expenses | 80,010,678 | 71,639,590 |
| Change in Net Assets Without Donor Restrictions, | | |
| before non-operating income | 374,608 | 1,496,622 |
| Non-operating income: | | |
| Net investment income | 6,291,157 | 7,175,659 |
| Change in Net Assets Without Donor Restrictions | 6,665,765 | 8,672,281 |
| Change in Net Assets with Donor Restrictions | | |
| Contributions | - | 65,543 |
| Net investment income (loss) | 21,660 | (22,614) |
| Net assets released from restrictions | (8,500) | (36,171) |
| Change in Net Assets with Donor Restrictions | 13,160 | 6,758 |
| Change in Net Assets | 6,678,925 | 8,679,039 |
| Net Assets, beginning of year | 81,774,339 | 73,095,300 |
| Net Assets, end of year | \$ 88,453,264 | \$ 81,774,339 |

See accompanying notes to consolidated financial statements.

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

| Year Ended December 31, 2024 | | | | | | | | | | |
|------------------------------|--|--|--|--|--|--|---------------------|--|--|--|
| 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 | \$ 6,050,196 | \$ 3,079,344 | \$ 5,332,523 | \$ 474,756 | \$ 449,293 | \$ 137,900 | \$ 15,524,012 | \$ 19,267,820 | \$ 34,791,832 |
| Contract services and professional fees | 3,344,425 | 7,015,155 | 726,877 | 1,421,599 | 166,098 | 65,606 | 12,739,760 | 3,622,882 | 16,362,642 |
| Travel, lodging, meals, and meeting space | 4,360,625 | 364,152 | 717,172 | 89,372 | 30,636 | 1,742 | 5,563,699 | 1,661,726 | 7,225,425 |
| Occupancy, office, and other expenses | 4,228,402 | 1,349,442 | 797,412 | 24,370 | 277,499 | 10,103 | 6,687,228 | 5,276,292 | 11,963,520 |
| Advertising and promotions | 145,105 | 1,275 | 84,226 | - | - | - | 230,606 | 1,080,678 | 1,311,284 |
| Payments to affiliates | 253,227 | 4,499,493 | 676,213 | - | 324,879 | 312,933 | 6,066,745 | 46,690 | 6,113,435 |
| Depreciation and amortization | 173,639 | 493,936 | 209,474 | - | 52,683 | 582 | 930,314 | 1,312,226 | 2,242,540 |
| Total Expenses | \$ 18,555,619 | \$ 16,802,797 | \$ 8,543,897 | \$ 2,010,097 | \$ 1,301,088 | \$ 528,866 | \$ 47,742,364 | \$ 32,268,314 | \$ 80,010,678 |

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 | 4,226,311 | 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 | - | 1,753 | 4,995,718 | 2,135,985 | 7,131,703 |
| Occupancy, office, and other expenses | 3,439,656 | 3,350,872 | 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 | - | - | - | 394,314 | 872,847 | 1,267,161 |
| Payments to affiliates | - | 4,346,436 | 876,231 | - | 95,009 | - | 5,317,676 | - | 5,317,676 |
| Depreciation and amortization | 341,281 | 432,967 | 143,388 | - | 49,319 | 3,742 | 970,697 | 1,396,086 | 2,366,783 |
| Total Expenses | \$ 18,802,268 | \$ 15,016,367 | \$ 8,342,470 | \$ 1,529,133 | \$ 428,483 | \$ 308,747 | \$ 44,427,468 | \$ 27,212,122 | \$ 71,639,590 |

See accompanying notes to consolidated financial statements.

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

Years Ended December 31, 2024 and 2023

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--|----------------------|----------------------|
| Cash Flows from Operating Activities | | |
| Cash received from members, customers, and donors | \$ 81,094,640 | \$ 72,576,803 |
| Cash paid for program and supporting services | (78,140,482) | (67,253,246) |
| Net Cash Provided by Operating Activities | 2,954,158 | 5,323,557 |
| Cash Flows from Investing Activities | | |
| Investment income received | 1,615,252 | 2,707,929 |
| Proceeds from sales of investments | 12,394,166 | 21,276,691 |
| Purchases of investments | (13,836,170) | (32,637,366) |
| Purchases of property and equipment | - | (75,291) |
| Expenditures for deferred project costs | (1,391,970) | (2,007,171) |
| Net Cash Used in Investing Activities | (1,218,722) | (10,735,208) |
| Net Increase (Decrease) in Cash | 1,735,436 | (5,411,651) |
| Cash and Cash Equivalents, beginning of year | 19,252,820 | 24,664,471 |
| Cash and Cash Equivalents, end of year | \$ 20,988,256 | \$ 19,252,820 |
| Non-Cash Investing Activities | | |
| Establishment of right-of-use asset, net of deferred rent | \$ - | \$ 278,530 |
| Establishment of operating lease liability | - | 278,530 |
| Transfer of deferred project costs to property and equipment | 1,093,175 | 1,798,291 |

See accompanying notes to consolidated financial statements.

The Institute of Internal Auditors, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Institute of Internal Auditors, Inc.

The Institute of Internal Auditors, Inc. (the IIA), 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 IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

The IIA'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 IIA 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 IIA'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 IIA'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 IIA 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 IIA 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 IIA 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 IIA 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 IIA 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 IIA 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 IIA in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- *The Institute of Internal Auditors PAC (IIA PAC)* - A political action committee registered with the U.S. Federal Election Committee and formed to make contributions and expenditures, without regard to party affiliation, in support of candidates for federal public office, political party committees, and other political committees in the United States that support the public policy views and interests of the IIA. The IIA's Board of Directors has the authority to appoint

The Institute of Internal Auditors, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF INSTITUTE (Continued)

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 IIA 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 IIA 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, 2024 and 2023, \$448,994 and \$486,372, 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 consist of an endowment of \$135,000 at both December 31, 2024 and 2023, held by the Foundation. Distributions from this endowment are to be used for scholarships for internal auditing students.

Net assets with donor restrictions restricted for specified purposes at December 31, 2024 and 2023 were \$1,083,432 and \$1,070,272, 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 global research projects. During the years ended December 31, 2024 and 2023, net assets of \$8,500 and \$36,171, 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 2. SUMMARY OF SIGNIFICANT ACCOUNTING ACTIVITIES (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 Organization.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING ACTIVITIES (Continued)

The following is a summary of accounts receivable:

| <i>December 31,</i> | 2024 | 2023 |
|-----------------------------------|---------------------|---------------------|
| Accounts receivable | \$ 4,309,026 | \$ 3,965,657 |
| Less: allowance for credit losses | (81,323) | (332,607) |
| Accounts Receivable, Net | \$ 4,227,703 | \$ 3,633,050 |

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

| <i>December 31,</i> | 2024 | 2023 |
|---|------------------|-------------------|
| Allowance for Credit Losses, beginning of year | \$ 332,607 | \$ 351,142 |
| Provision for credit losses | (383,528) | 320,224 |
| Write-offs | (123,354) | (406,682) |
| Recoveries | 255,598 | 67,923 |
| Allowance for Credit Losses, end of year | \$ 81,323 | \$ 332,607 |

Property and Equipment, Net

The Organization capitalizes all property and equipment with a cost of \$5,000 or more. 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, 2024 and 2023. No impairment of the Organization's long-lived assets or asset groups has been recognized during the years ended December 31, 2024 and 2023.

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, 2024 and 2023, the Organization recorded amortization expense of \$52,683 and \$74,658, respectively, which is included in depreciation and amortization expense in the accompanying consolidated statements of functional expenses. At December 31, 2024 and 2023, accumulated amortization was \$866,102 and \$813,419, 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:

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--------------------------------|----------------------|----------------------|
| Member competency and learning | \$ 2,093,319 | \$ 1,985,640 |
| Certifications | 4,538,803 | 3,863,055 |
| Membership | 8,347,124 | 7,776,785 |
| Other deferred revenue | 233,766 | 193,702 |
| | \$ 15,213,012 | \$ 13,819,182 |

Revenue Recognition and Operating Activities

The Organization recognizes revenue and incurs expenses in its operations 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.

Member competency and learning also includes sponsorship, subscriptions, print and website advertising revenues. Sponsorship revenue is recognized over time as the sponsor receives benefits throughout the contract period (e.g., ongoing advertising), or at a point in time when the sponsor receives a specific benefit (e.g., access to a webinar for Continuing Professional Education (CPE)). Subscriptions and print advertising revenue 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.

Member Competency and Learning revenue is made up of the following:

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--------------------------------|----------------------|----------------------|
| Conferences and seminar | \$ 10,677,058 | \$ 10,293,817 |
| Webinar | 7,421,021 | 6,867,060 |
| Sponsorship | 3,350,051 | 3,059,485 |
| Publications | 1,234,068 | 725,801 |
| Website advertising | 865,786 | 889,433 |
| Subscriptions | 617,029 | 540,474 |
| | \$ 24,165,013 | \$ 22,376,070 |

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

Certifications

Examination application revenue is generated when an individual pays to become eligible to study toward a course or qualification (e.g., Certified Internal Auditor (CIA)). Examination application fees are nonrefundable and are recognized at a point in time when payment is received. Examination registration revenue is generated when an individual pays to take examinations for the actual section(s) or part(s) of the course or qualification. Examination registration fees are recognized as revenue at the point in time when the examinations are taken. Expenses include the costs of conducting exams.

Certifications also include CPE reporting, exam forfeiture revenue, and CIA Learning System revenue. These are recognized at a point in time, when the CPE is reported, when the exam is forfeited, and when access to the learning system is granted, respectively. Examination extension and rescheduling fees are recognized at a point in time when payment is received.

Certifications revenue is made up of the following:

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--|----------------------|----------------------|
| Examination registrations | \$ 17,566,044 | \$ 16,060,235 |
| CPE reporting | 3,285,078 | 4,144,024 |
| Examination applications | 2,977,814 | 2,547,725 |
| CIA learning systems | 2,815,112 | 2,633,455 |
| Examination forfeitures | 1,429,349 | 1,335,625 |
| Examination extension and rescheduling | 1,333,350 | 1,763,562 |
| | \$ 29,406,747 | \$ 28,484,626 |

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 worldwide.

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.

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.

The Institute of Internal Auditors, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2024 and 2023.

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 \$772,000 and \$587,000 for the years ended December 31, 2024 and 2023, respectively, and are included in advertising and promotions expense in the accompanying consolidated statements of functional expenses.

Fair Value of Financial Instruments

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

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

The Institute of Internal Auditors, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 IIA 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 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, 2021.

Reclassifications

Certain items have been reclassified in the 2023 financial statements to conform to the 2024 presentation with no impact on change in net assets.

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

3. Investments

The fair value of investments consists of the following:

| <i>December 31,</i> | 2024 | 2023 |
|-------------------------------------|----------------------|----------------------|
| Cash and cash equivalents | \$ 1,217,018 | \$ 949,092 |
| Certificate of deposit | 9,494,640 | 9,000,000 |
| Level 1 mutual funds: | | |
| U.S. fixed income | 26,675,055 | 26,462,451 |
| U.S. large-cap equity fund | 22,348,562 | 18,103,699 |
| EAFE equity fund | 3,288,634 | 3,117,395 |
| Real estate and infrastructure fund | 3,528,017 | 3,397,274 |
| Emerging market equity fund | 3,100,354 | 3,145,569 |
| Global equity fund | 337,947 | 309,046 |
| Japanese large-cap equity fund | 1,925,958 | 1,638,908 |
| Equity precious metals fund | - | 1,858,898 |
| European large-cap equity fund | 2,651,732 | 2,209,397 |
| Hard assets | 2,123,250 | - |
| U.S. mid-cap equity fund | 925,553 | 1,285,422 |
| | \$ 77,616,720 | \$ 71,477,151 |

Net investment income consists of the following:

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--------------------------------|---------------------|---------------------|
| Interest and dividends | \$ 2,499,152 | \$ 1,937,018 |
| Realized gain | 517,033 | 3,133,926 |
| Unrealized gain | 3,463,727 | 2,257,001 |
| Investment fees | (167,095) | (174,900) |
| | \$ 6,312,817 | \$ 7,153,045 |

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

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--------------------------------|---------------------|---------------------|
| Without donor restrictions | \$ 6,291,157 | \$ 7,175,659 |
| With donor restrictions | 21,660 | (22,614) |
| | \$ 6,312,817 | \$ 7,153,045 |

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

4. Property and Equipment

Property and equipment consist of the following:

December 31,

| | 2024 | 2023 | Useful Life (Years) |
|---|---------------------|---------------|------------------------|
| Computer equipment and software | \$ 20,421,097 | \$ 19,343,775 | 3-10 |
| Furniture, fixtures, and equipment | 1,763,525 | 1,763,525 | 3-7 |
| Leasehold improvements | 2,344,546 | 2,344,546 | 10-12 |
| | 24,529,168 | 23,451,846 | |
| Less: accumulated depreciation and amortization | (18,203,191) | (16,017,252) | |
| Total | \$ 6,325,977 | \$ 7,434,594 | |

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$2,189,857 and \$2,292,125, respectively, and is included in depreciation and amortization expense in the accompanying consolidated statements of functional expenses.

5. Line of Credit

The IIA 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 4.49% and 5.38% at December 31, 2024 and 2023, respectively). The line of credit matures on September 23, 2025, and was automatically renewed on the same date. The line of credit is collateralized by certain investment accounts of the IIA. There was no outstanding balance on the line of credit at December 31, 2024 and 2023.

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, 2024 and 2023, the weighted-average remaining lease term for operating leases is approximately two and three years, respectively, and the weighted-average discount rate used to calculate the operating lease liabilities is 2.68% for both years.

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

ROU assets consist of the following:

| <i>December 31,</i> | 2024 | 2023 |
|--|---------------------|---------------------|
| Operating Right-of-use (ROU) Assets | \$ 3,819,216 | \$ 5,753,738 |
| Additions to ROU assets | - | 278,530 |
| Less: accumulated amortization | (1,165,135) | (2,213,052) |
| Operating Right-of-Use Assets, Net | \$ 2,654,081 | \$ 3,819,216 |

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

| <i>Year ended December 31,</i> | 2024 | 2023 |
|--|---------------------|---------------------|
| Operating lease expense^(a) | \$ 1,164,000 | \$ 1,145,000 |
| Variable lease expense^(b) | 300,000 | 309,000 |
| | \$ 1,464,000 | \$ 1,454,000 |

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

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

As of December 31, 2024, future payments due under operating lease liabilities are as follows:

| <i>Year ending December 31,</i> | |
|------------------------------------|---------------------|
| 2025 | \$ 1,437,129 |
| 2026 | 1,472,787 |
| 2027 | 511,005 |
| 2028 | 8,395 |
| Total Lease Payments | 3,429,316 |
| Less: imputed interest | (72,046) |
| Operating Lease Liabilities | \$ 3,357,270 |

Cash paid for amounts included in the measurement of operating lease liabilities was \$1,474,062 and \$1,544,764 during the years ended December 31, 2024 and 2023, respectively, and is included in cash paid for program and supporting services in 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 \$6,113,000 and \$5,318,000 during the years ended December 31, 2024 and 2023, respectively, and is presented as payments to affiliates in the accompanying consolidated statements of functional expenses.

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> | 2024 | 2023 |
|---|-----------------------|----------------------|
| Financial Assets, at year-end | | |
| Cash and cash equivalents | \$ 20,988,256 | \$ 19,252,820 |
| Investments | 77,616,720 | 71,477,151 |
| Accounts receivable, net | 4,227,703 | 3,633,050 |
| Less those unavailable for general expenditures within one year, due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by donors with purpose restrictions | (1,083,432) | (1,070,272) |
| Restricted by donors in perpetuity | (135,000) | (135,000) |
| Board designations: | | |
| Board designated for academic advancement | (448,994) | (486,372) |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | \$ 101,165,253 | \$ 92,671,377 |

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, 2024 and 2023, the Organization contributed approximately \$2,206,000 and \$2,395,000, 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 \$375,000 and \$155,000 during years ended December 31, 2024 and 2023, respectively. The Organization held \$779,671 and \$558,374 in the plans as of December 31, 2024 and 2023, respectively, which is reflected in the accompanying consolidated statements of financial position under employee savings plans and deferred employee compensation. Of these amounts, \$504,670 and \$355,249 as of December 31, 2024 and 2023, respectively, are reflected as deferred employee compensation under liabilities in the accompanying consolidated statements of financial position, representing the Organization's obligation to plan participants.

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

10. Contingencies

The Organization may be involved in lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the consolidated financial statements. Management believes that losses resulting from these matters, if any, would not have a material adverse effect on the financial position or results of operations of the Organization.

11. Subsequent Events

Management has assessed subsequent events through October 31, 2025, the date the consolidated financial statements were available to be issued. There were no subsequent events that would require adjustment to or disclosure in the accompanying consolidated financial statements, except for the renewal of the line of credit discussed in Note 5.

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of The Institute of Internal Auditors, Inc. and its subsidiaries (collectively, the Organization) as of and for the years ended December 31, 2024 and 2023, and have issued our report thereon dated October __, 2025 which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position as of December 31, 2024 and consolidating statement of activities for the year ended December 31, 2024 are presented for the 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 audits 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.

BDO USA, P.C.

October 31, 2025

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

December 31, 2024

| | The Institute of Internal Auditors, Inc. | Internal Audit Foundation | IIA Quality Services, LLC | Eliminations | Total |
|--|--|------------------------------|------------------------------|------------------------|-----------------------|
| Assets | | | | | |
| Cash | \$ 16,096,478 | \$ 2,879,571 | \$ 2,012,207 | \$ - | \$ 20,988,256 |
| Investments | 73,828,905 | 3,787,815 | - | - | 77,616,720 |
| Due from affiliates | 22,220,094 | 661,573 | 4,404,902 | (27,286,569) | - |
| Accounts receivable, net | 3,678,346 | 73,058 | 476,299 | - | 4,227,703 |
| Prepaid expenses and other assets | 4,289,138 | 31,413 | 23,040 | - | 4,343,591 |
| Deferred project costs, net | 1,916,241 | 19,229 | - | - | 1,935,470 |
| Employee savings plans | 779,671 | - | - | - | 779,671 |
| Property and equipment, net | 6,325,977 | - | - | - | 6,325,977 |
| Operating right-of-use assets, net | 2,654,081 | - | - | - | 2,654,081 |
| Total Assets | \$ 131,788,931 | \$ 7,452,659 | \$ 6,916,448 | \$ (27,286,569) | \$ 118,871,469 |
| Liabilities and Net Assets | | | | | |
| Current Liabilities | | | | | |
| Accounts payable and accrued expenses | \$ 6,798,674 | \$ 20,855 | \$ 234,111 | \$ - | \$ 7,053,640 |
| Due to affiliates | 21,107,104 | 925,946 | 5,253,519 | (27,286,569) | - |
| Accrued payroll | 4,279,073 | 10,540 | - | - | 4,289,613 |
| Deferred revenue | 15,213,012 | - | - | - | 15,213,012 |
| Deferred employee compensation | 504,670 | - | - | - | 504,670 |
| Operating lease liabilities | 3,357,270 | - | - | - | 3,357,270 |
| Total Liabilities | 51,259,803 | 957,341 | 5,487,630 | (27,286,569) | 30,418,205 |
| Net Assets | | | | | |
| Without donor restrictions: | | | | | |
| Undesignated | 80,529,128 | 4,827,892 | 1,428,818 | - | 86,785,838 |
| Board designated for specified purposes | - | 448,994 | - | - | 448,994 |
| Total Net Assets Without Donor Restrictions | 80,529,128 | 5,276,886 | 1,428,818 | - | 87,234,832 |
| With donor restrictions: | | | | | |
| Restricted for specified purposes | - | 1,083,432 | - | - | 1,083,432 |
| Restricted in perpetuity - endowment | - | 135,000 | - | - | 135,000 |
| Total Net Assets with Donor Restrictions | - | 1,218,432 | - | - | 1,218,432 |
| Total Net Assets | 80,529,128 | 6,495,318 | 1,428,818 | - | 88,453,264 |
| Total Liabilities and Net Assets | \$ 131,788,931 | \$ 7,452,659 | \$ 6,916,448 | \$ (27,286,569) | \$ 118,871,469 |

Year ended December 31, 2024

| | The Institute of Internal Auditors, Inc. | Internal Audit Foundation | IIA Quality Services, LLC | Eliminations | Total |
|---|--|------------------------------|------------------------------|------------------|----------------------|
| Change in Net Assets Without Donor Restrictions | | | | | |
| Operating revenues: | | | | | |
| Member competency and learning | \$ 24,165,013 | \$ - | \$ - | \$ - | \$ 24,165,013 |
| Certifications | 29,406,747 | - | - | - | 29,406,747 |
| Membership | 19,532,160 | - | - | - | 19,532,160 |
| Quality services | - | - | 4,004,006 | - | 4,004,006 |
| Educational products | 1,749,106 | - | - | - | 1,749,106 |
| Other revenues | 31,315 | - | - | - | 31,315 |
| Contributions | 4,709 | 2,083,065 | - | (599,335) | 1,488,439 |
| Net assets released from restrictions | - | 8,500 | - | - | 8,500 |
| Total Operating Revenues | 74,889,050 | 2,091,565 | 4,004,006 | (599,335) | 80,385,286 |
| Operating expenses: | | | | | |
| Program services: | | | | | |
| Member competency and learning | 18,555,619 | - | - | - | 18,555,619 |
| Certifications | 16,802,797 | - | - | - | 16,802,797 |
| Membership | 8,543,897 | - | - | - | 8,543,897 |
| Quality services | - | - | 2,010,097 | - | 2,010,097 |
| Educational products | 626,442 | 674,646 | - | - | 1,301,088 |
| Other program services | 528,866 | - | - | - | 528,866 |
| Total Program Services | 45,057,621 | 674,646 | 2,010,097 | - | 47,742,364 |
| Supporting services: | | | | | |
| General and administrative | 30,539,943 | 784,532 | 1,543,174 | (599,335) | 32,268,314 |
| Total Operating Expenses | 75,597,564 | 1,459,178 | 3,553,271 | (599,335) | 80,010,678 |
| Change in Net Assets Without Donor Restrictions, before non-operating income | | | | | |
| Non-operating income: | | | | | |
| Net investment income (loss) | 6,002,436 | 292,643 | (3,922) | - | 6,291,157 |
| Change in Net Assets Without Donor Restrictions | 5,293,922 | 925,030 | 446,813 | - | 6,665,765 |
| Change in Net Assets with Donor Restrictions | | | | | |
| Net investment income | - | 21,660 | - | - | 21,660 |
| Net assets released from restrictions | - | (8,500) | - | - | (8,500) |
| Change in Net Assets with Donor Restrictions | - | 13,160 | - | - | 13,160 |
| Change in Net Assets | | | | | |
| Net Assets, beginning of year | 75,235,206 | 5,557,128 | 982,005 | - | 81,774,339 |
| Net Assets, end of year | \$ 80,529,128 | \$ 6,495,318 | \$ 1,428,818 | \$ - | \$ 88,453,264 |



The Institute of
Internal Auditors
Elevating Impact