

annual report 2021

RE INVENT INVEST NEW



The Institute of
Internal Auditors

Elevating Impact



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Anthony J. Pugliese

‘Our focus for the last year was on finding ways to Reinvent, Reinvest, and Renew, so that our organization and our profession remain at the forefront of the rapidly evolving business environment.’

From the **President and CEO**

Change is not optional – associations must evolve or fall behind

The ability to change is perhaps one of our most valuable traits as humans, and yet, it’s one of the most challenging things to actually do. Change can be uncomfortable and scary, but it can also be incredibly positive as it brings about new opportunities and new beginnings.

We’ve experienced a lot of exciting changes over the last year, both at The IIA and as a profession. I joined The IIA in March 2021 and it’s hard to believe what we had accomplished together by December, including designing and launching our new strategic plan and global operating model, adding several world-class leaders to our organization, and reimagining our approach to affiliate and chapter relations. We’ve also put the finishing touches on a major brand re-launch and created a vision for The IIA’s first truly global public policy advocacy program – and those are just a few of the many highlights that made 2021 such a successful year. And let’s not forget that all of this was accomplished against the backdrop of a lingering pandemic that continued to challenge our ability to connect and conduct business.

The reality is that change is not optional – by now, each of us recognizes that the world is changing on a seismic and rapid scale. Our focus for the last year was on finding ways to Reinvent, Reinvest, and Renew, so that our organization and our profession remain at the forefront of the rapidly evolving business environment. All organizations must make an important choice – evolve or risk falling behind.

Our efforts to innovate and evolve were closely aligned with – and supported by – Charlie Wright’s theme for the year: helping the profession become “Future Ready.” Preparing The IIA and the internal audit profession for the future means re-thinking how we work, how we connect with – and serve – our members, how you add value to your organizations, how we upskill the profession to meet new challenges and capitalize on new opportunities, how we can best work together to take advantage of the strength of 218,000+ members, and so much more.

Last year was just the start of an exciting new chapter for The IIA. It included:

- **Reinventing** our organization and our profession; positioning ourselves for success in a rapidly evolving world. Reinventing an 80-year-old organization is no easy task, but it’s important that we honor our past and build upon what makes us great, while looking for opportunities to evolve and grow to meet the new challenges of our time.
- **Reinvesting** in our skills and our technology to better serve you and help you better serve your organizations. This included our Digital Transformation project – a major overhaul of our technology capabilities and an important step in modernizing your membership experience.
- **Renewing** our commitment to operating as One IIA, which means serving our chapters, affiliates, and stakeholders in new and more meaningful ways. It means listening more, customizing our offerings to serve the unique needs of your specific chapter, affiliate, or region, helping members tap into and benefit from the work being done by other IIA organizations around the globe, and calling upon the collective strength of 218,000 members to be a global force for change. The ambitious nature of our strategic plan doesn’t work if we don’t act as one organization.

This annual report provides a snapshot into the work we’ve done over the last year. It captures the early stages of our exciting efforts to modernize and transform our great profession into the powerhouse that we envision. Our efforts to Reinvent, Reinvest, and Renew will not only ensure the long-term influence and relevance of The IIA and the internal audit profession, but also that you have the skills, resources, and influence to excel in a rapidly changing world. 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**

The IIA is on the right track with a focus on its capabilities and upskilling the profession

As board chair of The Institute of Internal Auditors, I chose “Future Ready” as the theme for my one-year term because the business of internal audit is going to grow even more interesting in the next decade and there are important steps we need to be taking today in order to be prepared. We’re at a unique inflection point in history right now, with numerous emerging and maturing technologies coming together and impacting each other. This convergence is going to reshape organizations, with technology that we can’t even imagine today changing all the things we do and how we do them.

That means chief audit executives and their teams must be agile, adaptive, and ready to pivot in this new world. The internal audit profession needs to be “Future Ready.”

For several years, I’ve worked with board members and IIA leaders to drive our focus on digital transformation at The IIA. Over the last few years, our vision has taken shape, with the goal to deliver a better customer experience, enhanced functionality, and new tools within our website to improve the way we interact with our members.

2021 paved the way for the official Digital Transformation launch in 2022, but it’s a starting point, not a finish line. This project is a once-in-a-generation investment that lays the foundation for us to deliver modern technological services and training activities as we embrace the future. We know that we can’t – and won’t – wait 10 years for another upgrade. Instead, we plan to keep up with technology every day, every month, every year.

We must ensure The IIA is offering the best training on topics like cryptocurrency and blockchain to support our members who are tasked with assessing risks and establishing controls around these emerging technologies. Our members also need to know how they can implement robotic process automation in their audit functions; how their work will be affected by artificial intelligence, nanotechnology, and 3D printing; and where they can get the training and education they need to succeed to stay up-to-date with these ever-evolving technologies.

The theme “Future Ready” is a call to action, and when The IIA began its search for a new CEO, I knew we needed a leader who could carry the vision to take our association to the next level. In Anthony Pugliese, we got that and much more. He came to The IIA in March 2021 and immediately set to work, learning every detail about the association and how it operated, identifying opportunities to move us forward, and even becoming a Certified Internal Auditor. Anthony and his team developed a six-point strategy to get us “Future Ready,” which is now moving ahead at full speed. After just one year of his leadership, I’m confident that Anthony has The IIA on the right track, with a focus on technological development, upskilling the profession to meet today’s needs, and embedding a mindset of flexibility so that we can pivot for anything and everything that might come next.

Whether it’s technology, a shifting regulatory environment, or a pandemic, internal auditors will always have to navigate challenges and disruption. But our profession will face it all head-on, armed with the latest skills, an adaptive mindset, and the full support of The IIA. We are “Future Ready.”

Charlie Wright, CIA, CPA, CISA
2021-22 Chair, IIA Global Board of Directors



Charlie Wright

‘The internal audit profession needs to be “Future Ready.”’



Association Governance & IIA Global Board of Directors

THE IIA BOARD OF DIRECTORS IS COMPOSED OF BEST-IN-CLASS INTERNAL AUDITORS, REPRESENTING SIX CONTINENTS

The Institute of Internal Auditors (IIA) is an international professional association that serves more than 218,000 global members and has awarded 180,000 Certified Internal Auditor® (CIA®) certifications worldwide. Established in 1941, The IIA is recognized as the internal audit profession's leader in standards, certification, education, research, and technical guidance throughout the world.

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

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

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

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

2021-22 GLOBAL BOARD OF DIRECTORS



CHAIRMAN OF THE BOARD
CHARLES T. WRIGHT, CIA
 Chief Risk Officer
 Jack Henry and Associates
 USA



SENIOR VICE CHAIRMAN OF THE BOARD
BENITO YBARRA, CIA
 Chief Audit and Compliance Officer
 Texas Department of Transportation
 USA



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



PAST CHAIRMAN OF THE BOARD
JENITHA JOHN, CIA, QIAL
 South Africa



NORTH AMERICAN BOARD CHAIRMAN
LAURA SOILEAU, CIA, CRMA
 Partner
 Postlethwaite & Netterville
 USA

2021-22 GLOBAL BOARD OF DIRECTORS (CONTINUED)



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



DIRECTOR - ADVOCACY ADVISORY
STEFANO COMOTTI, CIA, CRMA
 Chief Audit Executive
 Kering Group
 France



DIRECTOR - GLOBAL SERVICES
LISHUANG FANG, CIA
 Deputy General Manager,
 Internal Audit
 Dalian Wanda Group
 China



DIRECTOR
MICHAEL LEVY, CIA, CRMA
 Vice President, Internal Audit
 Student Transportation
 of America
 USA



DIRECTOR - PROFESSIONAL CERTIFICATIONS
SAKIKO SAKAI, CIA, CCSA, CFSA, CRMA
 Owner
 Infinity Consulting
 Japan



DIRECTOR - AUDIT COMMITTEE
THOMAS SANGLIER, II, CIA, CRMA
 Senior Vice President, Internal Audit
 Leidos Holdings
 USA



DIRECTOR - CONTENT ADVISORY
JOSE ESPOSITO LI CARRILLO, CIA, CRMA
 Chief Audit Executive
 Banco de Credito del Peru,
 Creditcorp Ltd.
 Peru



DIRECTOR - AUDIT COMMITTEE
R. MICHAEL VARNEY, CIA
 Partner
 Crowe LLP
 USA



DIRECTOR - PROFESSIONAL PRACTICES
TANIA STEGEMANN, CIA, CCSA, CRMA
 Group Manager, Internal Audit
 Newcrest Mining Limited
 Australia



EX-OFFICIO DIRECTOR / AUDIT COMMITTEE CHAIR
MARK CARAWAN, CIA, QIAL, CMIIA
 Senior Advisor
 PwC LLP
 United Kingdom



DIRECTOR - RESEARCH
KAREN BRADY, CIA, CRMA
 Corporate Vice President of Audit
 and Chief Compliance Officer
 Baptist Health South Florida
 USA



EX-OFFICIO DIRECTOR / IIA CEO
ANTHONY J. PUGLIESE, CIA, CPA, CGMA, CITP
 President and CEO
 The Institute of Internal Auditors HQ
 USA



WITH 268 LOCAL AFFILIATES AND CHAPTERS, IIA MEMBERSHIP REPRESENTS INTERNAL AUDITORS WORLDWIDE

Representing nearly 200 countries and territories, The IIA's 218,000+ members are served by a network of 112 international affiliates and 156 chapters. These affiliates and chapters are unified under The IIA mission and vision with support, leadership, and strategic vision from our global headquarters in Lake Mary, Florida.

Through this federation, member resources are localized and translated to ensure a unified global message with an appropriate local emphasis.

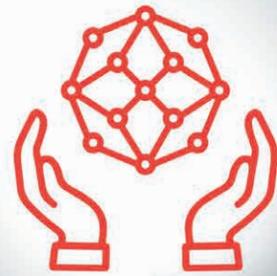
Chapters and affiliates offer local events, in-person and virtually, to develop and strengthen internal audit connections and collaboration.

IIA Affiliates and Membership



In 2021, eight IIA affiliates celebrated milestone anniversaries:

- Colombia - 50 years
- Turkey - 25 years
- Switzerland - 25 years
- Luxembourg - 25 years
- Ethiopia - 25 years
- Czech Republic - 25 years
- Austria - 25 years
- Albania - 10 years



Reimagine & Transform
Our Organization

Reimagine & Transform *Our Organization*

NEW STRATEGIES ARE DRIVING POSITIVE OUTCOMES FOR THE IIA

Reinventing and renewing the organization requires a clear strategic vision and leaders with the core competencies to drive the outcomes needed to shape the future of the profession.

In 2021, The IIA developed a five-year strategic plan for the years 2022-26. The plan addresses the six key areas that were identified to drive value for the profession and our members.

This annual report is organized around the six pillars of our strategy and our 2021 accomplishments in each area.



REIMAGINE & TRANSFORM
OUR ORGANIZATION



PROMOTE COMPETENCY
& LEARNING



GROW MEMBERSHIP
& MODELS



PUBLIC POLICY ADVOCACY
FOR THE PROFESSION



EVOLVE IMAGE & HEIGHTEN
BRAND AWARENESS



ENABLE THE PROFESSION
FOR THE FUTURE

Reimagine & Transform *Our Organization*

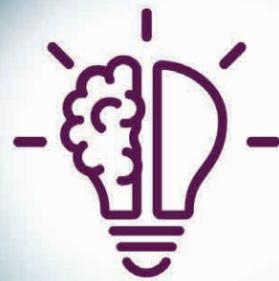


Reorganized and **optimized** team structures and processes to align with our new strategies.

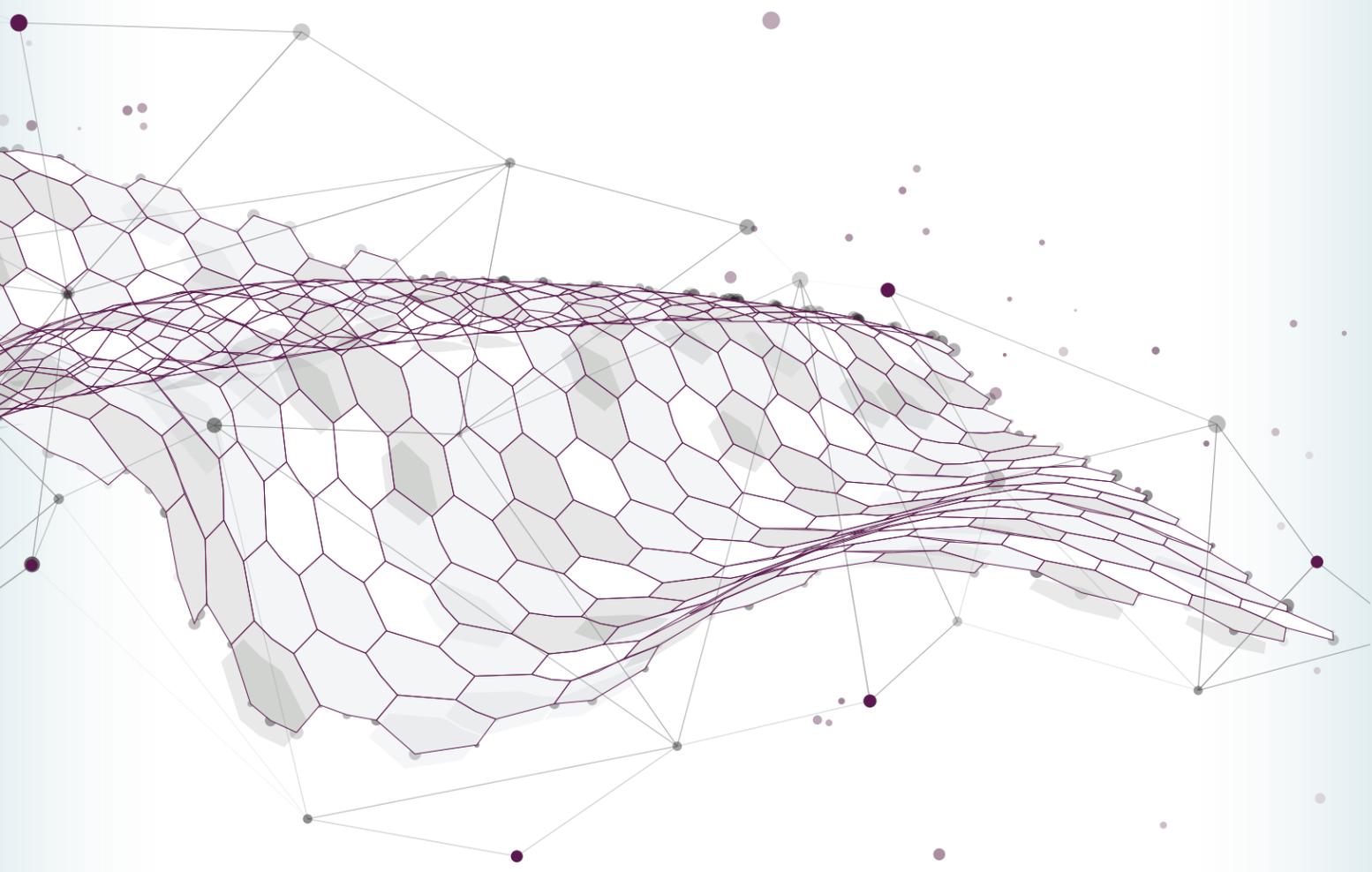
KEY ACCOMPLISHMENTS

- Recruited a diverse leadership team of experienced association professionals and specialized experts.
- Conceptualized and operationalized a five-year strategic plan with clear objectives needed to renew The IIA and the profession.
- Achieved new record-high revenue from global certifications.
- Reorganized and optimized team structures and processes to align with our new strategies.
- Developed team goals and collectively exceeded the expectations set at mid-year.
- Built, tested, and prepared to launch in 2022 a new IT stack, including a new CRM and integrated eCommerce capability, to modernize and simplify our technology capability and improve member experiences.
- Optimized the new system to support 11 languages, global data privacy laws, and multiple currency exchanges and built agile workflows to accommodate future upgrades on a regular basis.
- Developed a hybrid employee strategy that enabled flexibility for employees, and encouraged the serendipitous innovation that results from having co-located employees.
- Launched a leadership development program with pLink Leadership to help managers drive change while supporting their staff.
- Shared change management best practices with all staff through monthly teach-back sessions.
- Signed the CEO Action for Diversity & Inclusion pledge, which is a promise to advance diversity and inclusion in the workplace and cultivate an environment where all ideas are welcomed and employees feel comfortable and empowered to have discussions about DEI topics.

Promote **Competency
& Learning**



Promote **Competency & Learning**



CONTINUOUS REINVESTMENT IN LEARNING IS PREPARING INTERNAL AUDITORS FOR THE FUTURE OF WORK

The skills crisis highlighted by the World Economic Forum, alongside the Great Resignation, have both reinforced the vital nature of continuous learning and earning professional certifications.

Complementing our three certifications, The IIA offers a robust portfolio of conferences, courses, and webinars carefully designed and curated to upskill internal auditors and prepare them for the future of work.

By the end of 2021, The IIA had awarded more than 178,500 certifications to internal auditors worldwide. For more than 40 years, our flagship certification, the Certified Internal Auditor® (CIA®) has remained the only globally recognized internal audit certification.

CIA® Holders By Region

Africa	4,490
Asia Pacific	85,604
Central/South America	1,797
Europe	19,637
Middle East	4,469
No Country	5,033
North America	57,482

The IIA acknowledges the following affiliates for exemplary CIA® growth in 2021:

Small Affiliates

- Winner - Congo
- Honorable Mentions - Bangladesh and Mongolia

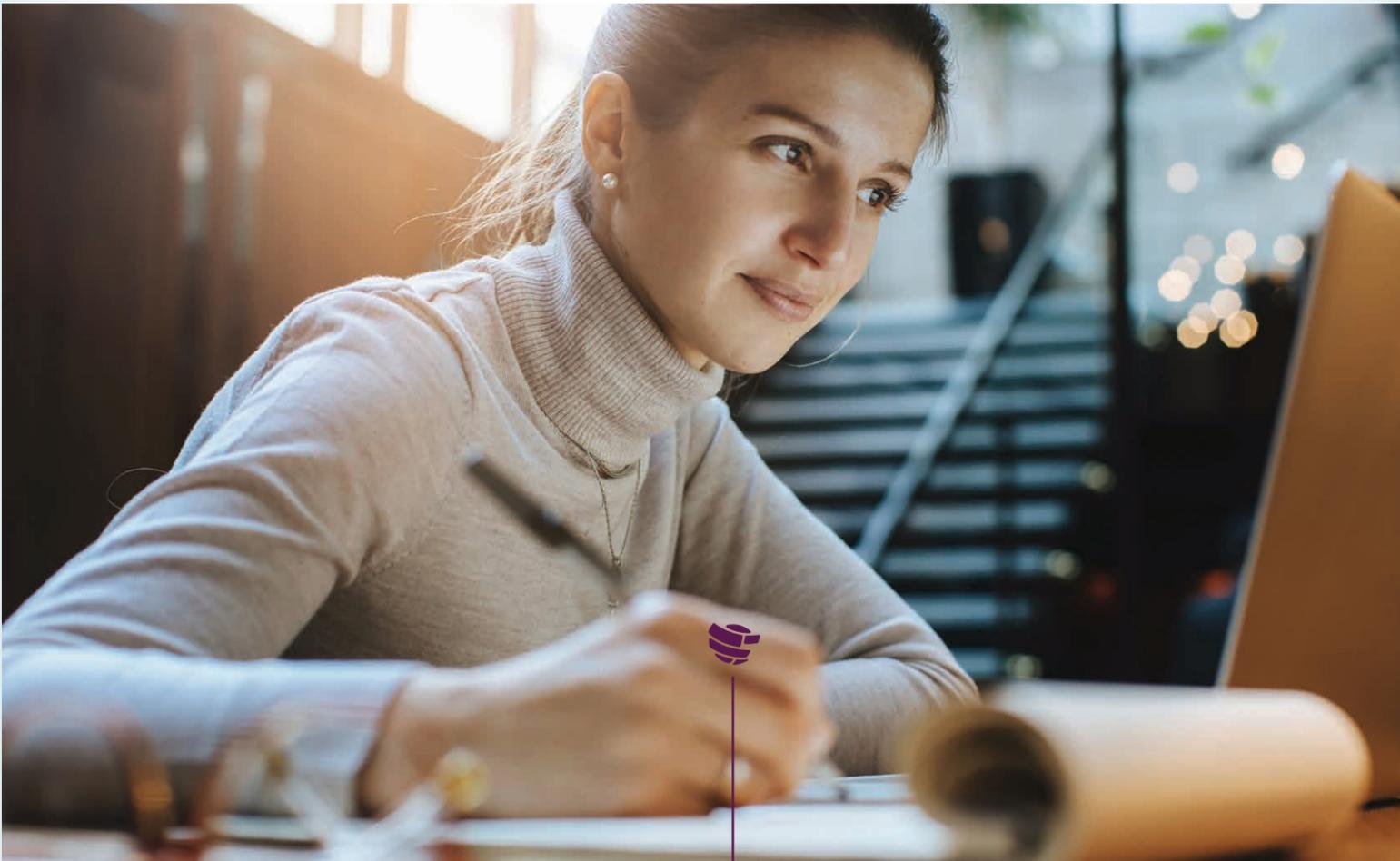
Medium Affiliates

- Winner - Hong Kong
- Honorable Mentions - Luxembourg and Morocco

Large Affiliates

- Winner - Ghana
- Honorable Mentions - India and Nigeria

Promote **Competency & Learning**



Interacted with nearly **9,500** learners through our on-demand eLearning platform.

KEY ACCOMPLISHMENTS

- Launched a reinvented Certification in Risk Management Assurance® (CRMA®) that was updated to reflect the in-depth organizational knowledge and advanced skill sets required to provide adequate risk management assurance to audit committees and executive management.
- Leveraged the CIA® Challenge Exam pathway to grow our certifications pipeline to qualified Certified Public and Chartered Accountants. 2,300 CPAs and CAs joined the program in 2021.
- Achieved new record-high revenue from the global certification numbers.
- Launched the new IT General Controls Certificate Program, which teaches internal auditors how to assess IT risks and controls, focusing on 12 key technology areas.
- Discontinued underperforming programs using a data-led and market-focused approach to identify activities that were no longer generating value for our members and stakeholders.
- Renewed our commitment to continual improvement with the global expansion of our quality services expertise to Saudi Arabia, Colombia, and the United Arab Emirates.
- Developed and operationalized a market-led portfolio approach for creating and managing our content and learning assets, emphasizing integrated content development and elevated member experiences.
- Connected with more than 3,600 internal auditors at five IIA conferences, including our General Audit Management (GAM) Conference for chief audit executives, the Canadian National Conference, and our Governance, Risk, and Controls (GRC) Conference co-sponsored with ISACA.
- Educated and upskilled internal auditors at more than 315 virtual and hybrid learning events in various future-focused and technical topics, including specifically designed events for Canadian members working in regulated environments.
- Interacted with nearly 9,500 learners through our on-demand eLearning platform.
- Renewed our commitment to sustainable development and a digital-first delivery system, resulting in 6-out-of-10 of our top-selling publications delivered via eBook.



Grow **Membership**
& **Models**



Grow **Membership & Models**

POWERED BY IIA RESOURCES, OUR MEMBERSHIP IS A POWERFUL AND ELITE NETWORK OF EXPERTS

IIA members and their stakeholders are at the heart of everything we do. Reinventing and renewing the member experience is our first focus as we identify strategies and programs to drive member value. The IIA is proud to have an 89% retention rate among its members. In 2021, we renewed our commitment to growing our membership, reinventing our membership model, and maintaining a solid retention rate.

IIA members are united under and committed to upholding a common, global set of professional standards, but have different needs based on where they are located and the size and scope of the organizations they serve. The IIA surveys our members and the broader profession and conducts extensive research to identify local and regional trends and needs, and employs a segmentation strategy that allows us to optimize our offerings.

In addition to formal learning opportunities, The IIA offers several resources to help internal auditors navigate technical issues and emerging risks. Affiliates and chapters leverage, modify, and translate these resources for their local audience.

In 2021, The IIA's membership grew by 2%, demonstrating the broad reach and appeal of our offerings. In addition, The IIA acknowledges the following affiliates with exceptional membership growth in 2021:

Small Affiliates

- Winner - Botswana
- Honorable Mentions - Egypt and Guatemala

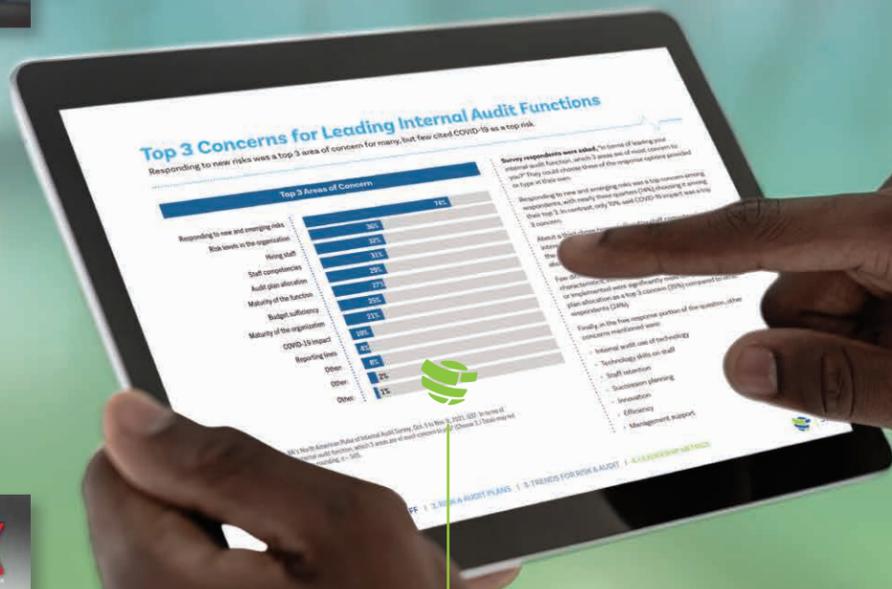
Medium Affiliates

- Winner - Chile
- Honorable Mentions - Uganda and Israel

Large Affiliates

- Winner - Ghana
- Honorable Mentions - Germany and South Korea

Grow **Membership & Models**



Released ten **reports** that surveyed thousands of internal audit professionals across 150 locations.



KEY ACCOMPLISHMENTS

- Reached more than 97,000 English- and Spanish-speaking members through more than 900,000 page views in our first full year of digital-only delivery of *Internal Auditor* magazine.
- Launched three new “Your Voices” blogs – #IAm, On the Frontlines, and Building a Better Auditor – with nearly 250,000 page views to provide different perspectives on the internal audit profession and its opportunities.
- Produced five pieces of authoritative guidance, including a focus on anti-corruption activities, public sector procurement, and mobile computing auditing.
- Released ten reports that surveyed thousands of internal audit professionals across 150 locations, including North American Pulse of Internal Audit, American Corporate Governance Index, Assessing Internal Audit Competency, and other future-focused topics.
- Developed content on global perspectives and knowledge briefs covering Environmental, Social, and Governance reporting, the Three Lines Model, data analytics, and remote auditing, with translations into French, German, Portuguese, Spanish, Turkish, Slovenian, Croatian, and Indonesian.
- Launched a virtual forum attended by nearly 200 chief audit executives to discuss internal audit leadership opportunities and share best practices.
- Researched and communicated just-in-time executive-level insights covering the impact of the pandemic on internal auditors and the resiliency of the profession.
- Signed and operationalized a global membership model with local benefits for a U.S. headquartered, multinational company with internal audit staff in 12 countries.
- Recognized 121 chapters and affiliates that promoted the internal audit profession during International Internal Audit Awareness Month through various events and awareness campaigns designed to inform and engage.



Public Policy Advocacy
for the Profession

Public Policy Advocacy for the Profession

INTERNAL AUDITORS CREATE AND PRESERVE VALUE FOR THEIR STAKEHOLDERS

The IIA is committed to raising the profile of and demand for internal audit services and ensuring the profession is recognized as an indispensable resource by critical stakeholders. As a founding member of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Anti-Fraud Collaboration, The IIA develops strategic partnerships to help advocate for and generate awareness of the profession while managing a robust global advocacy agenda. In 2021, we also created a vision for The IIA's first truly global public policy advocacy program that is being resourced and launched in 2022.

The IIA also works with several Principal Partners to maximize our strategic activities and market reach:





Drafted comment **letters** on nine exposure drafts on many topics, such as ESG-related matters, to agencies and organizations.

KEY ACCOMPLISHMENTS

- Drafted comment letters on nine exposure drafts on many topics, such as ESG-related matters, to agencies and organizations, including the following:
 - International Financial Reporting Standards (IFRS) Foundation
 - International Organization of Securities Commissions (IOSCO)
 - International Organization of Supreme Audit Institutions (INTOSAI)
 - Organisation for Economic Co-operation and Development (OECD)
 - U.S. Securities and Exchange Commission (SEC)
- Signed a Memorandum of Understanding with the Vietnam Ministry of Finance Accounting and Auditing Supervisory Department for cooperation and collaboration in establishing and advancing the internal audit profession in Vietnam.
- Hosted a Saudi Arabian delegation and signed an agreement for The IIA to promote internal audit as a profession.
- Met with the Minister of Development and Investments in Greece to discuss a last-minute legislative amendment that would infringe on the International Professional Practices Framework® (IPPF®) and the efficient practice of internal auditing.
- Renewed a Memorandum of Understanding with the Association of Chartered Certified Accountants to further strengthen and extend our previous current cooperation agreement and enable both organizations to continue working closely to advance their respective professions.
- Established a Memorandum of Understanding with the World Business Council for Sustainable Development to create a Three Lines and Sustainability paper focusing on the governing body's role, followed by a workshop and conference session.
- Applauded the U.S. House Armed Services Committee on its recommendation to reverse a proposal that severely cut the U.S. Naval Audit Service's budget and slash its workforce from nearly 300 to 85 worldwide.
- Named a Network Partner of the Business 20 (B20) by the Indonesian G20 Secretariat and served a second term on the B20's Integrity & Compliance Task Force.
- Provided feedback to the International Organization for Standardization (ISO) for ISO 37000 Governance of Organizations to include the assurance role of internal audit.
- Partnered with the Value Reporting Foundation on two papers promoting internal audit's role in integrated reporting.
- Clarified and released a comprehensive breakdown of second-and-third-line roles using The IIA's Three Lines Model.
- Conducted a panel session at the OECD's Global Anti-Corruption & Integrity Forum on the Three Lines Model and OnRisk report, outlining gaps and the need to align roles and responsibilities.

Elevating
Impact



Evolve Image & **Heighten**
Brand Awareness

Evolve Image & Heighten Brand Awareness



THE IIA'S NEW LOGO UNITES OUR GLOBAL MEMBERSHIP UNDER ONE BANNER

A key indicator for the continued growth of The IIA and the internal audit profession is ensuring lawmakers, boards of directors, and other stakeholders are aware of the unique value internal auditors bring to organizations. As the voice of the profession, a global brand identity and consistently used logo help amplify our message and unite our membership.

In 2021, we finalized our plans for our new brand identity, replacing a logo that was created in 1941 and updated only twice since then. The new logo was researched to ensure global resonance and impact; it uses an icon that is designed as a deconstructed globe. Its six pieces represent the six continents on which The IIA operates. The blue and green represent the land and sea. Once the new brand identity and logo were approved, the team focused on updating our existing and new assets to ensure a comprehensive and impactful launch.

KEY ACCOMPLISHMENTS

- Designed a new brand identity and tagline, "Elevate Impact," and rebranded assets to reflect the new look for launch in early 2022.
- Analyzed, tagged, and summarized more than 3,500 content assets highly valued and used by members and stakeholders for inclusion on our new website.
- Collaborated with affiliates and chapters on a coordinated launch strategy to maximize our new logo's visibility and reach to underscore the collective power of One IIA.
- Issued 24 press releases and sourced media placements with an average potential audience of 165 million readers per release.

IIA logo

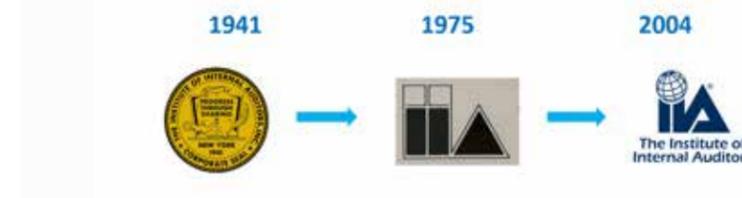


BEFORE



AFTER

IIA logo evolution



Enable ***the Profession
for the Future***



Enable **the Profession** **for the Future**

THE IIA LAUNCHES INITIATIVES TO ENSURE PIPELINE, STANDARDS REFLECT THE NEEDS OF A RAPIDLY EVOLVING PROFESSION

The future of the internal audit profession is bright, with a broad and diverse global pipeline of individuals with various backgrounds, experiences, and technological expertise. The IIA and the Internal Audit Foundation nurture the profession's pipeline and prepare for the future through several initiatives.

In 2021, The IIA began a historic multiyear project to evaluate the relevance of and reinvent our International Professional Practices Framework® (IPPF®). Initially published in 1978, with periodic updates since its creation, the IPPF® serves as The IIA's authoritative guidance on the internal audit profession. It includes core principles, definitions, and a code of ethics that offer unchanging and timeless guidelines for internal auditors. The IIA conducted a global practitioner study with feedback from more than 3,600 internal auditors in 159 countries and territories to help inform the next iteration of the IPPF®. Based on this feedback, The IIA's Global Board of Directors appointed a task force to review the input and reinvent the IPPF® for the future, including adding guidance on emerging topical issues that increasingly impact our rapidly evolving profession. An exposure draft with a comment period will be issued in early 2023.

Investing in the next generation of internal auditors



Kennesaw State University



"I enjoy working with international teams and finding solutions to tough challenges. When I learned about what internal auditors do, I knew right away that it was the perfect choice for me."

Lisa Reiche, a student at University of Duisburg-Essen



Texas A&M University



Chulalongkorn University

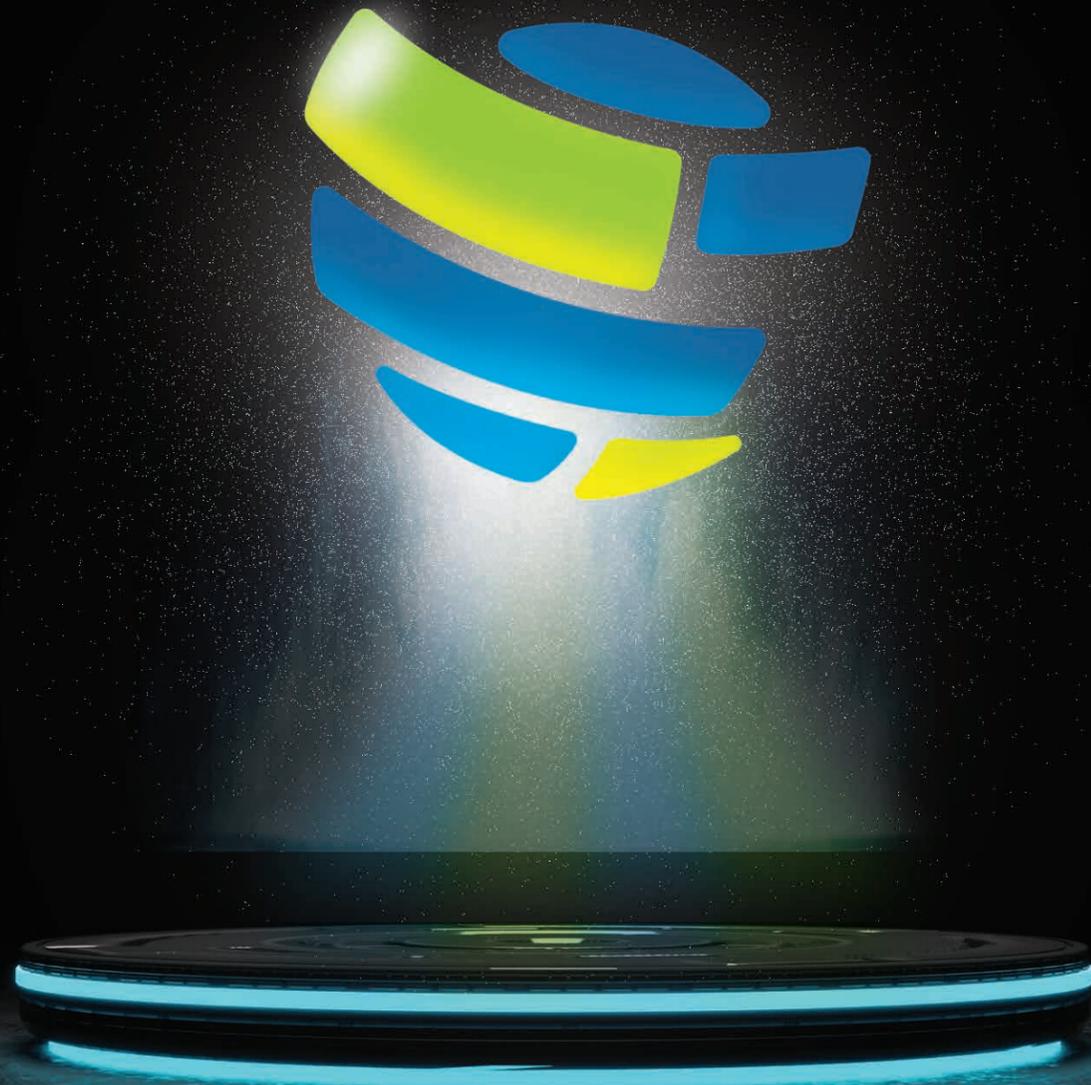
Enable *the Profession* for the Future



The Internal Audit Foundation raised more than **\$620,000** from global donors to reinvest into the profession's future.

KEY ACCOMPLISHMENTS

- The Internal Audit Foundation raised more than \$620,000 from global donors to reinvest into the profession's future through academic grants, awards, and research programs.
- The Foundation awarded \$78,000 in academic grants to 12 universities in Thailand, Greece, Germany, South Africa, and the United States, committed to encouraging students to pursue a career in internal auditing and supporting educators who are actively teaching internal audit curriculum.
- The Foundation awarded a global research grant to Nelson Mandela University in South Africa to research and catalog government-mandated internal auditing laws and regulations.
- Increased the number of Internal Auditing Education Partnership (IAEP) universities to 56 across 15 countries and added 12 new Internal Audit Academic Awareness Programs for universities just beginning to develop an internal audit curriculum.
- Hosted two Student Exchange virtual events that connected more than 750 students and educators.



THE IIA'S EXCEPTIONAL VOLUNTEERS LIGHT THE PATH FOR OTHERS

In 2021, The IIA recognized the following individuals for exemplary and distinguished service to and achievement within the internal audit profession:

- Victor Z. Brink Award for Distinguished Service, recognizing individuals who, over time, have given unusual and outstanding service to the profession of internal auditing through participation in the activities of The IIA:
 - Naohiro Mouri, CIA
 - Michael Peppers, CIA, QIAL, CRMA
- Bradford Cadmus Memorial Award, recognizing individuals who have made outstanding contributions to research, education, publications, or other developments and activities in the field of internal auditing:
 - Glenn Ho, CIA, CRMA
 - Anton van Wyk, CIA, QIAL, CRMA
- John B. Thurston Award, recognizing the author of the article voted as the most outstanding work published in *Internal Auditor* magazine during the previous year:
 - Rick Wright, Jr., CIA
- William G. Bishop, CIA, Lifetime Achievement Award, recognizing individual members who have shown extraordinary leadership and dedication over a lifetime of service to the global profession and The IIA:
 - Richard F. Chambers, CIA, QIAL, CCSA, CGAP, CRMA
- William S. Smith Award, recognizing the candidate with the highest score on the CIA® exam:
 - Andrew Easton
- Dr. Glenn Sumners Student Award, recognizing the student with the highest score on the CIA® exam:
 - Philipp Steinmueller
- CRMA Highest Achievement Award, recognizing the individual scoring the highest on the Certification in Risk Management Assurance® (CRMA®) exam:
 - Sarah Tiecks
- American Hall of Distinguished Audit Practitioners, recognizing key individuals in the field of internal auditing who have contributed significantly to the profession throughout their lifetime:
 - Angelina K.Y. Chin, CIA, CCSA, CRMA
 - Sandra Pundmann, CIA, CRMA
 - Michael J. Fucilli, CIA, QIAL, CGAP, CRMA
 - Shannon J. Urban, CIA, CRMA



2021 Financials

STRONG IIA FINANCES ALLOW REINVESTMENT IN THE PROFESSION

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

In 2021, despite a continued pandemic recovery, a mostly remote workforce, and mid-year leadership changes, The IIA exceeded its revenue budget by nearly \$5 million and outperformed year-over-year total revenue by \$7.6 million. With shrewd decision-making and expense management, The IIA also ended the year with a \$5.1 million surplus to reinvest back into our strategic activities.

The IIA's complete financial statements, audited by RSM US, LLP, follow this report.

	2021	2020
Total Revenue	\$59.8 MILLION	\$52.2 MILLION
Net Contribution	\$10.2 MILLION	\$5.6 MILLION
Total Net Assets	\$82.6 MILLION	\$72.3 MILLION

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Institute of Internal Auditors, Inc. and Affiliates (the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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 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 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 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 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.

Supplementary Information

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

RSM US LLP

Orlando, Florida
July 13, 2022

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

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash	\$ 25,392,128	\$ 24,650,681
Investments	65,011,106	54,958,957
Accounts receivable, net	2,917,622	3,066,455
Prepaid expenses and other assets	3,671,087	2,836,896
Property and equipment, net	4,731,489	5,914,460
Deferred project costs, net	4,984,194	3,705,188
Employee savings plans	554,022	760,891
Total assets	\$ 107,261,648	\$ 95,893,528
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 8,566,491	\$ 7,638,848
Deferred revenue	13,904,234	13,330,393
Deferred employee compensation	554,022	760,891
Other liabilities	1,664,934	1,886,647
Total liabilities	24,689,681	23,616,779
Commitment (Notes 5)		
NET ASSETS		
Without donor restrictions:		
Undesignated	80,888,015	70,761,775
Board designated for specified purposes	534,618	511,595
Total without donor restrictions	81,422,633	71,273,370
With donor restrictions:		
Restricted for specified purposes	1,014,334	868,379
Restricted in perpetuity - endowment	135,000	135,000
Total with donor restrictions	1,149,334	1,003,379
Total net assets	82,571,967	72,276,749
Total liabilities and net assets	\$ 107,261,648	\$ 95,893,528

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

Years Ended December 31, 2021 and 2020

	2021	2020
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Member Competency and Learning	\$ 14,917,343	\$ 10,423,466
Certifications	20,128,839	17,645,350
Membership	17,993,610	18,111,275
Quality services	2,353,842	1,871,750
Educational products and research	1,096,929	1,177,272
Dividend and interest income, net	1,733,310	1,008,794
Other revenues	880,945	1,090,445
Contributions	598,678	804,551
Net assets released from restrictions	80,603	53,108
Total revenues	<u>59,784,099</u>	<u>52,186,011</u>
EXPENSES		
Program Services		
Member Competency and Learning	9,670,466	8,230,845
Certifications	10,573,975	9,937,662
Membership	5,682,643	5,406,047
Quality Services	1,310,311	1,136,406
Educational products and research	1,264,123	1,586,422
Other program services	328,036	453,295
Total program services	<u>28,829,554</u>	<u>26,750,677</u>
Supporting Services		
General and administrative	24,059,684	22,542,363
Total supporting services	<u>24,059,684</u>	<u>22,542,363</u>
Total expenses	<u>52,889,238</u>	<u>49,293,040</u>
Other Changes		
Net realized and unrealized gains on investments	3,254,402	2,693,610
Change in net assets without donor restrictions	<u>10,149,263</u>	<u>5,586,581</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	204,351	153,792
Dividend and interest income, net	8,032	4,937
Net realized and unrealized gains on investments	14,175	8,736
Net assets released from restrictions	(80,603)	(53,108)
Change in net assets with donor restrictions	<u>145,955</u>	<u>114,357</u>
Change in net assets	<u>10,295,218</u>	<u>5,700,938</u>
NET ASSETS		
Beginning of year	72,276,749	66,575,811
End of year	<u>\$ 82,571,967</u>	<u>\$ 72,276,749</u>

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

Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and customers	\$ 58,897,211	\$ 51,761,352
Cash paid for program and supporting services	(50,845,454)	(47,690,527)
Investment income received	1,741,342	1,013,731
Net cash provided by operating activities	<u>9,793,099</u>	<u>5,084,556</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	155,761	-
Purchases of investments	(6,939,333)	(933,253)
Purchases of property and equipment	(77,766)	(27,532)
Expenditures for deferred project costs	(2,190,314)	(2,201,055)
Net cash used in investing activities	<u>(9,051,652)</u>	<u>(3,161,840)</u>
Net increase in cash	<u>741,447</u>	<u>1,922,716</u>
CASH		
Beginning of year	24,650,681	22,727,965
End of year	<u>\$ 25,392,128</u>	<u>\$ 24,650,681</u>

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

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

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

Year Ended December 31, 2020									
	PROGRAM SERVICES							SUPPORTING SERVICES	
	Member Competency and Learning	Certifications	Membership	Quality Services	Educational Products and Research	Other Program Services	Total Program Services	General and Administrative	Total Expenses
Salaries and related benefits	\$ 3,617,537	\$ 2,582,790	\$ 3,169,743	\$ 307,879	\$ 1,077,359	\$ 190,846	\$ 10,946,154	\$ 16,367,704	\$ 27,313,858
Contract services and professional fees	3,069,064	2,983,557	474,396	755,850	154,953	201,470	7,639,290	1,324,252	8,963,542
Travel, lodging, meals and meeting space	890,258	8,879	53,188	6,314	2,403	-	961,042	345,562	1,306,604
Occupancy, office and other expenses	13,463	1,349,916	899,021	59,040	204,984	17,863	2,544,287	3,340,344	5,884,631
Advertising and promotions	198,703	2,707	4,846	-	5,672	-	211,928	257,482	469,410
Payments to affiliates	101,631	2,793,788	702,475	7,323	47,746	-	3,652,963	-	3,652,963
Depreciation and amortization	340,189	216,025	102,378	-	93,305	43,116	795,013	907,019	1,702,032
Total Expenses	\$ 8,230,845	\$ 9,937,662	\$ 5,406,047	\$ 1,136,406	\$ 1,586,422	\$ 453,295	\$ 26,750,677	\$ 22,542,363	\$ 49,293,040

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

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

- IIA Global Development, LLC (Global Development), a Florida limited liability company organized for the purpose of supporting the development of the internal audit profession through an alternative service model. The Institute is the sole member of Global Development. Due to the amount of activity within Global Development, the activities and balances are included in the financial statements of the Institute in the accompanying consolidating statement of financial position and the consolidating statement of activities.
- The Board of Environmental Health & Safety Auditor Certifications (BEAC), a Virginia not-for-profit corporation formed for the purpose of issuing professional certifications relating to environmental, health, and safety auditing and related activities. The Institute's Board of Directors has the authority to appoint the members of BEAC's governing body. In June 2020, BEAC was dissolved, and its net assets were transferred into the Institute.

All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations, but may be designated for specific purposes by action of the Board of Directors. The Board of Directors established a board designated fund for specified purposes. As of December 31, 2021 and 2020, \$534,618 and \$511,595, respectively, had been designated by the Board of Directors for academic advancement.

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

Net assets with donor restrictions restricted for specified purposes at December 31, 2021 and 2020, were \$1,014,334 and \$868,379, respectively. Net assets with donor restrictions restricted in perpetuity - endowment were \$135,000 at December 31, 2021 and 2020, and consists of an endowment fund held by the Foundation, the distributions from which are to be used for scholarships for internal auditing students.

Net assets with donor restrictions subject to expenditure for specified purpose at December 31, 2021 and 2020, consist

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

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

primarily of amounts held by the Foundation restricted for educational activities and the William G. Bishop Memorial Fund to be used for the Common Body of Knowledge program. As of December 31, 2021 and 2020, net assets of \$80,603 and \$53,108, respectively, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

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

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

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

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

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

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

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

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

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

Contributions 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, 2021 and 2020.

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

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

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

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

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

Accounts receivable, net: Accounts receivable are stated at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance for doubtful accounts is estimated based on an analysis of specific accounts and other economic factors, taking into consideration the age of the past due account and an assessment of the member's or customer's ability to pay. Accounts are considered past due when payments are not made in accordance with specified terms. Accounts are written off when management determines the amounts are uncollectible. In the opinion of management, the allowance for uncollectible accounts of \$104,709 and \$108,485 at December 31, 2021 and 2020, respectively, reflects management's best estimate of uncollectible accounts.

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

Impairment of long-lived assets: The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate such value may not be recoverable. Recoverability of assets or asset groups to be held and used is measured by a comparison of the carrying amount of an asset or asset group to future net cash flows expected to be generated by the asset or asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets or asset group. Assets or asset groups to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. No impairment of the Organization's long-lived assets or asset groups has been recognized during the years ended December 31, 2021 and 2020.

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

Functional allocation of expenses: The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Salaries and related payroll expenses are allocated among functional categories based on the estimated proportion of time spent to each function. All other expenses are allocated based on management's estimate of the relative functional activity.

Advertising costs: Advertising costs are expensed as incurred. Total advertising costs were approximately \$252,800 and \$157,100 for the years ended December 31, 2021 and 2020, respectively, and are included in advertising and promotions expenses in the accompanying consolidated statements of functional expenses.

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

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

The Organization follows accounting standards relating to accounting for uncertainty in income taxes. Management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. Generally, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before December 31, 2018.

Recent accounting pronouncements: In February 2016, the Financial Accounting Standards Board (FASB) issued its new lease accounting guidance in Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (b) a right-of-use asset, which is an asset that

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

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

represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance-sheet financing. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. Nonpublic entities should apply the amendments for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of this ASU on its consolidated financial statements.

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

Subsequent events: Management has assessed subsequent events through July 13, 2022, the date the consolidated financial statements were available to be issued.

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

NOTE 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The fair value of investments at December 31, 2021 and 2020, consists of the following:

	2021	2020
Cash and cash equivalents	\$ 1,114,117	\$ 1,265,000
Mutual funds	63,896,989	53,693,957
	<u>\$ 65,011,106</u>	<u>\$ 54,958,957</u>

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

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

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

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

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

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

NOTE 2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following tables summarize the fair value measurements by level measured on a recurring basis as of December 31, 2021 and 2020:

	2021			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,114,117	\$ -	\$ -	\$ 1,114,117
Mutual Funds				
U.S. fixed income	23,553,103	-	-	23,553,103
U.S. large cap equity fund	21,873,884	-	-	21,873,884
EAFE equity fund	3,356,692	-	-	3,356,692
Real estate and infrastructure fund	2,625,465	-	-	2,625,465
Emerging market equity fund	4,183,089	-	-	4,183,089
Asia ex-Japan equity fund	642,603	-	-	642,603
Japanese large cap equity fund	2,058,950	-	-	2,058,950
Equity precious metals fund	2,018,529	-	-	2,018,529
Global equity fund	2,636,930	-	-	2,636,930
U.S. mid cap equity fund	947,744	-	-	947,744
	<u>\$ 65,011,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,011,106</u>

	2020			
	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Cash and cash equivalents	\$ 1,265,000	\$ -	\$ -	\$ 1,265,000
Mutual Funds				
U.S. fixed income	29,996,425	-	-	29,996,425
U.S. large cap equity fund	11,147,979	-	-	11,147,979
EAFE equity fund	2,761,095	-	-	2,761,095
Real estate and infrastructure fund	1,218,820	-	-	1,218,820
Emerging market equity fund	2,586,167	-	-	2,586,167
Asia ex-Japan equity fund	1,044,529	-	-	1,044,529
Japanese large cap equity fund	1,277,332	-	-	1,277,332
Equity precious metals fund	2,017,554	-	-	2,017,554
Global equity fund	1,327,905	-	-	1,327,905
U.S. mid cap equity fund	316,151	-	-	316,151
	<u>\$ 54,958,957</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,958,957</u>

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

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

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020
Furniture, equipment and other	\$ 14,067,842	\$ 13,148,438
Leasehold improvements	2,344,546	2,344,546
	16,412,388	15,492,984
Less accumulated depreciation and amortization	(11,680,899)	(9,578,524)
	\$ 4,731,489	\$ 5,914,460

Depreciation and amortization expense for the years ended December 31, 2021 and 2020, was \$2,102,375 and \$1,555,418, respectively.

NOTE 4. LINE OF CREDIT

The Organization had a \$10,000,000 line of credit agreement with a bank bearing interest at the Secured Overnight Financing Rate (SOFR) plus 1.30% (1.35% at December 31, 2021). Interest on the line of credit was payable monthly and matured on June 30, 2022. The line of credit was collateralized by certain investment accounts of the Organization. There was no outstanding balance on the line of credit at December 31, 2021 and 2020.

NOTE 5. OPERATING LEASES

The Organization leases office space and office equipment under operating leases expiring through April 2027. Future annual minimum lease payments due under these operating leases as of December 31, 2021, are as follows:

Years Ending December 31:	
2022	\$ 1,446,227
2023	1,387,939
2024	1,421,254
2025	1,449,414
2026	1,467,541
Thereafter	494,216
	\$ 7,666,591

Total rent expense related to all leases and additional amounts for short-term rentals and related charges amounted to approximately \$2,161,000 and \$1,790,000 for the years ended December 31, 2021 and 2020, respectively.

NOTE 6. RELATED PARTY TRANSACTIONS

Payments to affiliates primarily represents payments for certification revenue sharing with unconsolidated affiliate membership organizations and amounted to approximately \$4,306,000 and \$3,653,000 during the years ended December 31, 2021 and 2020, respectively.

NOTE 7. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2021 and 2020, the following reflects the Organization's financial assets, reduced by amounts not available for general use because of contractual or donor-imposed restrictions, board designations and amounts set aside for operating reserve within one year of December 31:

	2021	2020
FINANCIAL ASSETS, AT YEAR-END		
Cash	\$ 25,392,128	\$ 24,650,681
Investments	65,011,106	54,958,957
Accounts receivable, net	2,917,622	3,066,455
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(1,014,334)	(868,379)
Restricted by donors in perpetuity	(135,000)	(135,000)
Board designations:		
Board designated for academic advancement	(534,618)	(511,595)
Amounts set aside for operating reserve	(13,988,939)	(10,852,436)
Financial assets available to meet cash needs for general expenditures within one year	\$ 77,647,965	\$ 70,308,683

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

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

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

If the balance in the reserve fund is not sufficient to meet the succeeding three months of expenses, investments can be liquidated to fund the deficit.

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

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

NOTE 8. RETIREMENT PLANS

The Institute participates in a defined contribution pension plan organized under Section 401(k) of the Internal Revenue Code. The Institute contributes a certain percentage of the total salary of eligible employees to the plan. During the years ended December 31, 2021 and 2020, the Institute contributed approximately \$1,572,000 and \$1,663,000, respectively, to this retirement plan.

The Institute maintains Section 457 deferred compensation plans for the benefit of certain employees. One plan permits employee salary deferral contributions, while another plan permits discretionary employer contributions. Employer contributions were \$280,000 and \$265,000 during years ended December 31, 2021 and 2020, respectively. The Institute held \$554,022 and \$760,891 in the plans as of December 31, 2021 and 2020, respectively, which is reflected in the accompanying consolidated statements of financial position as employee savings plans and deferred employee compensation.

NOTE 9. COVID-19

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

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

	December 31, 2021				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
ASSETS					
Cash	\$ 21,897,871	\$ 2,054,554	\$ 1,439,703	\$ -	\$ 25,392,128
Investments	61,396,424	3,614,682	-	-	65,011,106
Due from affiliates	-	45,106	-	(45,106)	-
Accounts receivable, net	2,625,267	29,865	262,490	-	2,917,622
Prepaid expenses and other assets	3,589,873	81,214	-	-	3,671,087
Property and equipment, net	4,731,489	-	-	-	4,731,489
Deferred project costs, net	4,854,553	129,641	-	-	4,984,194
Employee savings plans	554,022	-	-	-	554,022
Total assets	<u>\$99,649,499</u>	<u>\$5,955,062</u>	<u>\$1,702,193</u>	<u>\$(45,106)</u>	<u>\$107,261,648</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 8,388,078	\$ 126,177	\$ 52,236	\$ -	\$ 8,566,491
Due to affiliates	6,572	-	38,534	(45,106)	-
Deferred revenue	13,904,234	-	-	-	13,904,234
Deferred employee compensation	554,022	-	-	-	554,022
Other liabilities	1,664,934	-	-	-	1,664,934
Total liabilities	<u>24,517,840</u>	<u>126,177</u>	<u>90,770</u>	<u>(45,106)</u>	<u>24,689,681</u>
Net Assets:					
Without donor restrictions:					
Undesignated	75,131,659	4,144,933	1,611,423	-	80,888,015
Board designated for specified purposes	-	534,618	-	-	534,618
Total without donor restrictions	<u>75,131,659</u>	<u>4,679,551</u>	<u>1,611,423</u>	<u>-</u>	<u>81,422,633</u>
With donor restrictions:					
Restricted for specified purposes	-	1,014,334	-	-	1,014,334
Restricted in perpetuity - endowment	-	135,000	-	-	135,000
Total with donor restrictions	<u>-</u>	<u>1,149,334</u>	<u>-</u>	<u>-</u>	<u>1,149,334</u>
Total net assets	<u>75,131,659</u>	<u>5,828,885</u>	<u>1,611,423</u>	<u>-</u>	<u>82,571,967</u>
Total liabilities and net assets	<u>\$ 99,649,499</u>	<u>\$ 5,955,062</u>	<u>\$ 1,702,193</u>	<u>\$ (45,106)</u>	<u>\$ 107,261,648</u>

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

	Year Ended December 31, 2021				
	The Institute of Internal Auditors, Inc.	Internal Audit Foundation	IIA Quality Services, LLC	Eliminations	Total
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
REVENUES					
Member Competency and Learning	\$ 14,917,343	\$ -	\$ -	\$ -	\$ 14,917,343
Certifications	20,128,839	-	-	-	20,128,839
Membership	17,993,610	-	-	-	17,993,610
Quality services	-	-	2,353,842	-	2,353,842
Educational products and research	-	1,096,929	-	-	1,096,929
Dividend and interest income, net	1,641,576	91,734	-	-	1,733,310
Other revenues	891,355	-	-	(10,410)	880,945
Contributions	-	1,132,994	-	(534,316)	598,678
Net assets released from restrictions	-	80,603	-	-	80,603
Total revenues	<u>55,572,723</u>	<u>2,402,260</u>	<u>2,353,842</u>	<u>(544,726)</u>	<u>59,784,099</u>
EXPENSES					
PROGRAM SERVICES					
Member Competency and Learning	9,670,466	-	-	-	9,670,466
Certifications	10,573,975	-	-	-	10,573,975
Membership	5,682,643	-	-	-	5,682,643
Quality Services	-	-	1,320,721	(10,410)	1,310,311
Educational products and research	-	1,264,123	-	-	1,264,123
Other program services	328,036	-	-	-	328,036
Total program services	<u>26,255,120</u>	<u>1,264,123</u>	<u>1,320,721</u>	<u>(10,410)</u>	<u>28,829,554</u>
SUPPORTING SERVICES					
General and administrative	23,023,730	934,957	635,313	(534,316)	24,059,684
Total supporting services	<u>23,023,730</u>	<u>934,957</u>	<u>635,313</u>	<u>(534,316)</u>	<u>24,059,684</u>
Total expenses	<u>49,278,850</u>	<u>2,199,080</u>	<u>1,956,034</u>	<u>(544,726)</u>	<u>52,889,238</u>
OTHER CHANGES					
Net realized and unrealized gains on investments	3,066,140	188,262	-	-	3,254,402
Change in net assets without donor restrictions	<u>9,360,013</u>	<u>391,442</u>	<u>397,808</u>	<u>-</u>	<u>10,149,263</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS					
Contributions	-	204,351	-	-	204,351
Dividend and interest income, net	-	8,032	-	-	8,032
Net realized and unrealized gains on investments	-	14,175	-	-	14,175
Net assets released from restrictions	-	(80,603)	-	-	(80,603)
Change in net assets with donor restrictions	<u>-</u>	<u>145,955</u>	<u>-</u>	<u>-</u>	<u>145,955</u>
Change in net assets	<u>9,360,013</u>	<u>537,397</u>	<u>397,808</u>	<u>-</u>	<u>10,295,218</u>
NET ASSETS					
Beginning of year	65,771,646	5,291,488	1,213,615	-	72,276,749
End of year	<u>\$ 75,131,659</u>	<u>\$ 5,828,885</u>	<u>\$ 1,611,423</u>	<u>\$ -</u>	<u>\$ 82,571,967</u>



The Institute of
Internal Auditors
Elevating Impact