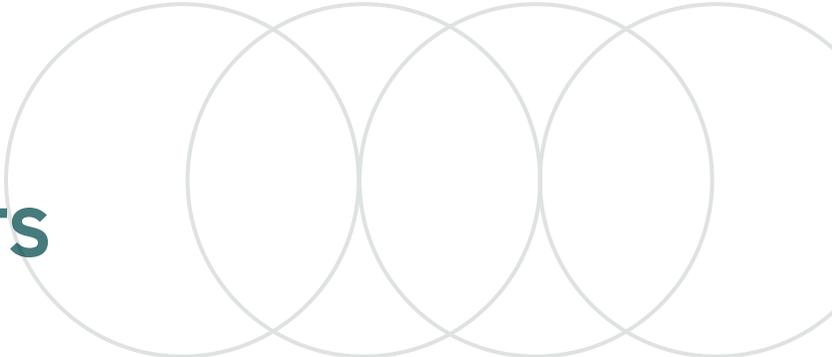
A blurred, teal-tinted photograph of a modern office interior. Several people in business attire are walking through a glass-walled hallway or atrium. The image has a motion blur effect, suggesting a fast-paced environment. In the upper left corner, there are three overlapping circles of varying shades of teal.

AGENTS OF CHANGE

2014
ANNUAL
REPORT

 The Institute of
Internal Auditors



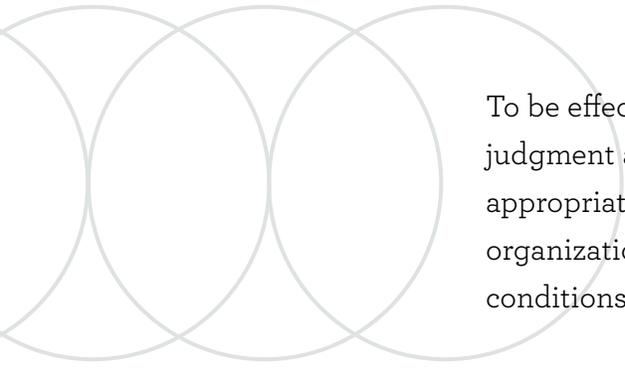
CONTENTS

- 3** Agents of Change
- 4** President and CEO's Message
- 5** Global Chairman's Message
- 6** Individual Growth / Driving Excellence
- 10** Enhanced Tools and Knowledge / Promoting Our Value
- 14** Global Expansion / Extending Our Impact
- 18** Investments in the Profession / Ensuring a Successful Future

- 20** IIA Global Board of Directors
- 22** 2014 Financial Discussion and Analysis
- 23** Report of Independent Auditors
 - Consolidating Statement of Financial Position
 - Consolidating Statement of Activities
 - Consolidating Statement of Cash Flows
 - Notes to Consolidating Financial Statements
 - Management's Annual Report on Internal Control Over Financial Reporting



AGENTS OF CHANGE



To be effective, internal auditors must possess not only sound judgment and critical thinking, they must compel others to an appropriate and sometimes urgent response. They must help organizations navigate through murky business and economic conditions that can pose significant challenges.

Often, they must transform the way organizations conduct business. In today's environment, they must be Agents of Change.

The Institute of Internal Auditors® (IIA®) serves this dynamic group of professionals by equipping them with the tools, training, education, and other support necessary to successfully meet current and future global challenges, from the persistent threat of cyberattacks and increased government regulations to a shortage of talent and relevant skills.

As The IIA approaches its 75th anniversary, 2014 will be remembered as a year of transformation for the organization and its stakeholders, a year that led to a new era in internal audit. Together, The IIA and its members are changing the profession and shaping the future.

More than 180,000 members from more than 170 countries and territories around the globe meet evolving expectations with one voice, one set of standards . . . One IIA.

PRESIDENT AND CEO'S MESSAGE



Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief
Executive Officer
The Institute of Internal
Auditors, Global Headquarters

Progress comes through change. Now, more than ever, internal auditors are leading their organizations' responses to change, helping them evolve to successfully meet challenges and opportunities in a dynamic business environment. Over the past several years, The IIA laid the groundwork for several important initiatives, and in 2014 we delivered the results to our members: education, thought leadership, and resources that will enable internal auditors to have a profound and enduring impact on the profession. Our efforts this year position our members as Agents of Change who offer insightful, proactive, and future-focused solutions for their organizations and stakeholders.

In kind, The IIA acts as a change agent, responding to the increasing demands and enhanced expectations placed on our profession and our members. A few recent examples:

- › *We provided opportunities for professional growth, offering development tools such as IIA Career Map™, which gives internal auditors career guidance to help them meet their professional goals. In 2014, we also launched the Qualification in Internal Audit Leadership™ (QIAL®) to recognize leaders who motivate their audit teams to deliver value by meeting challenges of an evolving marketplace.*
- › *We enhanced tools that enable internal auditors to add value to their organizations, for instance, by updating the International Professional Practices Framework® (IPPF®), which poises the profession to keep up with an ever-changing environment and mounting stakeholder expectations. We continued to support our members by providing specialized thought leadership and insights through our specialty audit centers, such as the Audit Executive Center™ and the American Center for Government Auditing™.*
- › *We collaborated with our global network of affiliates to develop and expand their membership and deliver enhanced value to practitioners, who in turn drive positive changes in their organizations.*
- › *We continued to invest in the future of our profession through initiatives such as the Internal Auditing Education Partnership, which promotes teaching and learning about the profession among college and university students to provide them with a foundation for a career in internal auditing.*

I am proud of our accomplishments in 2014 and into 2015 and how they contribute to the bright outlook for our profession. In my estimation, internal auditors are gaining proficiency at recognizing emerging risks, and the profession understands that such risks require new skills. Additionally, internal audit's stakeholders increasingly recognize the value the profession brings.

But we have further to go. As Agents of Change, internal auditors must continue to improve their business acumen and build their knowledge to keep pace with the changing environment. The IIA remains committed to providing member-focused initiatives and activities that empower internal auditors to assess and fill skills gaps and grow professionally, so they can show value to their stakeholders and organizations. We understand our members' challenges, and we offer you the tools and resources that will enable you to grow, to change, and to progress.

GLOBAL CHAIRMAN'S MESSAGE

It is one of the great honors of my career to serve you, the members of the internal audit profession, as your Chairman of the Global Board of Directors. In partnership with The IIA's dedicated staff and committed volunteers, I am grateful for the opportunity to contribute to the profession that I have been passionate about for many years — a passion I know you share.

In selecting my chairman's theme, I considered the many changes happening worldwide and how they affect internal auditors. I perceived that internal auditors are challenged to "Mind the Gap" — gaps in credibility, connectivity, competency, and communication — and I encouraged you to be courageous in addressing those gaps, so that you can be better prepared, informed, and more fully engaged with stakeholders.

I am happy to share that we are unequivocally making progress. In my time as chairman, I saw firsthand how professionals around the world are collaborating to share ideas, insights, and encouragement. Internal auditors are indeed building credibility, becoming more connected, developing competency, and improving communication, thereby meeting stakeholders' expectations to the benefit of their organizations. I've also been encouraged by the many examples of internal auditors having the courage to speak up and be heard, even when your messages might be unpopular. By minding the gap, internal auditors inspire action and foster change, resulting in a stronger, more recognized profession.

Over the past year, my conversations and interactions with members have reinforced how proud I am to be an internal auditor, and as my chairmanship draws to a close, I want to thank you for what you have contributed to the internal audit profession. I invite you to continue to mind the gap by taking advantage of all that The IIA has to offer.



**Anton van Wyk, CIA,
QIAL, CRMA**
*2014-2015 Global Chairman
of the Board
The Institute of
Internal Auditors*

INDIVIDUAL GROWTH

Driving Excellence

Take one story of one member of The IIA and multiply it by more than 180,000. Add in a wide array of industries, cultures, experience levels, and ambitions, and you'll begin to see a picture of an influential and diverse membership.

The IIA continuously works to enhance the experience and capabilities of each member, adding and expanding programs that promote effective internal auditing on both a local and global scale.



The IIA's 2014 International Conference™ in London featured an inspiring video message from His Royal Highness the Prince of Wales about a challenging issue for internal audit. As a longtime supporter of environmental protection and sustainability, Prince Charles spoke to more than 2,300 conference attendees from around the world about his deep concerns over pollution, over-consumption, and other large-scale social and environmental problems.

BUILDING KNOWLEDGE AND NETWORKS >> In any profession, among the most valuable opportunities for development are education and networking. In 2014, The IIA offered high-quality prospects for both, through its suite of learning solutions, such as seminars and e-learning opportunities, as well as through its conferences, which provided engaging speakers and discussions about relevant and timely topics for our members, enabling them to connect, share, and collaborate.

OFFERING VALUABLE CREDENTIALS >> An IIA professional credential can move an internal auditor's career in the right direction, offering new opportunities, with increased earnings potential, deeper knowledge, and enhanced credibility. Today, change in the profession is demanding a leader who drives a high performing audit team that addresses stakeholder needs, top-down risks, and expectations of an evolving marketplace. The IIA launched in 2014 the Qualification in Internal Audit Leadership (QIAL) to support the next generation of leaders. Since its debut, the qualification has been awarded to practitioners in more than a dozen countries around the world.



**Includes annual totals for IIA Headquarters conferences, regional conferences, International Conference, and coproduced conferences.*

“The QIAL has aligned my priorities as a chief audit executive and reinforced my mindset that we are agents of change with a challenging, exciting, and evolving task in our hands.”

—JOANNE TRAICE, QIAL, FCA
Director, Group Internal Audit & Risk, DP World, Member, IIA-United Arab Emirates



“I use IIA Career Map as a guide for growing and developing my professional skills. This tool helps me to adapt in a dynamic environment, so I can continue to add value to my organization and stakeholders.”

—ELIZABETH PITTELKOW, CPA, CGMA, CITP, DTM
Director of Accounting and Compliance, ArrowStream Inc., Chicago, Ill., U.S.A.



FUELING PROFESSIONAL GROWTH >> To better define internal auditing as a primary career choice, The IIA in October 2014 launched IIA Career Map. This free online tool enables members to evaluate their skill set and benchmark their competencies against The IIA’s Global Internal Audit Competency Framework, providing valuable, ongoing insight into where practitioners are in their careers and what they need to do to close any gaps toward driving their internal audit careers to the next level. Thousands of members have tapped into this powerful professional resource in North America, leading to plans for expansion of the program by institutes around the world.

INFORMING AND ENGAGING >> The IIA uses a wide range of tools to communicate with members to help meet their evolving preferences and needs. We connect our members and their stakeholders with easy-to-access information that helps them stay on the forefront of the issues, from *Tone at the Top*[®], our newsletter for corporate boards and audit committees that tackles topical issues, to *IIA SmartBrief*, our complimentary weekly e-newsletter featuring news and developments affecting the internal audit profession.

The IIA continues to provide its array of tools and resources primarily through its North American, Global, and affiliated websites, which had 4.3 million visits in 2014. The IIA’s engagement through its social media channels — measured by likes, comments, shares, and clicks — increased 330% over the year.

Internal Auditor[™] magazine connects members to internal audit insight with an enhanced, responsive, and intuitive website. InternalAuditor.org, redesigned in 2014, offers video content; more articles on topics



of interest in an easier-to-navigate format; responsive pages, accessible from any mobile device; an optimized search function and new filters; and more social networking opportunities that allow members to participate in conversations and share content and their insights.

IIA BY THE NUMBERS

688,000 site visits in 2014 to InternalAuditor.org

+40% in weekly *IIA SmartBrief* subscriptions in the fourth quarter of 2014

Media outreach expanded significantly in 2014, resulting in increased coverage and number of one-on-one interviews between IIA executives and top-tier media, including *The Wall Street Journal*, *The Washington Post*, ABC News, and CNN.

ADDRESSING RISKS >> Today’s business environment is characterized by mounting pressures for stronger, more effective risk management. There is a sharp focus on risk oversight, considered by many to be the top governance issue facing corporate boards in this continuously evolving world. Audit committees are pushing for holistic risk management, stepped-up risk mitigation, and enterprisewide risk assessments. The IIA developed the Risk Resource Exchange in 2014 as a comprehensive online resource for professionals around the globe on risk guidance, publications, training, events, and more.

Also in 2014, The IIA and ISACA collaborated again to host the Governance, Risk, and Control Conference™ (GRC®), which offered internal audit and IT risk professionals the opportunity to explore issues such as the impact of emerging and disruptive technologies.

ENHANCING ACCESS >> To improve access to professional resources and opportunities, The IIA began offering a new tool to help chapters more effectively and efficiently manage their local training and networking events. This software program enables chapter leaders to send out invitations, accept registrations, and manage logistics, including communications, recording event attendance, and providing certificates for continuing professional education credit.



MEMBER SPOTLIGHT

Greg Hollyman
CIA, QIAL, CGAP,
CCSA, CRMA, CFSA,
PFIIA, CISA, CFE
Chief Internal Auditor,
Australian Taxation
Office,
Melbourne, Australia
Chairman,
IIA Institute Relations
Committee
Board Member,
IIA-Australia

BEING A MEMBER of The IIA allows me to badge myself as a true professional who has access to knowledge and best practices that enable me to truly effect changes that deliver value to my organization.

The motto of The IIA is “Progress through Sharing,” and being an active volunteer within The IIA gives me the opportunity to enrich my own professional skills and build my knowledge-sharing networks, while giving back to my profession.

The internal audit profession has a critical role, not just in adding value to our organizations. We also help build the public’s confidence in corporate governance, which benefits both communities and economies.

The IIA's Professional Certifications*

	2008	2009	2010	2011	2012	2013	2014
CIA®	82,704	90,820	98,470	105,599	110,139	120,123	128,896
CCSA®	3,590	4,060	4,597	5,120	5,756	6,132	6,683
CFSA®	4,582	4,826	5,107	5,375	5,684	5,966	6,227
CGAP®	1,712	1,981	2,310	2,664	3,052	3,451	3,858
CRMA®	-	-	-	435	5,952	13,860	14,106

*Cumulative totals

ENHANCED TOOLS AND KNOWLEDGE

Promoting Our Value

Internal auditing requires commitment, courage, and a framework of clearly articulated principles, leading-practice standards, and timely guidance that not only acknowledge but also anticipate the evolving world of business and risk. Legislative, regulatory, and market demands for improved governance, risk management, and internal control elevate what is expected of internal audit practitioners. The IIA continues to identify and respond to the changing needs of its members and the profession.

THE FRAMEWORK FOR INTERNAL AUDIT EFFECTIVENESS: THE NEW IPPF >> For decades, The IIA has provided standards and guidance for internal auditors. The International Professional Practices Framework (IPPF) has served the profession well on a global scale. But for internal audit to keep up with an ever-changing environment, the IPPF must evolve to effectively support the profession and meet the many challenges ahead. That's why a global task force of some of the profession's leading internal audit experts re-evaluated the structure of the IPPF in 2014 and recommended improvements that will benefit not only the profession and its dedicated practitioners, but also its stakeholders, ensuring the IPPF's relevance now and in the future.

The new IPPF is designed to confront changes in the global business community, stakeholder expectations, and legislative and regulatory demands for improved governance, risk management, and internal control. It is intended to more readily guide internal auditors around the world toward enhanced professionalism as well as expanded proficiency and effectiveness in a dynamic

INTERNATIONAL PROFESSIONAL PRACTICES FRAMEWORK





environment through closer alignment with and adherence to the *International Standards for the Professional Practice of Internal Auditing*.

IPPF RELOOK EXPOSURE

For a 90-day exposure period that ended November 30, 2014, The IIA implemented a robust survey of practitioners and stakeholders to seek feedback on proposed IPPF enhancements.

845 Survey responses

4,000 Individual survey comments

47 Comment letters

9,000+ Video views

16,400+ Web page visits

6,600+ Draft downloads

90 Countries and territories

9 Languages



SPECIALTY AUDIT CENTERS EMPOWER MEMBERS AND DELIVER VALUE >>

The IIA seeks to enhance the value of services it provides to members by offering specialized solutions and resources that position internal auditors to respond to emerging issues and risks pertinent to their industry or role. Audit centers, such as the Audit Executive Center for CAEs established in 2010, provide a community with instant access to fellow practitioners facing the same challenges as one another.

In 2014

- > The Audit Executive Center produced 125 pieces of content, including 21 thought leadership whitepapers.
- > The launch of the American Center for Government Auditing drove an increase in public-sector membership of 18 percent.
- > Responding to member demand, The IIA laid the groundwork for the Financial Services Audit Center to serve the needs of auditors in banking, investments, insurance, and other enterprises engaged in wealth management and protection.

COLLECTIVELY, THE AUDIT CENTERS OFFER SPECIALTY-FOCUSED RESOURCES INCLUDING:

- > Thought leadership content
- > Peer roundtables and networking opportunities
- > Specialized conferences
- > Virtual symposia and webinars
- > Focused blogs and podcasts
- > Quick-hitting knowledge briefs
- > Timely bulletins and news alerts
- > Annual Pulse of Internal Audit studies
- > Global Audit Information Network research

- > The IIA and the Auditing Roundtable deliberated about a potential merger, which would pave the way for creation of a dedicated Environmental, Health, and Safety Audit Center at The IIA. This center would greatly expand the reach and impact of EHS auditing professionals globally.

MEMBER SPOTLIGHT

W. Charles Johnson Jr., CIA, QIAL, CFSA, CGAP, CRMA, *General Auditor*, Lower Colorado River Authority, Member, IIA-Austin Chapter

I STARTED IN INTERNAL AUDITING after college graduation almost 22 years ago. My first audit department was very progressive at the time, and I felt that we were evolving to meet the needs of the company. I've been working in progressive audit departments ever since.

Regular reading of the Audit Executive Center's weekly email newsletters keep me informed of the latest trends and developments in our profession. Further, the Chief Audit Executive networks I've built through The IIA have been very helpful. You can pick up the phone and call

your peers for advice you can't get inside your company – advice from someone in the same shoes. Having the connections to professional colleagues is key.

The IIA Research Foundation Advances Thought Leadership

FOR ALMOST FOUR DECADES, The IIA Research Foundation™ (IARF™) has been a juggernaut of information that empowers internal audit practitioners. The foundation provides groundbreaking research that explores current issues, emerging trends, and future needs. The IARF published nine research reports and seven educational products in 2014 to help organizations stay up-to-date on the most important issues of the day. For instance, The IIA and ISACA collaborated to produce a research report, *Cybersecurity: What the Board of Directors Needs to Ask*, that helps directors know how they should react to cybersecurity breaches.

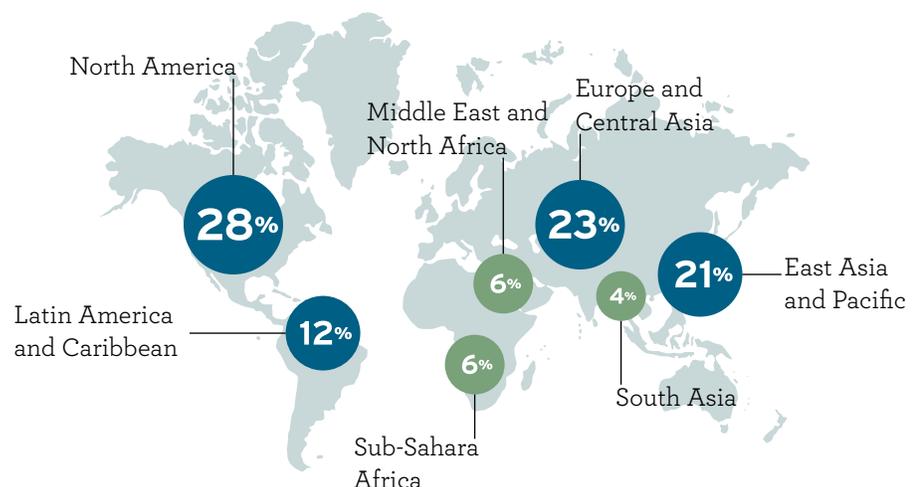
COMMON BODY OF KNOWLEDGE PROVIDES INSIGHTS INTO THE PROFESSION >> Early in 2015, The IIA Research Foundation launched the most comprehensive global survey of the internal audit profession, including studies of practitioners and their stakeholders. The 2015 Global Inter-

national Audit Common Body of Knowledge® (CBOK®) practitioner survey took a deep dive into the profession, with input from front-line internal auditors and chief audit executives.

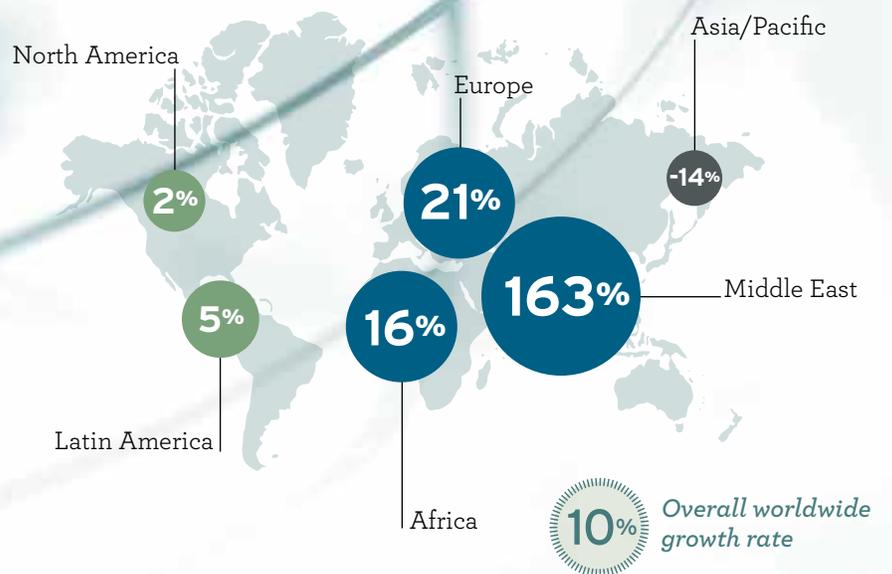
At the 2015 International Conference, The IARF released its first of over 25 planned reports, *Driving*

Success in a Changing World: 10 Imperatives for Internal Audit. Other results of the survey will provide a rich overview of how the profession is currently being practiced and changes that are anticipated in the future. All reports generated from the CBOK survey will be available for free to the public.

CBOK Practitioner Survey Participation by Global Region



Regional 5-Year Membership Growth Rates (2009-2014)



GLOBAL EXPANSION

Extending Our Impact

Internal audit is increasingly visible around the globe, thanks to the efforts of The IIA's members, volunteers, and global network of institutes. Worldwide, The IIA delivers ideas and practices that enable forward-looking internal audit professionals to maximize their value and contributions, as globalization continues to increase the pace at which organizations need to adapt to be successful.

GLOBAL STRATEGIC PLAN PROVIDES A BLUEPRINT FOR THE FUTURE >> Crafted during 2014, a Global Strategic Plan for 2015–2020 outlines The IIA's mission: to lead the global profession and advance its value.

Vision

> *Internal audit professionals will be universally recognized as indispensable to effective governance, risk management, and control.*

Goals

- > **Professionalism.** *Lead the profession through the development of timely and relevant knowledge, global guidance, and career path guidelines.*
- > **Advocacy.** *Raise the profile of and demand for the profession to ensure it is recognized as an indispensable resource by key stakeholders.*
- > **Leader.** *Be recognized as the leading voice for internal auditing.*
- > **Capacity.** *Collaborate globally to expand the capacity of the profession.*
- > **Sustainable Value:** *Deploy both financial and business models that generate sustainable value for members.*

IIA BY THE NUMBERS*

- 106** Institutes
- 159** North American Chapters
- 170+** Countries and territories
- 180,000+** Members
- 128,896** CIAs
- 1** Set of Standards

**As of December 2014*



At the Global Council meeting in Beijing, China, representatives from institutes signed a scroll to acknowledge commitment to the nine core values of The IIA's 2015–2020 Global Strategic Plan.



MASTER RELATIONSHIP AGREEMENTS FACILITATE EXPANSION >> Globalization defines The IIA's tremendous growth in the past decade. To leverage the opportunities from globalization, strengthen relationships, and support development, The IIA entered into Master Relationship Agreements (MRAs) with 105 eligible institutes, bringing together all aspects of the partnership to ensure mutual support and collaboration that serves members worldwide.

AFRICAN DEVELOPMENT INITIATIVE ENCOURAGES GROWTH >> To explore the state of the profession and opportunities for growth in Africa, the African Federation of Institutes of Internal Auditors (AFIIA) held its first regional conference in Kampala, Uganda, in April 2014. The event attracted an impressive 500 delegates from 25 countries.

At a press conference organized by IIA-China in conjunction with the Global Council meeting in Beijing, IIA representatives answered questions about a variety of topics: geopolitical and economic emerging issues; IIA-China's role in the international arena from a global organization perspective; and internal audit's role as the Chinese government tackles corruption. Left to right: Richard F. Chambers, President and CEO of IIA Global; Anton van Wyk, Chairman of IIA Global; Yu Xiaoming, Chairman of IIA-China; Bao Guoming, Secretary General of IIA-China

REGIONAL SPOTLIGHT

Lesedi Lesetedi,

CIA, QIAL

Director of Internal Audit

Botswana International University of Science & Technology

Chair, AFIIA and

International Secretary,

IIA Global Board

Member, IIA-Botswana

INTERNAL AUDITORS

who attended the inaugural African regional conference and workshop share an important view – they see themselves as catalysts of change. The energy and enthusiasm among internal auditors in Africa,

combined with training, networking, and support from The IIA, the African Federation of Institutes of Internal Auditors (AFIIA), and the African institutes, will elevate internal audit in organizations and among stakeholders to new heights.

Internal audit is taking a big leap when it comes to add-

ing value. In my organization, management relies on internal auditors to provide real-time counsel. A similar trend is happening throughout the continent, with all stakeholders' eyes set on internal audit.

The opportunity for The IIA and AFIIA is to continue to provide practitioners with

professional development resources and support that empower them to make connections with peers and share and learn best practices. In turn, these efforts will help strengthen the internal audit profession in the region, which is thriving in almost every country on the continent.



To support capacity building, The IIA leveraged the first African regional conference by conducting a workshop to discuss the growth and development of Africa's 24 institutes representing more than 17,000 members. Participants discussed topics ranging from membership and certifications to advocacy and governance, and shared essential information, tools, and leading practices.



INVESTMENTS IN THE PROFESSION

Ensuring a Successful Future

The internal audit profession has experienced significant growth since The IIA was established almost 75 years ago. Formerly recognized as a career focused on financial controls, internal auditing has evolved with a broader platform and broader challenges. Today's internal auditors review and provide mission assurance and advisory services on most critical aspects of an organization, including processes and procedures, risk and internal controls, organizational effectiveness, environmental sustainability, and more. The IIA continues to both advocate and educate about the profession —

among practitioners, organizations, other stakeholders, and the next generation of internal auditors.

ADVOCATING THE PROFESSION >> The IIA's advocacy strategy focuses on promoting and elevating the profession, often through collaboration with like-minded bodies with a similar mission of protecting and enhancing organizational value, and serving the public good. Our efforts continued to build awareness of the critical value of effective internal auditing. Among our advocacy activities over the past year:

Developing the Next Generation of Leaders

THE IIA invests in the future and strengthens the profession through the Internal Auditing Academic Advancement Fund (IAAAF), which supports The IIA's educational and awareness efforts through Academic Relations programs at post-secondary institutions worldwide.

Designed to promote teaching and learning about the profession, the Internal Auditing Education Partnership (IAEP) associates with colleges and universities to provide a comprehensive internal audit education and foundation for future internal auditors to begin a career

in internal audit upon graduation. The Internal Audit Academic Awareness Program recognizes the efforts universities are making to produce skilled and enthusiastic internal audit professionals.

This year, the IAAAF's annual IAEP Leadership

and Networking Retreat brought together 77 top IAEP students representing 28 universities from seven countries around the world for a case competition, leadership training, and the opportunity to interview for their first job in internal auditing.

► *In its position as the chief advocate for the internal audit profession, The IIA retained a seat on the International Integrated Reporting Council, a global coalition of regulators, investors, companies, standard setters, the accounting profession, and non-governmental organizations, that works toward establishing integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.*

► *In the United States, The IIA continued to encourage swift action to appoint well-qualified individuals to Inspectors General positions. The IIA submitted persuasive statements and letters to the President and the U.S. Congress, pushing for empowerment of IGs in the exercise of their vital oversight roles, and stressing the importance of maintaining IGs' absolute need for independence and unrestricted access to information.*

IIA Global Chairman Anton van Wyk was part of a distinguished panel of experts at the United Nations' Office of Internal Oversight Services (OIOS) 20th Anniversary celebration in 2014. U.N. Secretary General Ban Ki-moon kicked off the session, which reflected

on the OIOS mandate to provide independent and objective internal oversight services to the United Nations. Van Wyk also presented his chairman's theme, "Mind the Gap," at an afternoon reception of the OIOS's Internal Audit Division.

STUDENT SPOTLIGHT

Linh Thien Mai
The University of Texas at Dallas



I CHOSE to pursue a career in internal audit because of the opportunities the profession provides. It's a career in which I know I will be able to make a difference within an organization and constantly learn and develop new skills.

The Internal Auditing Education Partnership has provided me with many hands-on opportunities and numerous advantages, set me apart as a candidate, and enabled me to develop as a professional. Through my participation, I've expanded my network; developed interpersonal,

presentation, and other soft skills; and discovered where I wanted to start my career.

The most important piece of advice I've been given is, "Don't be afraid to ask questions." On the job, it helps me gain a better understanding of expectations and processes, and helps me get to know my teammates and clients. Following that guidance has also helped me find my confidence and become a better leader.

IIA Global Board of Directors

EXECUTIVE COMMITTEE



CHAIRMAN OF THE BOARD
Anton van Wyk,
CIA, QIAL, CRMA

Partner
PricewaterhouseCoopers
LLP
South Africa

SENIOR VICE CHAIRMAN OF THE BOARD
Lawrence J. Harrington,
CIA, QIAL, CRMA

Vice President
Internal Audit
Raytheon Company
USA

VICE CHAIRMAN-RESEARCH
Frank M. O'Brien,
CIA, QIAL

Vice President,
Internal Audit, Business
Ethics and Integrity
Olin Corporation
USA

Left to right: Paul J. Sobel, Angela Witzany, Philip D. Tarling, Lawrence J. Harrington, Richard F. Chambers, Anton van Wyk, Charlotta L. Hjelm, Renato Trisciuzzi, Frank M. O'Brien, J. Michael Peppers, Harold C. Silverman

VICE CHAIRMAN-PROFESSIONAL CERTIFICATIONS
Harold C. Silverman,
CIA, QIAL, CRMA

Vice President,
Internal Audit
The Wendy's Company
USA

VICE CHAIRMAN-PROFESSIONAL GUIDANCE
Angela Witzany,
CIA, QIAL, CRMA

Head of Internal Audit
Sparkassen Versicherung
AG
Austria

VICE CHAIRMAN-GLOBAL SERVICES
Renato Trisciuzzi, CIA,
QIAL, CCSA, CRMA

Corporate Audit Director
Walmart
Brazil

VICE CHAIRMAN FINANCE-TREASURER
J. Michael Peppers,
CIA, QIAL, CRMA

Chief Audit Executive
University of Texas System
USA

SECRETARY
Charlotta Löfstrand Hjelm,
CIA, QIAL

Chief Internal Auditor
Lansforsakringar AB
Sweden

PAST CHAIRMAN OF THE BOARD
Philip D. Tarling, CIA, QIAL,
CRMA, CMIIA

Vice President,
Internal Audit Centre
of Excellence
Huawei Technologies
United Kingdom

IMMEDIATE PAST CHAIRMAN OF THE BOARD
Paul J. Sobel, CIA,
QIAL, CRMA

Vice President/
Chief Audit Executive
Georgia Pacific
Corporation
USA



DIRECTORS-AT-LARGE

Jorge G. Badillo Ayala, CIA, CCSA, CGAP, CRMA

*Regional Internal Auditor
South America*
Kinross Services Ltda.
Chile

Karem T. Obeid, CIA, CCSA, CRMA

Chief Audit Executive
Tawazun
United Arab Emirates

Ágúst Hrafnkelsson, CIA, CRMA

Chief Audit Executive
Glitnir Banki Hf.
Iceland

Archie R. Thomas, CIA

Consulting Internal Auditor
Canada

Lesedi Lesetedi, CIA, QIAL

Director of Internal Audit
Botswana International
University of
Science & Technology
Botswana

Yi-Hsin (Doris) Wang, CIA, CGAP, CRMA

Professor
National Taipei University
Chinese Taiwan

Ernesto Martinez Gomez, CIA, CRMA

Chief Audit Executive
Banesto-Santander Group
Spain

INSTITUTE DIRECTORS

Oswaldo Basile, CIA, CCSA, CRMA

*VP Global Internal Audit
Services Brazil*
Walmart Brasil Ltda.
Brazil

Rob Newsome, CIA, CRMA

Partner
PricewaterhouseCoopers
South Africa

Sarah Kaye Blackburn, CRMA, CMIIA

*Internal Audit Development
Consultant*
The Wayside Network
Limited
UK & Ireland

May EE Christine Ong, CIA, CRMA

Senior Group General Manager - Internal Audit
IGB Corporation
Malaysia

Catherine J. Blunt, CIA

Principal
O'Connor, Marsden &
Associates
Australia

Beatriz Sanz Redrado, CIA, CRMA

Director, Investigation Support
European Commission
France

Oliver Dieterle, CIA, CGAP, CRMA

Chief Audit Executive
Bundesagentur fuer Arbeit
Germany

Sakiko Sakai, CIA, CCSA, CFSA, CRMA

Consultant
Infinity Consulting
Japan

Giovanni Grossi, CIA, CCSA, CFSA, CGAP, CRMA

Principal
Quality & Control Systems
Italy

Xi Sheng, CIA

Chief Audit Executive
China Eastern Air Holding
Company
China

NORTH AMERICAN DIRECTORS

Eric N. Allegakoen, CIA, CCSA, CRMA

*Corporate Vice President &
Chief Audit Executive*
Adobe Systems
USA

J. Michael Joyce, Jr., CIA, CRMA

*Chief Auditor & Compliance
Officer*
Blue Cross Blue Shield
Association
USA

Karen Brady, CIA, CRMA

*VP and Chief Compliance
Officer*
Baptist Health South
Florida
USA

Robert B. Kuling, CIA, CRMA

*Partner, Enterprise Risk
Services*
Deloitte & Touche LLP
Canada

Mike Cowell, CIA

*Senior Managing Director,
Chief Auditor*
TIAA-CREF
USA

Carolyn D. Saint, CIA, CRMA

Chief Audit Executive
University of Virginia
USA

Princy Jain, CIA, CCSA, CRMA

Partner
PricewaterhouseCoopers
LLP-San Jose
USA

Shannon J. Urban, CIA, CRMA

Executive Director
Ernst & Young
USA

Pamela S. Jenkins, CIA, CRMA

*Vice President, Internal
Audit*
US Foods
USA

John W. Wszelaki, CIA, CRMA

Director of Audit
Commonwealth of Virginia,
Department of Alcoholic
Beverage Control
USA

PRESIDENT AND CEO

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA

The Institute of Internal Auditors, Global Headquarters

2014 Financial Discussion and Analysis

As The Institute of Internal Auditors reviews its 2014 fiscal position, it is pleased to outline the financial performance that supported the aforementioned achievements.

In the 12 months ending December 31, 2014, total revenue was \$49.5 million for The Institute of Internal Auditors, Inc., and related entities (IIA). That represented a decrease of \$2.2 million (4.3%) from 2013. The Change in Net Assets (net contribution) was \$5.0 million in 2014, a decrease of \$4.0 million (44.5%) from 2013.

The IIA experienced growth in Membership revenue in 2014, while other major operating areas – Educational Program and Certification – experienced decreased revenue year-over-year.

The 8.6% growth in Membership revenue was mainly a result of membership dues increases implemented in 2014 and 2013 to fund key strategic initiatives. New-member acquisition and retention rates both achieved their targets in 2014.

In 2014, Educational Program and Certification revenue decreased 17.5% and 11.8%, respectively. The decrease in Educational Program revenue was mainly due to recording revenue from the 2014 International Conference in London on a revenue share net contribution basis, compared with the 2013 International Conference, hosted for the first time by IIA Headquarters and held in Orlando, Florida, being recorded as a full program of revenue and expenses. In 2014, the International Conference generated a net contribution of \$710,376, while the 2013 conference generated \$3.8 million in revenue before operating expenses. The decrease in Certification revenue was due to the CRMA® Professional Experience Recognition Program (PER), launched in 2011 for The IIA's new professional designation, the Certification in Risk Management Assurance® (CRMA), closing at the end of 2013. The PER program generated one-time revenue of \$21,990 and \$2,226,165 in 2014 and 2013, respectively.

The IIA also tracks revenue and expenses by geographic segment between North American Operations and Global Operations. In 2014, total revenue for North America Operations and Global Operations was \$34.3 million and \$13.1 million, respectively, while net contribution for North American Operations and Global Operations was \$3.4 million and \$1.6 million, respectively.

As a result of the strong financial performance, The IIA ended 2014 with \$12.3 million in cash and cash equivalents. That represented a year-over-year increase of \$2.4 million (24.6%). During 2014, \$2.0 million in excess daily operating cash was moved into long-term investments, bringing the two-year (2013-2014) total to \$11.0 million of excess daily operating cash moved to long-term investments. As result of a change to its banking relationship, The IIA in 2014 closed its \$2 million line of credit with CNL Bank. The line of credit was intended to fund any short-term cash-flow shortages.

The IIA continues to invest and improve the products and services offered to members. In 2014, The IIA invested \$1.4 million into capital-related projects, bringing the two-year (2013-2014) total investment to \$2.7 million.

The IIA's investment portfolio in 2014 increased from \$29.1 million to \$32.7 million as a result of \$2.0 million moved from excess daily operating cash, \$1.6 million investment interest, dividend income and capital gains received, and the recording of a negative \$74,358 mark-to-market adjustment. Overall, the investment portfolio has performed consistent with expectations given the more conservative nature of an investment policy implemented in 2011.

Total net assets in 2014 for The IIA were \$40.9 million, compared with \$35.9 million in 2013.

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

Report of Independent Auditors

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

REPORT ON THE CONSOLIDATING FINANCIAL STATEMENTS >> We have audited the accompanying consolidating financial statements of The Institute of Internal Auditors, Inc. (“the Institute”) and Affiliates, which comprise the consolidating statement of financial position as of December 31, 2014, and the related consolidating statements of activities and cash flows for the year then ended, and the related notes to the consolidating financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institute’s preparation and fair presentation of the con-

solidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

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

OPINION >> In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of The Institute of Internal Auditors, Inc. and Affiliates as of December 31, 2014, the consolidating changes in its net assets, and its consolidating cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

REPORT ON SUMMARIZED COMPARATIVE INFORMATION >> We have previously audited The Institute’s 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 1, 2014. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Batts Morrison Wales & Lee, P.A.
Orlando, Florida
April 27, 2015

Consolidating Statement of Financial Position

FOR THE YEAR ENDED DECEMBER 31, 2014

(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2013)

	2014					2013	
	The Institute of Internal Auditors, Inc	Institute of Internal Auditors - Research Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	IIA Quality Services, LLC	Eliminations	Consolidated Total	Consolidated Total
ASSETS							
Cash and cash equivalents	\$10,240,260	\$978,396	\$317,218	\$803,793	-	\$12,339,667	\$9,905,727
Investments	30,450,217	2,279,176	-	-	-	32,729,393	29,108,107
Due from affiliates, net	492,618	-	659,139	-	(1,151,757)	-	-
Accounts receivable, net	3,178,188	165,126	1,000	269,576	-	3,613,890	3,143,880
Prepaid expenses and other assets	1,833,314	206,573	-	-	-	2,039,887	1,736,020
Property and equipment, net	5,335,031	38,264	-	-	-	5,373,295	5,225,547
Deferred project costs, net	1,839,372	146,734	-	-	-	1,986,106	1,283,787
Employee savings plans	1,785,967	-	-	-	-	1,785,967	1,569,500
Restricted investments	-	135,000	-	-	-	135,000	135,000
Total Assets	\$55,154,967	\$3,949,269	\$977,357	\$1,073,369	(\$ 1,151,757)	\$60,003,205	\$52,107,568
LIABILITIES							
Accounts payable and accrued expenses	\$5,581,305	\$105,254	\$3,003	\$68,396	-	\$5,757,958	\$6,145,735
Due to affiliates, net	-	156,566	-	995,191	(1,151,757)	-	-
Deferred revenue	10,820,189	45,934	-	-	-	10,866,123	8,519,326
Deferred employee compensation	1,785,967	-	-	-	-	1,785,967	1,569,500
Other liabilities	732,300	-	-	-	-	732,300	-
Total Liabilities	\$18,919,761	\$307,754	\$3,003	\$1,063,587	(\$1,151,757)	\$19,142,348	\$16,234,561
NET ASSETS							
Unrestricted	\$36,206,856	\$2,943,425	\$919,813	\$9,782	-	\$40,079,876	\$35,130,356
Temporarily restricted	28,350	563,090	54,541	-	-	645,981	607,651
Permanently restricted	-	135,000	-	-	-	135,000	135,000
Total Net Assets	36,235,206	3,641,515	974,354	9,782	-	40,860,857	35,873,007
Total Liabilities and Net Assets	\$55,154,967	\$3,949,269	\$977,357	\$1,073,369	(\$1,151,757)	\$60,003,205	\$52,107,568

Consolidating Statement of Activities

FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2013)

	2014					2013	
	The Institute of Internal Auditors, Inc	Institute of Internal Auditors - Research Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	IIA Quality Services, LLC	Eliminations	Consolidated Total	Consolidated Total
CHANGE IN UNRESTRICTED NET ASSETS FROM OPERATIONS							
REVENUES							
Relationship management	\$13,279,966	-	-	-	(\$21,377)	\$13,258,589	\$12,207,532
Certification	10,573,637	-	-	-	-	10,573,637	11,984,591
Seminars	9,276,130	-	-	-	-	9,276,130	9,717,852
Conferences	4,904,901	-	-	-	-	4,904,901	7,464,344
Publishing	1,321,895	2,515,182	-	-	(118,075)	3,719,002	4,148,241
Other program revenue	2,280,628	-	-	-	(28,394)	2,252,234	1,491,573
Quality assessment	-	-	-	1,492,248	-	1,492,248	1,460,346
North American services	1,447,417	-	-	-	-	1,447,417	1,362,439
Dividend and interest income	1,309,449	97,175	402	-	-	1,407,026	683,137
Technology based learning	838,581	-	-	-	-	838,581	885,577
Contributions	-	221,172	123,493	-	-	344,665	315,916
Total revenues	\$45,232,604	\$2,833,529	\$123,895	\$1,492,248	(\$167,846)	\$49,514,430	\$51,721,548
Net assets released from use restrictions	65,440	253,062	21,895	-	-	340,397	252,473
Total revenues and net assets released from use restrictions	\$45,298,044	\$3,086,591	\$145,790	\$1,492,248	(\$167,846)	\$49,854,827	\$51,974,021
EXPENSES							
Relationship management	\$8,536,216	-	-	-	-	\$8,536,216	\$6,925,117
Seminars	8,323,890	-	-	-	-	8,323,890	8,655,324
Certification	7,623,188	-	-	-	-	7,623,188	7,379,035
Other	6,433,534	685,830	87,194	-	(175,000)	7,031,558	5,405,560
Conferences	3,569,160	-	-	-	-	3,569,160	6,194,125
Professional practices	2,539,406	-	-	-	-	2,539,406	2,060,150
Educational products	-	2,104,550	-	-	-	2,104,550	2,317,803
North American services	1,732,408	-	-	-	-	1,732,408	1,699,190
Quality assessment	-	-	-	1,506,001	(49,771)	1,456,230	1,624,382
Publishing	794,006	-	-	-	(118,075)	675,931	641,566
Technology based learning	657,906	-	-	-	-	657,906	801,827
Research projects	-	252,990	-	-	-	252,990	196,115
Grants	-	-	114,952	-	-	114,952	145,553
Academic programs	-	37,564	-	-	-	37,564	59,358
Total expenses	\$40,209,714	\$3,080,934	\$202,146	\$1,506,001	(\$342,846)	\$44,655,949	\$44,105,105
Change in unrestricted net assets from operations	\$5,088,330	\$5,657	(\$56,356)	(\$13,753)	\$175,000	\$5,198,878	\$7,868,916

(continued on next page)

Consolidating Statement of Activities

FOR THE YEAR ENDED DECEMBER 31, 2014

(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2013)

	2014					2013	
	The Institute of Internal Auditors, Inc	Institute of Internal Auditors - Research Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	IIA Quality Services, LLC	Eliminations	Consolidated Total	Consolidated Total
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS FROM OPERATIONS							
Contributions	-	\$319,550	\$47,991	-	(\$175,000)	\$192,541	\$137,436
Dividend and interest income	-	11,186	-	-	-	11,186	6,568
Net assets released from use restrictions	(65,440)	(253,062)	(21,895)	-	-	(340,397)	(252,473)
Change in temporarily restricted net assets from operations	(\$65,440)	\$77,674	\$26,096	-	(\$175,000)	(\$136,670)	(\$108,469)
NON-OPERATING ACTIVITIES	(\$52,287)	(\$22,071)	-	-	-	(\$74,358)	\$1,225,117
CHANGE IN NET ASSETS	4,970,603	61,260	(30,260)	(13,753)	-	4,987,850	8,985,564
NET ASSETS - Beginning of year	31,264,603	3,580,255	1,004,614	23,535	-	35,873,007	26,887,443
NET ASSETS - End of year	<u>\$36,235,206</u>	<u>\$3,641,515</u>	<u>\$974,354</u>	<u>\$9,782</u>	<u>-</u>	<u>\$40,860,857</u>	<u>\$35,873,007</u>

Consolidating Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2014

(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2013)

	2014					2013	
	The Institute of Internal Auditors, Inc	Institute of Internal Auditors - Research Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	IIA Quality Services, LLC	Eliminations	Consolidated Total	Consolidated Total
OPERATING CASH FLOWS							
Cash received from members and customers	\$45,698,414	\$3,127,390	\$173,484	\$1,520,290	-	\$50,519,578	\$48,157,560
Cash paid for operating activities and costs	(40,478,588)	(2,734,768)	(206,181)	(1,033,338)	-	(44,452,875)	(38,791,742)
Investment income received	1,309,449	108,361	402	-	-	1,418,212	689,705
Net operating cash flows	<u>\$6,529,275</u>	<u>\$500,983</u>	<u>(\$32,295)</u>	<u>\$486,952</u>	<u>-</u>	<u>\$7,484,915</u>	<u>\$10,055,523</u>

(continued on next page)

Consolidating Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2014
(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2013)

	2014					2013	
	The Institute of Internal Auditors, Inc	Institute of Internal Auditors - Research Foundation, Inc.	Internal Auditing Academic Advancement Fund, Inc.	IIA Quality Services, LLC	Eliminations	Consolidated Total	Consolidated Total
INVESTING CASH FLOWS							
Proceeds from sales of investments	\$13,082,305	\$1,011,969	-	-	-	\$14,094,274	\$158,400
Purchases of investments	(16,646,499)	(1,143,419)	-	-	-	(17,789,918)	(9,913,485)
Purchases of and improvements to property and equipment	(30,824)	(32,673)	-	-	-	(63,497)	(109,262)
Expenditures for deferred projects	(1,221,476)	(70,358)	-	-	-	(1,291,834)	(1,250,996)
Net investing cash flows	(4,816,494)	(234,481)	-	-	-	(5,050,975)	(11,115,343)
CHANGE IN CASH AND CASH EQUIVALENTS	1,712,781	266,502	(32,295)	486,952	-	2,433,940	(1,059,820)
CASH AND CASH EQUIVALENTS - Beginning of year	\$8,527,479	\$711,894	\$349,513	\$316,841	-	\$9,905,727	\$10,965,547
CASH AND CASH EQUIVALENTS - End of year	\$10,240,260	\$978,396	\$317,218	\$803,793	\$-	\$12,339,667	\$9,905,727
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS							
Change in net assets	\$4,970,603	\$61,260	(\$30,260)	(\$13,753)	-	\$4,987,850	\$8,985,564
Adjustments to reconcile change in net assets to net operating cash flows:							
Depreciation	689,253	11,291	-	-	-	700,544	622,299
Amortization of deferred project costs	243,292	163,679	-	-	-	406,971	361,335
Net loss on disposals of property and equipment	130,049	-	-	-	-	130,049	-
Net loss (gain) on investments	52,287	22,071	-	-	-	74,358	(1,225,117)
Change in due from/to affiliates, net	(500,335)	53,033	(7,038)	454,340	-	-	-
Change in accounts receivable, net	(580,688)	80,636	2,000	28,042	-	(470,010)	765,468
Change in funds advanced for international conference	-	-	-	-	-	-	3,104,340
Change in prepaid expenses and other assets	(503,865)	199,998	-	-	-	(303,867)	508,326
Change in accounts payable and accrued expenses	(327,268)	(81,835)	3,003	18,323	-	(387,777)	919,535
Change in due to international conference	-	-	-	-	-	-	(4,328,479)
Change in deferred revenue	2,355,947	(9,150)	-	-	-	2,346,797	342,252
Total adjustments	1,558,672	439,723	(2,035)	500,705	-	2,497,065	1,069,959
Net operating cash flows	\$6,529,275	\$500,983	(\$32,295)	\$486,952	-	\$7,484,915	\$10,055,523

Notes to Consolidating Financial Statements

December 31, 2014 (With Summarized Comparative Information for December 31, 2013)

NOTE A - NATURE OF ACTIVITIES

The Institute of Internal Auditors, Inc. ("the Institute") was formed in 1941 and is a not-for-profit corporation formed to cultivate, promote, and disseminate knowledge and information concerning internal auditing and related subjects. The Institute's primary program activities include conducting seminars and conferences to educate and train internal auditors; publishing and selling periodicals and materials which inform internal auditors and members of the Institute of current professional issues, standards, and practices; offering examinations and certifications to internal auditors; and evaluating the performance of internal audit departments.

Institute of Internal Auditors - Research Foundation, Inc. ("the Foundation") is a not-for-profit corporation formed to expand knowledge and understanding of internal auditing by providing relevant research and educational products to advance the profession globally. The Institute's Board of Directors has the authority to appoint the members of the Foundation's governing body. Accordingly, in conformity with accounting principles generally accepted in the United States of America, the Institute's financial statements include the accounts of the Foundation. All significant interorganization transactions and balances have been eliminated.

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

IIA Quality Services, LLC ("Quality Services") is a Florida limited liability company organized in 2013 for the purpose of conducting external quality assessments and related activities. The Institute is the sole member of Quality Services. Accordingly, in conformity with accounting principles generally accepted in the United States of America, the Institute's financial statements include the accounts of Quality Services. All significant interorganization transactions and balances have been eliminated.

Canadian Institute of Internal Auditors ("the Canadian Institute") is a not-for-profit Canadian corporation formed to cultivate, promote, and disseminate knowledge and information concerning internal auditing and related subjects in Canada. The Institute controls the Canadian Institute by virtue of provisions contained in the Canadian Institute's governing documents. Accordingly, in conformity with accounting principles generally accepted in the United States of America, the Institute's financial statements include the accounts of the Canadian Institute. Due to the immateriality of the amounts involved, the activities and balances of the Canadian Institute are included in the financial statements of the Institute.

IIA Properties, LLC ("IIA Properties") is a Florida limited liability company organized on May 20, 2008 for the purpose of owning real property and carrying on various real estate-related transactions. The Institute is the sole member of IIA Properties. Accordingly, in conformity with accounting principles generally

accepted in the United States of America, the Institute's financial statements include the accounts of IIA Properties. Due to the immateriality of the amounts involved, the activities and balances of IIA Properties are included in the financial statements of the Institute.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REVENUE RECOGNITION AND OPERATING ACTIVITIES | The Institute recognizes revenue and incurs expenses in its operation of the following activities:

Relationship management | Membership dues are recognized as income ratably throughout the year. Membership application fees are nonrefundable and are recognized as income when received. Expenses include the direct and indirect costs of delivering member benefits, as well as costs associated with recruiting new members and servicing and retaining existing members worldwide.

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

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

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

Quality assessment | Quality assessment service fees are recognized as income in the period in which the engagement is completed. Expenses include the direct and indirect costs of conducting quality assessments.

North American services | Global Auditing Information Network® ("GAIN®") subscription fees are recognized as income when the product is shipped. Expenses include fulfillment of GAIN subscriptions. GAIN is a knowledge exchange forum available to member organizations of the Institute.

Notes to Consolidating Financial Statements

December 31, 2014 (With Summarized Comparative Information for December 31, 2013)

Audit Executive Center (“AEC™”) membership dues are recognized ratably throughout the year. Membership application fees are nonrefundable and are recognized as income when received. Expenses include the direct and indirect costs of delivering member benefits, as well as costs associated with recruiting new members and servicing and retaining existing members worldwide.

Technology based learning | Webinar revenue is recognized as income in the period in which the webinar is completed, or ratably throughout the year for annual subscriptions to certain online offerings. Expenses include the direct and indirect costs of creating and conducting the webinars.

Professional practices | Expenses include the direct and indirect costs of creating and maintaining authoritative guidance organized in the International Professional Practices Framework.

Other activities | During 2014 and 2013, the Foundation reimbursed the Institute for certain personnel-related costs and certain shared costs. Such reimbursements are reflected as expenses of the Foundation based on the nature of the specific expenses. Additionally, the Institute absorbs certain overhead costs of the Foundation and reimbursement is not required. Overhead costs of the Fund are paid by the Institute, reimbursement is not required, and are not material to the accompanying consolidating financial statements. Overhead costs and certain personnel-related costs of Quality Services are paid by the Institute and reimbursement is not required.

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

CASH AND CASH EQUIVALENTS | Investment instruments purchased with original maturities of three months or less are considered to be cash equivalents.

INVESTMENTS | Investments are carried at estimated fair value.

ALLOWANCE FOR DOUBTFUL ACCOUNTS | Accounts receivable are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on an analysis of specific accounts, 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.

PROPERTY AND EQUIPMENT | Property and equipment are stated at cost and are depreciated using the straight-line method.

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

RESTRICTED INVESTMENTS | Restricted investments consist of mutual funds held for an endowment fund of the Foundation, the distributions from which are to be used for scholarships for internal auditing students.

RESTRICTIONS ON NET ASSETS | Temporarily restricted net assets consist primarily of amounts held by the Institute restricted for technological developments, amounts held by the Foundation restricted for the William G. Bishop Memorial Fund to be used for the Common Body of Knowledge program, and amounts held by the Fund restricted for educational activities. Permanently restricted net assets consist of an endowment fund held by the Foundation, the distributions from which are to be used for scholarships for internal auditing students.

INCOME TAXES | The Institute is exempt from federal income tax under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(6) and from state income tax pursuant to state law. The Foundation and the Fund are exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3) and from state income tax pursuant to state law. Quality Services and IIA Properties are treated as disregarded entities for federal tax purposes. The Canadian Institute is exempt from taxation under applicable Canadian law. The Institute and Foundation engage in certain activities which are “unrelated business activities” as defined by the Internal Revenue Code, and which are subject to taxation. Income taxes on unrelated business income are recognized as expenses as incurred. The Fund, Quality Services, and IIA Properties have not incurred unrelated business income taxes.

None of the organizations included in the consolidating financial statements have taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America. Federal and state tax authorities may generally examine the organizations’ income tax positions or (if applicable) returns for periods of approximately three to six years.

USE OF ESTIMATES | Management uses estimates and assumptions in preparing consolidating financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing the accompanying consolidating financial statements include those used in estimating the fair value of investments, assessing the collectibility of accounts receivable, and determining the useful lives of property and equipment and deferred project costs. Actual results could differ from the estimates.

RECLASSIFICATIONS | Certain amounts included in the 2013 consolidated financial statements have been reclassified to conform to classifications adopted during 2014. The reclassifications had no material effect on the accompanying consolidating and consolidated financial statements.

SUBSEQUENT EVENTS | The organizations have evaluated for possible financial reporting and disclosure subsequent events through April 27, 2015, the date as of which the consolidating financial statements were available to be issued.

Notes to Consolidating Financial Statements

December 31, 2014 (With Summarized Comparative Information for December 31, 2013)

NOTE C - CONCENTRATION OF CREDIT RISK

Each 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 organizations have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk related to cash and cash equivalents.

NOTE D - INVESTMENTS

Investments consist of mutual funds and fixed income securities. The Institute and the Foundation consider all dividends and interest from investments as operating revenues and all gains and losses on investments as non-operating activities for purposes of the accompanying consolidating statement of activities.

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

	FOR THE YEARS ENDED DECEMBER 31,			
	2014			2013
	The Institute	The Foundation	Consolidated Total	Consolidated Total
Net unrestricted (loss) gain on investments	<u>(\$52,287)</u>	<u>(\$22,071)</u>	<u>(\$74,358)</u>	<u>\$1,225,117</u>

Accounting principles generally accepted in the United States ("GAAP") define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). 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.

Following is a description of each of the three levels of input within the fair value hierarchy

Level 1 - unadjusted quoted market prices in active markets for identical items

Level 2 - other significant observable inputs (such as quoted prices for similar items)

Level 3 - significant unobservable inputs

Estimated fair value of investments measured on a recurring basis at December 31, 2014, are as follows:

	Total	Level 1	Level 2	Level 3
Mutual Funds -				
The Institute	\$24,095,070	\$24,095,070	-	-
The Foundation	<u>2,414,176</u>	<u>2,414,176</u>	-	-
Total mutual funds	<u>26,509,246</u>	<u>26,509,246</u>	-	-
Fixed Income -				
The Institute - Corporate bonds	3,916,953	3,916,953	-	-
The Institute - Government securities	<u>2,438,194</u>	<u>2,438,194</u>	-	-
Total fixed income	<u>6,355,147</u>	<u>6,355,147</u>	-	-
Total	<u>\$32,864,393</u>	<u>\$32,864,393</u>	-	-

Estimated fair value of investments measured on a recurring basis at December 31, 2013, are as follows:

	Total	Level 1	Level 2	Level 3
Mutual Funds -				
The Institute	\$26,938,310	\$26,938,310	-	-
The Foundation	<u>2,304,797</u>	<u>2,304,797</u>	-	-
Total	<u>\$29,243,107</u>	<u>\$29,243,107</u>	-	-

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	DECEMBER 31,			
	2014			2013
	The Institute	The Foundation	Consolidated Total	Consolidated Total
Land	\$1,239,103	-	\$1,239,103	\$1,364,103
Buildings and building improvements	4,570,226	-	4,570,226	3,935,445
Furniture and equipment	5,545,058	82,287	5,627,345	5,244,864
Total property and equipment	11,354,387	82,287	11,436,674	10,544,412
Less: Accumulated depreciation	<u>(6,019,356)</u>	<u>(44,023)</u>	<u>(6,063,379)</u>	<u>(5,318,865)</u>
Net property and equipment	<u>\$5,335,031</u>	<u>\$38,264</u>	<u>\$5,373,295</u>	<u>\$5,225,547</u>

Notes to Consolidating Financial Statements

December 31, 2014 (With Summarized Comparative Information for December 31, 2013)

Depreciation expense for 2014 for the Institute and the Foundation amounted to \$689,253 and \$11,291, respectively. Depreciation expense for 2013 amounted to \$622,299. As of December 31, 2014 and 2013, "Land" includes property with a book value of \$1,125,000 and \$1,250,000, which was previously held for possible future development. During 2014, the Institute entered into an agreement to sell the subject land for \$1,200,000, subject to certain conditions. Subsequent to December 31, 2014, the sale was completed.

NOTE F - OPERATING LEASES

The Institute leases office space and office equipment under operating leases expiring through 2025. Approximate future lease payments related to such leases are as follows:

Year Ending December 31,	
2015	\$235,000
2016	453,000
2017	455,000
2018	466,000
2019	477,000
Thereafter	2,731,000
Total	<u>\$4,817,000</u>

Total rent expense related to all leases and additional amounts for short-term rentals and related charges amounted to approximately \$1,024,000 and \$1,437,000 for 2014 and 2013, respectively.

NOTE G - RETIREMENT PLANS

The Institute maintains a Section 401(k) retirement plan. The Institute contributes a certain percentage of the total salary of eligible employees to the plan. During 2014 and 2013, the Institute contributed approximately \$1,141,000 and \$1,063,000, 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 \$285,000 and \$215,000 during 2014 and 2013, respectively. The Institute held \$1,785,967 and \$1,569,500 in the plans as of December 31, 2014 and 2013, respectively, which is reflected in the consolidating statement of financial position as "employee savings plans" and "deferred employee compensation."

NOTE H - COMMITMENTS

The Foundation has entered into contracts and agreements with various parties for research projects. Unpaid commitments related to these contracts and agreements totaled approximately \$269,000 as of December 31, 2014.

The Institute delivers certain of its examinations in a computer-based testing environment (referred to by the Institute as the "CBT" initiative). In connection with CBT, the Institute entered into an agreement with a third-party ("the hosting service") which licenses application software for the management, operation, and administration of testing, certification, and licensure programs and maintains database functions related to such programs, all of which are offered as a hosted service. In connection with the agreement, the Institute agrees to pay the hosting service an annual license fee of \$103,000 plus certain incremental fees based on actual volume as described in the agreement. In connection with CBT, the Institute has also entered into a test delivery services agreement with another third-party ("the test provider"). Pursuant to the terms of the agreement, the test provider is responsible for various tasks related to administering tests to participants. The test provider will be paid per test fees and various other fees pursuant to the terms of the agreement. The agreement expires during 2018, unless terminated earlier by one of the parties subject to the terms of the agreement.

In January 2013, the Institute entered into an agreement with Institute of Internal Auditors - Australia to provide a revolving line of credit up to \$300,000. The line of credit requires monthly interest only payments at the 3-month LIBOR plus 2% per annum until January 2016, at which time all unpaid interest and principal becomes due. The line of credit is secured by certain assets of Institute of Internal Auditors - Australia. No amounts have been drawn on the line of credit as of December 31, 2014 and 2013.

NOTE I - EXPENSE ALLOCATIONS

Total 2014 expenses for the Institute include approximately \$28,354,000 of program expenses and \$11,856,000 of administrative expenses.

Total 2014 expenses for the Foundation include approximately \$2,395,000 of program expenses, \$678,000 of administrative expenses, and \$8,000 of fundraising expenses.

Total 2014 expenses for the Fund include approximately \$189,000 of program expenses and \$13,000 of fundraising expenses.

Total 2014 expenses for Quality Services include approximately \$1,089,000 of program expenses and \$417,000 of administrative expenses.

Total expenses for 2013 include approximately \$32,581,000 of program expenses, \$11,482,000 of administrative expenses, and \$42,000 of fundraising expenses.

Management's Annual Report on Internal Control Over Financial Reporting

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

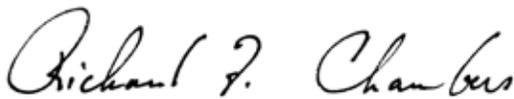
Management also prepared the supplemental information in the annual report and is responsible for its accuracy and consistency with the financial statements. The financial statements have been audited by Batts Morrison Wales & Lee, P.A., independent certified public accountants selected by the Board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

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

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

For the annual report as of, and for the year ending, December 31, 2014, we certify that, to the best of our knowledge:

- › This annual report does not contain any untrue statements of a material nature or omit to state a material fact necessary to make the statements misleading with respect to the period covered by the annual statement;
- › The financial information included in this annual report fairly presents in all material respects the financial condition, results of operations, and cash flows as of and for the periods presented in the annual report;
- › An adequate system for disclosing controls and procedures exists to ensure that material information is made known to us by others within the organization; management has concluded that the system of internal control over financial reporting was effective as of December 31, 2014.
- › Disclosures of any change in the internal control over financial reporting that occurred during the most recent fiscal quarter and materially affected, or is reasonably likely to materially affect, the internal control over financial reporting are included in this report.



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



Paul Skurecki
Vice President, Finance



Global Headquarters
247 Maitland Avenue
Altamonte Springs, Florida 32701-4201 USA

T +1-407-937-1111
F +1-407-937-1101
W www.globaliia.org



© 2015 The Institute of Internal Auditors