INTERNAL AUDIT RISING
The dynamic nature of global business is putting greater pressure on internal auditors to provide timely assurance and advice on key areas of risk. Businesses, public sector organizations, regulators, and other core stakeholders are increasingly looking to internal auditors to play a central role in ensuring their success.

But as the profession’s scope of responsibilities expands, practitioners face an imperative to enhance their knowledge and skills to fulfill their role as indispensable leaders and trusted advisers.

The Institute of Internal Auditors (IIA) is working to position internal auditors to take advantage of the opportunities now before them. Better training, improved certifications, expanded services, an enhanced professional practices framework, more insightful and timely research, and relevant resources are crucial components of a comprehensive solution to enhance the practice of the profession and to fuel internal auditors’ development.

Supported by the strong commitment of volunteers and a dedicated staff, The IIA is making great strides toward achieving the goals set out in its 2015–20 Global Strategic Plan, urging members to continually exceed stakeholder expectations and break out of their traditional comfort zones; provide even more value to their organizations; offer foresight, not just insight or hindsight; serve as trusted advisers to the board and senior management; audit at the speed of risk; and help organizations be successful.

Together, The IIA and its members are rising to meet the challenge. Together, we are “Internal Audit Rising.”
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GLOBAL CHAIRMAN'S MESSAGE
Serving as chairman of the Global Board is a highlight of my career. During my term, I visited 19 countries, 17 chapters, and spoke to 20,000 internal auditors, regulators, and other stakeholders. I shared my passion for our profession and explained the unique value we bring to our organizations. Around the world, I invited internal auditors to share my message to “Invest in Yourself” with at least five others, so that, through the multiplier effect, up to 100,000 individuals could have a greater awareness and appreciation for why our work really matters.

My theme was built on the message of prior chairmen by personalizing how we become indispensable to our organizations — a strategic goal of The IIA. The speed of change in business, technology, and world economies requires that we substantially expand our key competencies. It is not enough for internal auditors to spend the current average of only 40 hours a year toward professional development. We must take responsibility for our own growth, and we must act immediately.

During my time as chairman, I spoke of the imperative to audit at the speed of risk; how surveys show we are falling short of rising stakeholder expectations; the importance of branding for individuals, departments, and the profession; and the significance of developing personal strategic plans. These are critical areas for improvement.

I also discussed how to leverage IIA membership by regularly visiting our websites to review white papers, reports, and books on emerging issues; to use free tools such as IIA Career Map; and to explore centers of excellence for chief audit executives and specialty groups. We must invest our time in reading materials about practicing our profession that will keep our knowledge current and relevant.

I extend my best wishes to the incoming Global Chairman of the Board, Angela Witzany, and I thank our global staff and the many volunteers for their dedication to our profession and for their support during my visits. I am proud to be an internal auditor, and I want everyone to know we are indispensable to our organizations. When we invest in ourselves, we help organizations succeed in achieving their goals.

Lawrence J. Harrington, CIA, QIAL, CRMA

When we invest in ourselves, we help organizations succeed in achieving their goals.
For nearly 75 years, The IIA has partnered with members, volunteers, and other stakeholders to grow and evolve the internal audit profession. Together, we have worked toward achieving a noble and powerful mission for internal audit: to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Every year, the rate of change seems to accelerate, and internal auditors must keep pace. Geopolitical risk, digitization, and ever-increasing interconnectedness and globalization all bring risks and opportunities to organizations around the world. The IIA aims to serve its members by equipping them to respond in this dynamic environment.

At The IIA, we are fostering a sustained period of success in which we have grown our membership, forged new alliances, and placed our infrastructure on a firm financial foundation. We are leveraging the work of our many volunteers to provide a vibrant community where ideas, knowledge, and skills can be shared and honed so that our members are empowered to add increasingly more value to their organizations.

Indeed, internal auditors have never been better positioned to give assurance as trusted advisers and to help organizations take advantage of the seismic shifts in business. However, to add the most value, internal auditors must continuously invest in soft skills and growing relationships with stakeholders. They must look forward, with an integrated mindset and with an eye toward responding to evolving and emerging risks, to provide insight into when and how businesses need to act. They must lead courageously by trying new ideas and delving into non-traditional areas.

This year’s report serves as a reaffirmation that The IIA is making great progress toward helping our members and the profession evolve along with the needs and expectations of their organizations. We are now more than one year into The IIA’s 2015–20 Global Strategic Plan, which outlines how we will pursue our mission in the medium term, and we have many important initiatives underway. In 2015, we launched the Financial Services Audit Center to meet the unique needs of internal auditors in that industry. We began publishing research reports that analyze the findings from the Common Body of Knowledge study—the world’s largest ongoing study of the internal audit profession. We also overhauled our continuing professional development guidelines to ensure their relevancy and make them easier to use.

Thank you for collaborating with The IIA to advance the profession, and for supporting us as we pursue our vision to make internal auditors universally recognized as indispensable to effective governance, risk management, and control.

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and CEO
We are fostering a sustained period of success in which we have grown our membership, forged new alliances, and placed our infrastructure on a firm financial foundation.
As organizations face an increasingly dynamic and unpredictable world, they are turning to their internal auditors as trusted advisers who can provide assurance and advice in navigating through the risks and opportunities ahead.

To meet the evolving expectations of stakeholders, internal auditors must keep their skills and knowledge up-to-date, which is why The IIA makes professionalism a key component of its strategy. The IIA aims to provide its members with relevant, actionable tools and capabilities that support their efforts to help their organizations face the future with confidence.

DEMONSTRATING INTERNAL AUDIT EXCELLENCE

An internal audit department’s efficacy and efficiency are inexorably linked to the skills and competencies of its staff. And so it is crucial that new and rotational auditors get the support they need. In 2015, The IIA launched a new designation: the Internal Audit Practitioner. Candidates can earn the title by passing Part One of the exam for the industry-benchmark certification, the Certified Internal Auditor (CIA). The designation suits both those looking to progress to full certification and those who pass through an internal audit function so they can increase their knowledge and skills in risk management and internal control.

The IIA evolves its exam content to ensure that each exam aligns with the necessary job skills that practitioners need. To inform changes to the Certified Government Auditing Professional (CGAP) exam syllabus, public sector auditors participated in a survey to rate the knowledge, skills, and abilities required to test government auditing competencies. Next up is completion of the Certified Financial Services Auditor (CFSA) Job Analysis Study and subsequent revisions to the corresponding exam syllabus.

For internal audit practitioners who seek to demonstrate competency in internal control, The IIA and the Committee of Sponsoring Organizations of the Treadway Commission (COSO) partnered to
offer an opportunity to earn a certificate in the 2013 COSO Internal Control–Integrated Framework. Those successfully completing the program — a combination of self-paced learning, a hands-on workshop, and an online examination — exhibit an ability to design and implement an effective system of internal control utilizing the framework. Participation requires that internal auditors implement the framework in the context of their own organizations, thereby increasing their value to the business.

STANDARDS FOR PROFESSIONAL DEVELOPMENT

The IIA requires certified practitioners to keep their professional competencies sharp by devoting time to continuing professional education (CPE). In 2015, The IIA launched its Recognized CPE Provider program, which sets out clear standards to help internal auditors select relevant CPE credit activities. In addition, the program supports CPE credit providers in planning and developing their activities, and gives them formal acknowledgment that they have demonstrably satisfied the appropriate guidelines. Internal auditors can therefore make more informed choices, and also benefit from the increasing quality of CPE opportunities to acquire the skills and training they need to serve their organizations well and advance in their careers.

DEEPER SPECIALIZATION

Specialized auditing is becoming increasingly important as the complexity and depth of business and regulation increase. This is notably the case in the financial services sector. To meet the needs of professional internal auditors working in the industry, The IIA created the Financial Services Audit Center in 2015. The premium specialty center delivers affordable, high-quality CPE opportunities; a platform for members to connect with peers; and specialized thought leadership and resources that promote the professional practice of internal auditing in financial services.

In September 2015, the Center hosted the Financial Services Exchange, a two-day event in Washington, D.C., that was the first in an annual series of conferences bringing together financial services industry leaders, practitioners, and regulators for discussions and sharing of leading practices.

Beyond the financial services sector, The IIA also continued to extend support to environmental, health and safety (EHS) auditors through a merger with the Auditing Roundtable Inc. The IIA now administers the Certified Professional Environmental Auditor (CPEA) and Certified Process Safety Auditor (CPSA) credentials. The merger with Auditing Roundtable presents a unique opportunity to increase the number of EHS certifications internationally through The IIA’s network of members.

The IIA created the Environmental, Health & Safety Audit Center in the first quarter of 2016 to deliver high-quality professional services and resources that promote the highest standards of auditing excellence in the field.
To build the "integrated auditor," The IIA will soon offer a framework that enables an internal auditor to execute integrated audits on IT issues with IT professionals and lines of business. As part of the framework, tools, resources, and thought leadership will support internal auditors’ acquisition of fundamental IT competencies.

RESPONDING TO CHANGE
The IIA continues to provide internal auditors with world-class training so they can educate themselves on issues of pressing importance to their organizations. In 2015, to tackle emerging risks and to strengthen fundamental auditing skills, The IIA added a number of topical courses, including:

- Logging In: Auditing Cybersecurity in an Unsecure World, which offers auditors the opportunity to advance their knowledge about the latest cybersecurity threats, their potential business and reputational impacts, and how to implement proper controls to protect their organizations.
- Fundamentals of IT Auditing, which provides internal auditors with an introduction to key concepts and tools through exercises and case studies.
- Enterprise Risk Management (ERM): Elements of the Process, which presents more senior auditors with further insight into monitoring risk at an enterprisewide level and applying the evolutionary and fluid process of developing, implementing, and evaluating ERM.

The IIA also refreshed the Audit Career Center, a web-based tool that helps internal auditors to advance their careers and employers to strengthen their teams. The center’s assets for professionals include the IIA Career Map Self-Assessment Tool, IIA Career Guide, and other advice and resources for job seekers.

To connect members with information that helps them stay current, The IIA has widened availability of IIA SmartBrief to a global audience. The e-newsletter features news and developments that affect the internal audit profession.

FINANCIAL SERVICES
AUDIT CENTER
Members who enroll in the center enjoy a broad and deep range of information and shared knowledge to help them stay up-to-date and relevant.

- Webinars – Live broadcasts of one hour or more on current and relevant topics
- Knowledge Briefs – Short articles delivering quick, useful information
- Audit Focus – In-depth discussions on key internal audit considerations from current events
- Knowledge Library – Repository of insightful articles from industry-leading firms
- Financial Services Exchange – Annual signature conference to help auditors navigate the regulatory environment
- eWorkshops – Designed to cover a range of topics relevant to internal auditors in the financial services industry
- AuditCast – Short podcasts to access information on demand
"Environmental, Health and Safety auditing is a very specialized field, but one that can bring great benefits to an organization. The Auditing Roundtable’s merger with The IIA will help spread that knowledge and expertise among a broad range of businesses around the globe. It’s one of those occasions when there are true synergies in joining forces."

Scott Rois, CPEA, Audit Center of Excellence Leader, Koch Audit Services, Koch Company Services, LLC
Given the increasingly globalized nature of business, The IIA is expanding its capacity to serve members around the world, and to standardize its offerings globally. The IIA intends to bring the same level of professionalism and technical acumen to internal auditors and their organizations wherever they work.

**ONE SET OF GLOBAL CERTIFICATIONS**

The IIA and IIA–UK and Ireland (known as the Chartered Institute of Internal Auditors) took a major step toward a universal global certification when they announced in 2015 that IIA–UK and Ireland would transition from its highly regarded certifications — The IIA Diploma (PIIA) and IIA Advanced Diploma (CMIIA) — to the Certified Internal Auditor (CIA) and Qualification in Internal Audit Leadership (QIAL). Under the convergence agreement, the transition to CIA and QIAL will be conducted over a three-year period.

**A CHALLENGE ACCEPTED**

To help reinforce the distinct and distinguished contributions of internal auditors, and raise the profile of and demand for internal auditing, a joint initiative with the Association of Chartered Certified Accountants (ACCA) was launched in November 2015. ACCA members pursuing a specialization in internal auditing could take a challenge exam for an expedited route to earning the CIA designation by demonstrating competency in areas not already covered in the ACCA exams. Alan Hatfield, ACCA’s executive director of strategy and development explained, “This is an excellent opportunity to allow existing ACCA members to further develop their expertise in this specialized field in which being well-qualified clearly matters.” The challenge exam attracted more than 1,400 candidates in 101 countries and resulted in 996 new members joining The IIA.

**PROFESSIONAL PRACTICES FOR A GLOBAL PROFESSION**

As the global guidance-setting body, The IIA maintains the International Professional Practices Framework (IPPF), the globally recognized professional standards and guidance that underpins the practice of internal auditing. In 2015, The IIA issued enhancements to the IPPF, which included a new mission for internal audit: “To enhance and protect organizational value by providing...”

"Increasingly, internal auditors have told us they need a global qualifications suite because they are operating globally, their companies are operating globally, and they need to meet global standards. By adopting the CIA and QIAL, we are able to provide that global qualifications suite.”

Ian Peters, CEO of the Chartered Institute of Internal Auditors (IIA–UK and Ireland)
risk-based and objective assurance, advice, and insight.” The IPPF also explicitly states the Core Principles that must exist for internal audit to fulfill its potential.

As part of the evolution in the process to provide internal auditors with timely and appropriate tools for practicing the profession, The IIA sought input on proposed changes to its International Standards for the Professional Practice of Internal Auditing (Standards), to help practitioners meet new challenges and evolving demands on internal audit. The proposed changes focus on three areas: enhancing existing standards on communications and quality assurance; creating new standards to ensure objectivity in assurance and consulting roles, as well as addressing new roles internal audit functions are taking on; and aligning existing standards with the Core Principles.

**IPPF CORE PRINCIPLES**

**Internal audit:**
- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.
THOUGHT LEADERSHIP FOR A CHANGING WORLD

Internal auditors must carefully look beyond day-to-day challenges and toward emerging issues on the horizon. In its role as a thought leader, The IIA launched the Global Perspectives and Insights series, published in eight languages: Arabic, Chinese Simplified, English, French, Indonesian, Portuguese, Spanish, and Turkish. The series informs internal auditors worldwide on the pressing issues facing their organizations and how to tackle them effectively. Reports are available to members through IIA institutes in more than 100 countries and territories, as well as through The IIA’s global website.

A TRULY INTERNATIONAL CONFERENCE

The IIA’s International Conference is the premier training and networking event for internal audit professionals worldwide. Held in Vancouver, Canada in 2015, The IIA welcomed 1,900 delegates from 97 countries and territories.

As part of The IIA’s tradition of convening for a cause, conference participants accumulated over 10,000 points in the “Hoops for ALS Challenge,” helping to secure The IIA’s International Conference donation of CAD$10,000 to ALS Canada. The contribution helps support awareness about ALS, commonly known as Lou Gehrig’s disease.
A key effort for The IIA is the Africa Initiative, which elevates the capacity of the internal audit profession across the continent. In August 2015, IIA executive leadership and IIA Global Headquarters staff hosted the Second African Workshop in Cape Town, South Africa. Over two days, 20 attendees representing 15 African institutes and two associated organizations participated in a series of sessions to develop a strategic plan. This partnership and its activities, such as leadership training, extend into 2016 and beyond.

“The Initiative will enable institutes to increase their capacity to effectively serve their members and to grow membership,” said Parity Twinomujuni, CIA, CRMA, chairman of the African Federation of Institutes of Internal Auditors (AFIIA) and Chief Executive Officer of the National Housing and Construction Co. in Kampala, Uganda. “Through research and by training local leaders, we will identify and address key challenges affecting the profession on the continent. We also aim to establish stakeholders’ awareness of The IIA as the leader in advocating for, and influencing the practice of internal auditing in Africa.”
Informing and educating key stakeholders about the benefits internal auditors can provide to their organizations is crucial for the profession to fulfill its mission to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IIA’s advocacy initiatives go even further by promoting internal audit as an integral part of governance best practice. In its role as the chief advocate and voice of the internal audit profession, The IIA builds partnerships with other professional and industry associations to extend the influence and impact of internal auditing. These partnerships include:

- **The World Bank**
  To achieve significant, long-lasting impact on internal auditing capacity in Africa, The IIA has deepened its ties with the World Bank.
GROWING MEANINGFUL PARTNERSHIPS

- International Organization of Supreme Audit Institutions (INTOSAI) – IIA volunteers serve on INTOSAI committees to support the development of standards for Supreme Audit Institutions – government auditing institutions of countries around the world.

- International Federation of Accountants (IFAC) – The IIA has a long-standing relationship with IFAC, which represents 2.8 million accountants, many of whom are internal auditors or work with them. External and internal audit share goals related to good governance. Among other partnerships, IIA volunteers serve on IFAC committees to support the development of standards.

- International Integrated Reporting Council (IIRC) – As a member of the Council, The IIA shares The IIRC’s interest in credible and trustworthy expanded external reporting.

A GLOBAL ADVOCACY PLATFORM FOR THE FUTURE

The IIA’s global advocacy platform, set to be enhanced in 2016, expresses fundamental principles and positions about the profession. It provides a framework for what The IIA, as a professional body, stands for and will form the basis of conversations, content, and communications about internal audit.

In North America, The IIA promoted the profession and its members by engaging in several strategic initiatives:

- Capitol Hill Outreach – The IIA continued to build and enhance relationships with legislators and regulators establishing the profession as a valuable resource on issues that impact organizational governance, risk management, and internal controls.

- Inspectors General Vacancies & Independence – The IIA monitored the growing number of Inspectors General vacancies within federal agencies and submitted letters to the President and members of Congress urging the quick appointment of qualified individuals as IGs. In addition, The IIA submitted written testimony to Congress in response to House and Senate Committee hearings concerning IG vacancies and IG independence, access to records, and authority.

- Washington State Legislation – The IIA was a key influence in the amendment of legislation in Washington State that previously deleted reference to The IIA’s Standards and limited an agency’s internal audit independence and authority in covering non-financial and accounting risks.

- Anti-Fraud Collaboration – As an active participant in the collaboration among the Center for Audit Quality, the National Association of Corporate Directors, and the Financial Executives International, The IIA focused on initiatives to promote the deterrence and detection of financial reporting fraud through efforts aimed at increasing the effectiveness of participants across the financial reporting supply chain. In 2015, projects included developing a set of online self-study courses for corporate ethics training, a webinar about using data analytics to deter and detect fraud, and a webcast on building a fraud-resistant organization.
Since the global downturn that was precipitated by the 2008 financial crisis, The IIA has revitalized its business and finances and is well-placed to ensure delivery of the strategic plan for 2015–20. Member retention rates have risen to well above the national average for professional bodies, further bolstering The IIA’s financial success and creating a cycle of enhanced services and high member satisfaction.

On solid financial ground, The IIA has expanded and supported a vibrant professional network — a prerequisite for the profession’s future success — filled with networking opportunities for internal auditors. For example, The IIA’s 2015 General Audit Management (GAM) Conference made history by setting yet another new attendance record.
North American Member Retention Rate

IIA member retention rate is well above industry average of 77 percent*

*Industry average, according to Marketing General Incorporated 2015 Membership Marketing Benchmarking Report

**MEMBERSHIP BY THE NUMBERS**

North American Membership Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>69,395</td>
</tr>
<tr>
<td>2015</td>
<td>74,577</td>
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</tbody>
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Global Membership Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>168,985</td>
</tr>
<tr>
<td>2015</td>
<td>188,235</td>
</tr>
</tbody>
</table>

*As of December 31 of each year
The IIA’s audit group concierge facilitated our membership renewal process smoothly and efficiently, and the turnaround time for responses to our questions has been tremendously fast.

Angela Jackson, Project Manager
RSM US LLP

RESEARCH TO ADVANCE THE PROFESSION
The IIA Research Foundation (IIARF) in 2015 began publishing an extensive series of reports based on the findings from the Common Body of Knowledge (CBOK) practitioner survey. CBOK is the world’s largest ongoing study of the internal audit profession, and its results provide a rich overview of how the profession is currently being practiced, and changes that are anticipated in the future.

Throughout 2016, in collaboration with Protiviti, The IIARF will report results from the Stakeholder Survey — the second component of the complete global CBOK study. The purpose of this initiative is to gain a global perspective and better understanding of stakeholders’ expectations of internal audit’s purpose, function, and performance.

PUTTING MEMBERS FIRST
Everywhere, all the time, The IIA seeks to provide sustainable value for members by delivering effective solutions that enable practitioners to make a difference in their organizations. With that goal at the forefront of plans for the future, The IIA is working to provide:

- An International Chapter Program to enhance services for internal auditors in underserved regions around the globe.
- A refreshed design for Audit Channel that features nearly 500 videos, each a few minutes in length, covering core topics, emerging issues, and helpful advice from internal audit leaders.
- On-demand training technology that broadens access and availability of learning opportunities for busy, on-the-go professionals.

Meanwhile, the new My IIA portal enables North American members and customers to manage their interaction with The IIA. Users can update their profiles, update communication preferences, review relevant activities, and read the latest industry news.

The IIA places paramount importance on customers’ data security. In November, The IIA learned of a
data breach of the third-party vendor that manages the Certification Candidate Management System (CCMS), potentially putting some customers’ personal information at risk. In response, The IIA quickly began communicating with affected customers, and working closely with the vendor to resolve a myriad of issues to ensure its future security. The IIA also expedited implementation of a Single Sign-On (SSO) system, as an added layer of protection for customers and members.

The IIA’s North American concierge program began in 2014 to provide improved service to large audit departments of 100 or more staff. Since its inception, the concierge program has:

- Delivered personalized, high-level support.
- Acted as the members’ primary point of contact.
- Helped members take advantage of their benefits.

To continue the evolution toward exceeding members’ service expectations, an audit group portal will launch next year to enable audit groups of any size to manage their group membership online.

INTERNAL AUDIT RISING: THE NEXT GENERATION

Internal Auditor magazine, the world’s flagship internal audit publication, is committed to supporting younger professionals and has developed several programs to better meet the needs of the next generation of internal auditors.

By inviting internal auditors to nominate young professionals they feel are making an impact in the profession, the magazine identifies emerging leaders who then help drive improvements in content for the magazine and The IIA. They also serve as a resource for The IIA’s North American Board by providing insight into issues and opportunities impacting younger professionals.

To support new internal audit practitioners’ deeper understanding of the complex challenges and risks facing modern business, the magazine in early 2016 announced six new US$1,000 scholarships for undergraduate and graduate students. Candidates can apply to earn the scholarships by submitting essays on topics that demonstrate their knowledge of the profession and the internal auditor’s role in the 21st century.
OUR VOLUNTEERS ADVANCE INTERNAL AUDITING’S GLOBAL IMPACT

I volunteered to co-chair the Common Body of Knowledge project because of its potential to impact the profession. To me, a true professional looks for ways to support and give back to the profession, so that it can grow.

The CBOK project marshalled over 200 volunteers around the globe. I have found that my volunteer work has enabled me to meet other professionals and expand my network of contacts around the world. Also, I’ve known my fellow CBOK co-chair, Jean Coroller, for more than 20 years, and the opportunity to work with really talented people like him was a big part of my decision to be involved in the project. We’ve been quite an effective team, bringing together our different perspectives to make it a truly global undertaking.

Through this project, I’ve also gotten a stronger grip on the universal issues and challenges that internal auditors face, which has helped shape my own responses as a practitioner. You don’t get those opportunities by just sitting in your office.

Dick Anderson, Clinical Professor, DePaul University

Long-time IIA volunteer Dick Anderson co-chaired the Common Body of Knowledge project from 2015 to 2016 with Jean Coroller.
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CIA, CRMA
Executive Director
EY
USA
2015 Financial Discussion and Analysis

As The IIA reviews its 2015 fiscal position, it is pleased to outline the financial performance that supported the aforementioned achievements.

For the 12 months ending December 31, 2015, total revenue was $55.9 million for The Institute of Internal Auditors, Inc., and related entities (IIA). That represented an increase of $6.8 million (13.8%) from 2014. The Change in Net Assets (net contribution) was $2.9 million in 2015, a decrease of $2.1 million (42.3%) from 2014.

In 2015, The IIA experienced revenue growth in all major operating areas highlighted by a 25.6% increase in Certification revenue, a 17.4% increase in Educational Program revenue and an 8.3% increase in Membership revenue.

The growth in Certification revenue in 2015 was mainly due to IIA–China converting from paper-and-pencil exams to computer-based testing. The conversion allowed The IIA to directly collect exam application and registration fees from China-based candidates. The growth in Educational Program revenue was the addition of the 2015 International Conference, hosted by the Canadian Institute of Internal Auditors and held in Vancouver, British Columbia, Canada. The Conference was recorded as a full program of revenue and expenses, whereas the 2014 International Conference was recorded at net contribution. The International Conference generated revenue of $3.2 million before operating expenses. The growth in Membership revenue is mainly a result of membership dues increases implemented in 2015 and 2014 to fund key initiatives, programs, and services.

As a result of the strong financial performance, The IIA ended 2015 with $13.9 million in cash and cash equivalents. That represented a year-over-year increase of $1.6 million (13.0%). During 2015, $5.0 million in excess daily operating cash was moved into long-term investments, bringing the two-year (2014–15) total to $7.0 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.

During 2015, The IIA continued its practice to re-invest prior year net contribution into improving the products and services offered to its members. In 2015, The IIA invested $1.2 million into capital-related projects, bringing the two-year (2014–15) total investment to $2.6 million.

The IIA’s investment portfolio in 2015 increased from $32.7 million to $37.9 million as a result of $5.0 million moved from excess daily operating cash, $1.7 million investment interest, dividend income and capital gains received, and the recording of a negative $1.4 million 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.
The Board of Directors
The Institute of Internal Auditors, Inc. and Affiliates
Altamonte Springs, Florida, USA

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, 2015, 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 consolidating 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, 2015, 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 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 27, 2015. In our opinion, the summarized consolidated comparative information presented herein as of and for the year ended December 31, 2014 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
May 5, 2016
### THE INSTITUTE OF INTERNAL AUDITORS, INC. AND AFFILIATES

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

For the year ended December 31, 2015 (With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2014)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Institute of Internal Auditors, Inc.</td>
<td>Institute of Internal Auditors - Research Foundation, Inc.</td>
<td>Internal Auditing Academic Advancement Fund, Inc.</td>
<td>IIA Quality Services, LLC</td>
<td>Eliminations</td>
<td>Consolidated Total</td>
<td>Consolidated Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$11,628,325</td>
<td>$883,878</td>
<td>$875,525</td>
<td>$552,498</td>
<td>–</td>
<td>$13,940,226</td>
<td>$12,339,667</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>35,567,379</td>
<td>2,299,991</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>37,867,370</td>
<td>32,729,393</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from affiliates, net</td>
<td>971,644</td>
<td>–</td>
<td>6,303</td>
<td>–</td>
<td>(977,947)</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>1,756,061</td>
<td>183,704</td>
<td>–</td>
<td>376,742</td>
<td>–</td>
<td>2,136,507</td>
<td>3,613,890</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>1,782,512</td>
<td>181,648</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,964,160</td>
<td>2,039,887</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>4,828,972</td>
<td>52,109</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,881,081</td>
<td>5,373,295</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred project costs, net</td>
<td>1,013,296</td>
<td>172,346</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,185,642</td>
<td>1,986,106</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee savings plans</td>
<td>1,659,353</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,659,353</td>
<td>1,785,967</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted investments</td>
<td>–</td>
<td>135,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>135,000</td>
<td>135,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>59,207,542</td>
<td>3,908,676</td>
<td>881,828</td>
<td>929,240</td>
<td>(977,947)</td>
<td>63,949,339</td>
<td>60,003,205</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$6,530,378</td>
<td>$169,972</td>
<td>$6,689</td>
<td>$75,515</td>
<td>–</td>
<td>$6,782,554</td>
<td>$5,757,958</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to affiliates, net</td>
<td>–</td>
<td>116,704</td>
<td>–</td>
<td>861,243</td>
<td>(977,947)</td>
<td>–</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>10,689,026</td>
<td>39,615</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10,728,641</td>
<td>10,866,123</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred employee compensation</td>
<td>1,659,353</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,659,353</td>
<td>1,785,967</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,037,816</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,037,816</td>
<td>732,300</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>19,916,569</td>
<td>326,291</td>
<td>6,689</td>
<td>936,758</td>
<td>(977,947)</td>
<td>20,208,360</td>
<td>19,142,348</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$39,262,623</td>
<td>$2,931,520</td>
<td>$814,297</td>
<td>$(7,518)</td>
<td>–</td>
<td>$43,000,922</td>
<td>$40,079,876</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>28,350</td>
<td>515,865</td>
<td>60,842</td>
<td>–</td>
<td>–</td>
<td>605,057</td>
<td>645,981</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>–</td>
<td>135,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>135,000</td>
<td>135,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>39,290,973</td>
<td>3,582,385</td>
<td>875,139</td>
<td>(7,518)</td>
<td>–</td>
<td>43,740,979</td>
<td>40,860,857</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$59,207,542</td>
<td>$3,908,676</td>
<td>$881,828</td>
<td>$929,240</td>
<td>(977,947)</td>
<td>$63,949,339</td>
<td>$60,003,205</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Consolidating Statement of Activities

The Institute of Internal Auditors, Inc. and Affiliates  
For the year ended December 31, 2015  
(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2014)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Total</strong></td>
<td><strong>Consolidated Total</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>$51,949,773</td>
<td>$49,121,013</td>
</tr>
<tr>
<td><strong>Net assets released from use restrictions</strong></td>
<td>$(1,497,890)</td>
<td>$(1,492,248)</td>
</tr>
<tr>
<td><strong>Total revenues and net assets released from use restrictions</strong></td>
<td>$50,451,883</td>
<td>$47,628,765</td>
</tr>
</tbody>
</table>

### Change in Unrestricted Net Assets from Operations

#### Revenues

<table>
<thead>
<tr>
<th>Service</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship management</td>
<td>$14,370,782</td>
<td></td>
</tr>
<tr>
<td>Certification</td>
<td>13,280,881</td>
<td>10,573,637</td>
</tr>
<tr>
<td>Seminars</td>
<td>9,700,699</td>
<td>9,276,130</td>
</tr>
<tr>
<td>Conferences</td>
<td>7,777,709</td>
<td>5,615,277</td>
</tr>
<tr>
<td>Publishing</td>
<td>1,428,371</td>
<td></td>
</tr>
<tr>
<td>Dividend and interest income</td>
<td>1,556,237</td>
<td>1,682,548</td>
</tr>
<tr>
<td>North American services</td>
<td>1,507,406</td>
<td>1,447,417</td>
</tr>
<tr>
<td>Quality assessment</td>
<td></td>
<td>1,492,248</td>
</tr>
<tr>
<td>Technology based learning</td>
<td>1,263,819</td>
<td>838,581</td>
</tr>
<tr>
<td>Other program revenue</td>
<td>1,063,869</td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td></td>
<td>344,441</td>
</tr>
<tr>
<td>Grant from affiliates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenues</td>
<td>$51,949,773</td>
<td>$49,121,013</td>
</tr>
<tr>
<td>Eliminations</td>
<td>$(12,710)</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidated Total</strong></td>
<td>$51,837,063</td>
<td>$49,121,013</td>
</tr>
</tbody>
</table>

(continued on next page)
<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td><strong>EXPENSES</strong></td>
</tr>
<tr>
<td><strong>The Institute of Internal Auditors, Inc.</strong></td>
<td><strong>Institute of Internal Auditors - Research Foundation, Inc.</strong></td>
</tr>
<tr>
<td>Certification</td>
<td>$10,010,113</td>
</tr>
<tr>
<td>Seminars</td>
<td>8,832,296</td>
</tr>
<tr>
<td>Relationship management</td>
<td>8,786,604</td>
</tr>
<tr>
<td>Other</td>
<td>5,923,168</td>
</tr>
<tr>
<td>Conferences</td>
<td>6,718,608</td>
</tr>
<tr>
<td>Professional practices</td>
<td>2,803,126</td>
</tr>
<tr>
<td>North American services</td>
<td>1,811,238</td>
</tr>
<tr>
<td>Educational products</td>
<td>–</td>
</tr>
<tr>
<td>Quality assessment</td>
<td>–</td>
</tr>
<tr>
<td>Technology based learning</td>
<td>1,129,233</td>
</tr>
<tr>
<td>Publishing</td>
<td>903,923</td>
</tr>
<tr>
<td>Research projects</td>
<td>–</td>
</tr>
<tr>
<td>Grants</td>
<td>–</td>
</tr>
<tr>
<td>Academic programs</td>
<td>–</td>
</tr>
<tr>
<td>Grants to affiliates</td>
<td>656,964</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$47,575,273</td>
</tr>
<tr>
<td><strong>Change in unrestricted net assets from operations</strong></td>
<td>$4,374,500</td>
</tr>
<tr>
<td>Contribution Type</td>
<td>2015</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Contributions</td>
<td>$235,555</td>
</tr>
<tr>
<td>Dividend and interest income</td>
<td>$14,540</td>
</tr>
<tr>
<td>Net assets released from use restrictions</td>
<td>$(297,320)</td>
</tr>
<tr>
<td>Change in temporarily restricted net assets from operations</td>
<td>$(47,225)</td>
</tr>
<tr>
<td>Non-Operating Activities</td>
<td>$(1,318,733)</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$(99,215)</td>
</tr>
<tr>
<td>Net Assets - Beginning of year</td>
<td>$36,235,206</td>
</tr>
<tr>
<td>Net Assets - End of year</td>
<td>$39,290,973</td>
</tr>
</tbody>
</table>

For the year ended December 31, 2015 (With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2014)
## CONSOLIDATING STATEMENT OF CASH FLOWS

For the year ended December 31, 2015  
(With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2014)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Cash Flows</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash received from members</td>
<td>$51,684,496</td>
<td>$2,579,279</td>
</tr>
<tr>
<td>and customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for operating activities</td>
<td>$(45,562,443)</td>
<td>$(2,498,583)</td>
</tr>
<tr>
<td>and costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income received</td>
<td>$1,556,237</td>
<td>$140,851</td>
</tr>
<tr>
<td><strong>Net operating cash flows</strong></td>
<td>$(6,290,225)</td>
<td>$(316,065)</td>
</tr>
<tr>
<td><strong>Investing Cash Flows</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>$3,945,537</td>
<td>$(187,470)</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>$(10,381,432)</td>
<td>$(328,321)</td>
</tr>
<tr>
<td>Purchases of and improvements to</td>
<td>$(148,336)</td>
<td>$(35,425)</td>
</tr>
<tr>
<td>property and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of Lake Mary property</td>
<td>$1,200,000</td>
<td></td>
</tr>
<tr>
<td>Expenditures for deferred projects</td>
<td>$(905,994)</td>
<td>$(139,789)</td>
</tr>
<tr>
<td><strong>Net investing cash flows</strong></td>
<td>$(6,290,225)</td>
<td>$(316,065)</td>
</tr>
<tr>
<td><strong>Change in Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1,388,065</td>
<td>$(94,518)</td>
<td>$558,307</td>
</tr>
<tr>
<td>$(251,295)</td>
<td></td>
<td>$1,600,559</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents –</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year</td>
<td>$10,240,260</td>
<td>$978,396</td>
</tr>
<tr>
<td>End of year</td>
<td>$11,628,325</td>
<td>$883,878</td>
</tr>
</tbody>
</table>

**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**

**2015 ANNUAL REPORT**

**2014 ANNUAL REPORT**
### Consolidating Statement of Cash Flows

*For the year ended December 31, 2015 (With Summarized Comparative Consolidated Totals for the Year Ended December 31, 2014)*

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$3,055,767</td>
<td>$(59,130)</td>
</tr>
<tr>
<td></td>
<td>$(99,215)</td>
<td>$(17,300)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in</td>
<td>$4,622,523</td>
<td>280,677</td>
</tr>
<tr>
<td>net assets to net operating cash</td>
<td>$657,522</td>
<td>(233,995)</td>
</tr>
<tr>
<td>flows:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>786,667</td>
<td>21,580</td>
</tr>
<tr>
<td>Amortization of deferred project</td>
<td>452,433</td>
<td>114,177</td>
</tr>
<tr>
<td>costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net (gain) loss on disposals of</td>
<td>(52,635)</td>
<td>1,422,127</td>
</tr>
<tr>
<td>property and equipment</td>
<td></td>
<td>(18,578)</td>
</tr>
<tr>
<td>Net loss (gain) on investments</td>
<td>1,318,733</td>
<td>1,000</td>
</tr>
<tr>
<td>Change in due from/to affiliates,</td>
<td>(479,026)</td>
<td>(64,972)</td>
</tr>
<tr>
<td>net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in accounts receivable, net</td>
<td>1,422,127</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>(18,578)</td>
<td>(107,166)</td>
</tr>
<tr>
<td>Change in prepaid expenses and</td>
<td>50,802</td>
<td>24,925</td>
</tr>
<tr>
<td>other assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in accounts payable and</td>
<td>949,073</td>
<td>64,718</td>
</tr>
<tr>
<td>accrued expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in deferred revenue</td>
<td>(131,167)</td>
<td>(6,319)</td>
</tr>
<tr>
<td>Change in other liabilities</td>
<td>305,516</td>
<td></td>
</tr>
<tr>
<td>Total adjustments</td>
<td>4,622,523</td>
<td>280,677</td>
</tr>
<tr>
<td>Net operating cash flows</td>
<td>$7,678,290</td>
<td>$221,547</td>
</tr>
<tr>
<td></td>
<td>$558,307</td>
<td>$(251,295)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**THE INSTITUTE OF INTERNAL AUDITORS, INC. AND AFFILIATES**

**CONSOLIDATING STATEMENT OF CASH FLOWS**

**2015 2014**

<table>
<thead>
<tr>
<th></th>
<th>The Institute of Internal Auditors, Inc.</th>
<th>Institute of Internal Auditors - Research Foundation, Inc.</th>
<th>Internal Auditing Academic Advancement Fund, Inc.</th>
<th>IIA Quality Services, LLC</th>
<th>Eliminations</th>
<th>Consolidated Total</th>
<th>Consolidated Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$3,055,767</td>
<td>$(59,130)</td>
<td>$(99,215)</td>
<td>$(17,300)</td>
<td>–</td>
<td>$2,880,122</td>
<td>$4,987,850</td>
</tr>
<tr>
<td>Adjustments to reconcile change in</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>net assets to net operating cash</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>786,667</td>
<td>21,580</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>808,247</td>
<td>700,544</td>
</tr>
<tr>
<td>Amortization of deferred project costs</td>
<td>452,433</td>
<td>114,177</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>566,610</td>
<td>406,971</td>
</tr>
<tr>
<td>Net (gain) loss on disposals of</td>
<td>(52,635)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(52,635)</td>
<td>130,049</td>
</tr>
<tr>
<td>property and equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss (gain) on investments</td>
<td>1,318,733</td>
<td>120,036</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,438,769</td>
<td>(319,059)</td>
</tr>
<tr>
<td>Change in due from/to affiliates,</td>
<td>(479,026)</td>
<td>(39,862)</td>
<td>652,836</td>
<td>(133,948)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>net</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in accounts receivable, net</td>
<td>1,422,127</td>
<td>(18,578)</td>
<td>1,000</td>
<td>(107,166)</td>
<td>–</td>
<td>1,297,383</td>
<td>(470,010)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in prepaid expenses and</td>
<td>50,802</td>
<td>24,925</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>75,727</td>
<td>(303,867)</td>
</tr>
<tr>
<td>other assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in accounts payable and</td>
<td>949,073</td>
<td>64,718</td>
<td>3,686</td>
<td>7,119</td>
<td>–</td>
<td>1,024,596</td>
<td>(387,777)</td>
</tr>
<tr>
<td>accrued expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in deferred revenue</td>
<td>(131,167)</td>
<td>(6,319)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(137,486)</td>
<td>2,346,797</td>
</tr>
<tr>
<td>Change in other liabilities</td>
<td>305,516</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>305,516</td>
<td>–</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>4,622,523</td>
<td>280,677</td>
<td>657,522</td>
<td>(233,995)</td>
<td>–</td>
<td>5,326,727</td>
<td>2,103,648</td>
</tr>
<tr>
<td>Net operating cash flows</td>
<td>$7,678,290</td>
<td>$221,547</td>
<td>$558,307</td>
<td>$(251,295)</td>
<td>–</td>
<td>$8,206,849</td>
<td>$7,091,498</td>
</tr>
</tbody>
</table>
NOTE A – NATURE OF ACTIVITIES

The Institute of Internal Auditors, Inc. (“the Institute”) was formed in 1941 as a not-for-profit corporation 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.

In conformity with accounting principles generally accepted in the United States of America (“GAAP”), the Institute’s consolidated financial statements include the accounts of the following organizations, which are separate legal entities:

• Institute of Internal Auditors - Research Foundation, Inc. (“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.

• Internal Auditing Academic Advancement Fund, Inc. (“the Fund”), 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. Subsequent to December 31, 2015, the Fund was dissolved. All assets, liabilities, and net assets of the Fund were transferred to the Foundation at the time of dissolution.

• Internal Auditing Academic Advancement Fund, Inc. (“the Fund”), 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. Subsequent to December 31, 2015, the Fund was dissolved. All assets, liabilities, and net assets of the Fund were transferred to the Foundation at the time of dissolution.

• IIA Quality Services, LLC (“Quality Services”), 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.

• Canadian Institute of Internal Auditors (“the Canadian Institute”), a not-for-profit 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 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”), 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. Due to the immateriality of the amounts involved, the activities and balances of IIA Properties are included in the financial statements of the Institute.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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.

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.

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 2015 and 2014, 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 the Fund, for which reimbursement is not required. Further, the Foundation provides certain personnel-related costs to the Fund, for which reimbursement is not required. These activities are reflected within "grants to/from affiliates" in the accompanying consolidating statement of activities.

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

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."
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)(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 GAAP.

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. Actual results could differ from the estimates.
Reclassifications
Certain amounts included in the 2014 consolidated financial statements have been reclassified to conform to classifications adopted during 2015. The reclassifications had no material effect on the accompanying consolidated financial statements.

Subsequent events
The organizations have evaluated for possible financial reporting and disclosure subsequent events through May 5, 2016, the date as of which the consolidating financial statements were available to be issued.

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 statement of activities) consisted of the following:

<table>
<thead>
<tr>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Institute</td>
<td>The Foundation</td>
</tr>
<tr>
<td>Net unrestricted (loss) gain on investments</td>
<td>$(1,318,733)</td>
</tr>
</tbody>
</table>

GAAP defines 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, 2015, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual Funds –</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Institute</td>
<td>29,064,214</td>
<td>29,064,214</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>The Foundation</td>
<td>2,434,991</td>
<td>2,434,991</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total mutual funds</td>
<td>31,499,205</td>
<td>31,499,205</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Fixed Income –</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Institute -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>4,217,291</td>
<td>4,217,291</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>The Institute -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total fixed income</td>
<td>6,905,930</td>
<td>117,712</td>
<td>7,023,642</td>
<td>5,627,226</td>
</tr>
<tr>
<td>Total</td>
<td>11,738,942</td>
<td>52,109</td>
<td>12,289,051</td>
<td>11,354,295</td>
</tr>
</tbody>
</table>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Institute</td>
<td>The Foundation</td>
</tr>
<tr>
<td>Land</td>
<td>114,103</td>
<td>–</td>
</tr>
<tr>
<td>Buildings and building improvements</td>
<td>4,601,977</td>
<td>–</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>6,905,930</td>
<td>117,712</td>
</tr>
<tr>
<td>Total property and equipment</td>
<td>$11,621,230</td>
<td>$117,712</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net property and equipment</td>
<td>$4,828,972</td>
<td>$52,109</td>
</tr>
</tbody>
</table>

Depreciation expense for 2015 for the Institute and the Foundation amounted to $786,667 and $21,580, respectively. Depreciation expense for 2014 amounted to $700,544. As of December 31, 2014, “land” includes property with a book value of $1,125,000, which was previously held for possible future development. The Institute sold the land for $1,200,000 during 2015.

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:

<table>
<thead>
<tr>
<th>Year Ending December 31,</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$453,000</td>
<td>$455,000</td>
<td>$466,000</td>
<td>$477,000</td>
<td>$488,000</td>
<td>$2,243,000</td>
<td>$4,982,000</td>
</tr>
</tbody>
</table>

Total rent expense related to all leases and additional amounts for short-term rentals and related charges amounted to approximately $1,614,000 and $1,024,000 for 2015 and 2014, 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 2015 and 2014, the Institute contributed approximately $1,318,000 and $1,141,000, 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 $375,000 and $285,000 during 2015 and 2014, respectively. The Institute held $1,659,353 and $1,785,967 in the plans as of December 31, 2015 and 2014, 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 $236,000 as of December 31, 2015.

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. The test provider was paid approximately $1,969,000 and $1,863,000 during 2015 and 2014, respectively.

**NOTE I – EXPENSE ALLOCATIONS**

Total 2015 expenses for the Institute include approximately $34,499,000 of program expenses and $13,076,000 of administrative expenses.

Total 2015 expenses for the Foundation include approximately $2,057,000 of program expenses, $1,177,000 of administrative expenses, and $13,000 of fundraising expenses.

Total 2015 expenses for Quality Services include approximately $1,132,000 of program expenses and $383,000 of administrative expenses.

Total expenses for 2014 include approximately $31,684,000 of program expenses, $12,951,000 of administrative expenses, and $21,000 of fundraising expenses.
Management is responsible for the preparation, integrity, and fair presentation of the accompanying financial statements. The accompanying 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, elected 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 the 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, which is 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 the requirements of the Sarbanes-Oxley Act of 2002 and the COSO 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, 2015, 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 not 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, 2015.
- Disclosures of any change in the internal control over financial reporting that occurred during the most recent fiscal quarter and has 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

ANN S. COHEN,
CPA, CGMA
Senior Vice President and Chief Financial Officer
CELEBRATING OUR PAST…
INSPIRING THE FUTURE

Founded in 1941, The IIA has guided the global internal audit profession for 75 years, supporting the profession’s journey to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IIA provides dynamic leadership, guidance, certification, and education for the internal audit profession, supplying practitioners with the skills and tools they need to be able to offer the highest quality services for their organizations. In partnership with affiliate organizations, volunteer leadership, and more than 180,000 members from more than 170 countries and territories, The IIA continues to raise the profile of and demand for internal auditing, and to ensure its position and visibility to organizations and stakeholders as indispensable to good governance, risk management, and internal control.