



Honoring Our Past

Innovating Our Future



ISACA

2019 Annual Report

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- www.isaca.org
- communicationsteam@isaca.org



- **2019** ISACA turns 50. After five decades, the association has 145,000+ members, 220+ chapters and nearly 200 staff members.
- **2018** ISACA Global moves to a new location: 1700 E. Golf Road, Schaumburg, Illinois, USA. It also has offices in Pittsburgh, Pennsylvania, USA and Beijing, China.
- **2016** ISACA acquires the CMMI Institute, expanding its resources for enterprise performance and capability improvement.
- **2002** ISACA introduces the Certified Information Security Manager (CISM®) credential.
- **1996** The Control Objectives for Information and related Technology (COBIT®) framework is introduced.
- **1994** The organization formally changes its name from EDPAA to Information Systems Audit and Control Association (ISACA).
- **1992** EDPAA moves to a new headquarters location at 3701 Algonquin Road, Rolling Meadows, Illinois, USA. It remains there for the next 26 years.
- **1981** More than 200 individuals receive the CISA® certification after the first CISA exam.
- **1981** The organization moves into its first dedicated office space on South Schmale Road in Carol Stream, Illinois, USA, and institutes its Three-Year Long Range Plan.
- **1973** EDPAA hosts its first conference, under the theme “EDP Auditing: A Coming of Age,” in Santa Monica, California, USA.
- **1969** Electronic Data Processing Auditors Association (EDPAA)—the future ISACA—is incorporated in Los Angeles, California, USA.

About ISACA

Honoring our past,
innovating our future.

For 50 years, ISACA (www.isaca.org) has advanced the best in technology. ISACA equips individuals with knowledge, credentials, education and community to progress their careers and transform their organizations. Through the CSX, COBIT and CMMI solutions, ISACA enables enterprises to train and build quality teams. ISACA is a global professional association and learning organization that leverages the expertise of its 145,000 members who work in information and cyber security, governance, assurance, risk and privacy to drive innovation through technology. It has a presence in 188 countries, including more than 220 chapters worldwide.



ISACA Board Members



Chair

Brennan P. Baybeck

CISA, CISM, CRISC, CISSP
Vice President and Chief
Information Security Officer
for Customer Services, Oracle



Vice Chair

Rolf von Roessing

CISA, CISM, CGEIT
Partner and CEO, Forfa Consulting,
and Chairman, Forfa Holding AG



Director and Past Chair

Rob Clyde

CISM, NACD Board
Leadership Fellow
Executive Chair of the board of directors,
White Cloud Security, and Independent
Board Director, Titus



Director

Tracey Dedrick

C-Suite executive experienced
in risk, compliance, treasury and
investor relations



Director and Past Chair

Chris K. Dimitriadis, Ph.D.

CISA, CISM, CRISC
Group Chief Executive Officer,
INTRALOT



Director and Past Chair

Greg Grocholski

CISA
Advisor to the chief audit executive
(CAE) and CEO, SABIC



Director

Pam Nigro

CISA, CGEIT, CRISC, CRMA
Senior executive experienced
in governance, risk, compliance,
and cybersecurity focusing
on the healthcare and
insurance industries



Director

R.V. Raghu

CISA, CRISC
Director, Versatilist Consulting
India Pvt. Ltd



Director

Martha Gabriela Reynaga

CISA, CRISC, GRCP
Founder and CEO, Holistics GRC
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Director

Gregory J. Touhill

CISM, CISSP, Brigadier General (ret)
President, AppGate Federal Group



Director

Asaf Weisberg

CISA, CISM, CRISC, CGEIT
Founder and CEO, introSight



Director

David Samuelson

Chief Executive Officer, ISACA

Q&A

with CEO David Samuelson
and Board Chair Brennan P. Baybeck,
CISA, CISM, CRISC, CISSP

ISACA Board Chair Brennan P. Baybeck and ISACA CEO David Samuelson recently had a conversation about ISACA reaching its 50-year anniversary in 2019 and how that milestone inspired the organization to reach even greater heights in the future. The conversation began with Brennan and David reflecting on what stood out about the anniversary celebrations throughout 2019, with Brennan's vantage point as a longtime ISACA volunteer leader and David's coming as a newcomer to ISACA, having taken the reins as CEO in April 2019.



DAVID SAMUELSON



BRENNAN P. BAYBECK

Celebrating a Milestone While Transforming ISACA for the Next 50 Years

BPB: I've been part of ISACA as a volunteer leader for half of its 50 years. Seeing where we started from, as a group of people who realized that addressing technology risk was going to be important, with an initial focus on EDP audit, and then growing to cover the most important topics in the world right now around governance, security, risk and IT audit, that's probably most impressive to me. At the same time, we've significantly expanded the resources and services that we provide to our members and their organizations, and now we're innovating how we deliver these resources and services to our professional community. Those are the things that excite me the most.

DS: I've enjoyed getting to know the organization with Brennan's help. Having someone like Brennan who has come up through ISACA in various volunteer capacities as the organization has grown has been an important way for me to onboard into ISACA.

Q&A with David Samuelson, ISACA CEO, and Brennan P. Baybeck, ISACA Board Chair

It was very interesting to join when we turned 50 because that's a significant moment in time, just like when a person turns 50. It's a big milestone so you evaluate what's gone great, what you would like to do better and how you move into the next 50 years. It's one of those milestones that makes you think deeply. The things that happened in the first 50 years were led by the organization itself; our members didn't necessarily have a background in learning and certification, but they knew they had professionals that needed support and credentials so they could show what they knew to their colleagues and peers. That was remarkable.

I often talk about how impressed I am that across the communities and the professions that we serve, our members are very passionate about ISACA. They care about giving back and care about leaving a legacy of supporting these professions and letting the next generation in. That's probably the thing that has impressed me the most – meeting people who were part of our history and using that knowledge of what we've done well in the past to inform our thinking about how we can transform our future.

BPB: Celebrating the 50th anniversary this year inspired a lot of conversations, but it also allowed us to make some important decisions on where we want to go. As David referenced, when people look back at their first 50 years, there are some things you want to start doing that you maybe put off, and there are things you want to accelerate to make yourself better or make your organization better, but then there are also things you want to stop doing. Those are some of the harder decisions to make. ISACA has a lot of legacy – 50 years of it with a lot of passion – so what I was really appreciative of was the courage of the board and David's team at ISACA to take on a transformational mindset, and that is definitely paying off.

DS: And it was great to bounce some of those discussions off the membership and chapter leaders because I felt like people were ready. They want to know what's next and where we're going.

Driving Forward Major Priorities in 2019

BPB: Our increased emphasis on Enterprise Solutions is an important part of serving our professions. We've made many investments in the past few years and are integrating our recent acquisition, CMMI Institute, into ISACA's Enterprise Solutions

"I often talk about how impressed I am that across the professions we serve, our members are very passionate about ISACA."

DAVID SAMUELSON, ISACA CEO

offerings. Seeing that get on its feet and getting aligned the way it should be was very important to me. Also getting our new One In Tech foundation up and running, and putting a concerted effort around it, will be very helpful in driving our diversity initiatives. Diversity is a very important challenge in our professions, both socially and from a business perspective. And finally in 2019, my last major objective was helping David and his executive team be successful in everything they do. We've made significant progress in each of these areas, and we are well-positioned for the future.

DS: Setting the One In Tech foundation in motion in 2019 amplified our ability to address diversity and the unmet needs of the underprivileged all around the world, something our members and chapters feel passionate about.

BPB: One of the things people hear us talk about quite a bit is the transformation of the organization. I believe this is one of our biggest achievements this year. We started to lead up to it as we were turning 50, and then in year 50 we really began pushing the transformation and make these things a reality. We wanted to transform the organization in terms of how David and his team operate to set us up for the future, we wanted to transform the board as well, and that is in progress, and then we also want to help the chapters transform because they're extremely important to our future success. Many people know this, but currently board chairs only have a one-year tenure in this position, so it can be challenging to get a lot done in one year. My goal was not only to get a lot accomplished in my one

Q&A with David Samuelson, ISACA CEO, and Brennan P. Baybeck, ISACA Board Chair

year, but also to launch other future initiatives. My analogy is each initiative is a ship that needs to be prepared and loaded to set sail. If we can get those ships loaded, launched and headed in the right direction, I will consider my time as chair successful (and will be a happy past chair!). We are well on our way in each of our transformational initiatives and the ships are sailing!

DS: That's so important because organizations that don't change can easily become irrelevant. We're at a time when technology and the world are changing so rapidly that organizations like ours, if they can't continue to be relevant and trusted to deliver what the community wants, we won't be here anymore. I think there's a sense of urgency that is important for ISACA as we move into the next 50 years, and that sense of urgency has been propelling these changes and setting the foundation for the organization of the future that realizes our purpose – advancing the positive potential of technology.

Brennan referenced the organizational shift in 2019. We created three verticals:

Learning and Certification because we are definitely a learning organization globally; people depend on our certifications. That's a vertical that's really important, and we should be best in the world at that, using the best learning technologies and having them be available anytime and anywhere.

Membership because we're a membership organization; members are akin to shareholders. In the past we didn't have senior leaders thinking about that on a daily basis. The members are our volunteers, they're our chapter leaders, and we have a robust community around our membership, and that includes our conferences that people attend. So, we now have a senior person in charge of this important area.

And then a new focus on our **Enterprise Solutions** opportunity, especially with the integration of CMMI. We need to help governments, companies and teams be better at work with our frameworks in cyber, software development, healthcare, data maturity, and so on. We have just begun our journey here and I am excited for what's possible.

And to me, all of these things connect together in a strategic arc. We are building our next 50 years to be relevant, valuable

"We need to make sure that we balance the transformational aspects of our strategy with retaining those important legacy qualities that have helped us grow over the past 50 years."

BRENNAN P. BAYBECK, ISACA BOARD CHAIR

and trustworthy, and to use Brennan's analogy, sail into the future. (See more on the ISACA organizational changes in a related article on page 9).

BPB: The other thing that's really important – and it's a piece of feedback that I get all the time, especially from the longer-term members – is there are some things at ISACA that shouldn't change. There are some legacies that we want to retain. So, that's our challenge as a board and David's challenge as a new executive coming in, to figure out what is working, what is not working and what is needed for our future. We need to make sure that we balance the transformational aspects of our strategy with retaining those important legacy qualities that have helped us grow over the past 50 years. We want to maintain the passion and spirit of volunteerism for our organization, we want the chapters to be successful because they're a big part of what we do, and our certifications and knowledge will certainly remain. We're just getting them to where they need to be to meet the future challenges of our professional community, and that's what drives the sense of urgency.



What Does ISACA's New Brand Signal?

DS: I hope it represents that we're modern, we're relevant and we're inclusive. The C-shaped symbols that we chose represents a number of things visually: they can be people networking together, they can represent our badges and certifications, and they can also be keys that unlock potential or a path forward. It broadens the imagination to have a symbol like this and a more modern approach as we move forward, and you'll see that reflected in our materials, in the way we act, and even in this board chair and CEO letter. We want to project an accessible, modern, agile and adaptive brand personality and hopefully the brand has that meaning going forward.

BPB: As we begin ISACA's next 50 years, two things really stand out to me. One is the transformation we're going through that is preparing us for the future, and how quickly we are making progress in those areas. The second thing is the great opportunities we have to create impact. When you look at areas such as IT governance, data governance, data privacy, and of course cybersecurity, we were ahead of our time in trying to tackle these topics, and we're now positioned very well to help enterprises, governments and our professional community to get a handle on these important challenges. When you couple that with David's plan for our learning platforms and technologies, looking at our certifications and our hands-on training and how we can utilize technology to better deliver those services, it is really encouraging. When you look at all of our professions – governance, risk, audit, security and privacy – there isn't one other organization that is driving them globally across industry verticals and in membership, enterprise and learning, so the opportunity for us to be that organization is wide open. We just have to move quickly enough and transform ourselves to be that organization. That is what is most exciting to me for ISACA.

"We want to project an accessible, modern, agile and adaptive brand personality and hopefully the brand has that meaning going forward."

DAVID SAMUELSON, ISACA CEO

DS: One of the things that excited me about coming to ISACA was the attributes and capabilities that ISACA has proven could actually be transformational. We have entered a different era of learning. ISACA can play an impactful role in how that is realized in the future. When the world changes fast and you've already gone to school and found your first job, how do you keep learning? You keep learning through programs like we offer or will offer. That translates into how we help companies be better at delivering secure and well-governed organizations using technology for growth and for good. To Brennan's point, we can play a special role here. It's an important time, so we have to pay attention to what we're doing to make sure that we are leading, and through it all, build member value, trust and relevance.



"We have to transform to continue to be relevant, valued and trusted as a global organization..."

DAVID SAMUELSON, ISACA CEO

Introducing the New ISACA Leadership Team

ISACA's new leadership team and organizational structure took shape in 2019 under new CEO David Samuelson.

Samuelson, who took the reins as ISACA CEO in April 2019, hired the first chief learning officer and the first chief technology officer in ISACA's history. Nader Qaimari was named ISACA's chief learning officer; his previous experience includes serving as group president of Follett School Solutions, a multi-billion-dollar education company. Simona Rollinson, ISACA's first CTO, brings extensive technology leadership and strategy experience to ISACA. Her previous role was CIO of Cook County government in Chicago, Illinois, USA.

"During ISACA's 50th anniversary year, we not only celebrated our past, but also set in motion our innovative future," Samuelson said. "We have to transform to continue to be relevant, valued and trusted as a global organization. Simona and Nader will play instrumental roles in getting us there, by driving innovation at ISACA and taking our learning and technology solutions to the next level."

Additionally, Julia Kanouse was hired as ISACA's senior vice president of membership. Kanouse's responsibilities will include overseeing chapter initiatives and conferences, and continuing to increase and diversify ISACA's global membership. Kanouse previously was CEO of the Illinois Technology Association.

Ken Kujundjic was named senior vice president of enterprise solutions. Kujundjic's 25-plus year career in information technology includes more than four years at ISACA during a period in which ISACA has placed increased emphasis on serving enterprises, in addition to its traditional focus on individual members.

ISACA's new organizational structure includes emphasis on three foundational lines of business – Learning and Certification, Membership, and Enterprise Solutions. The three pillars will be supported by shared service functions in areas such as finance, human resources, technology and marketing services.

"The revamped organizational structure and talented leaders who are in place have positioned ISACA and our members for an incredible future," Samuelson said. "A laser focus on our community, and how we grow our learning and certification, membership offerings and enterprise solutions areas to help serve our people and their enterprises, will ensure we are well-prepared to advance our professional community for decades to come."



**We asked ISACA's
new leaders:**

**What excites you most
about ISACA's future?**



Nader Qaimari
Chief Learning Officer

As far as we have come in the past 50 years, what excites me most is the fact that there is so much more opportunity to do good work out there. In looking at our membership, most of our success has come from the work we do with mid-career professionals in a set number of areas. There is copious potential to move upstream and downstream in a career path, in existing and new areas, providing tremendous value to everyone we serve. I am especially excited about the possibility of giving younger generations the opportunity to acquire the skills and credentials that position them well for the jobs that are yet to come.



Simona Rollinson
Chief Technology Officer

ISACA is entering a new phase of its history. By this time next year, the IT organization will have gone live with a new website and a new customer relationship platform. Although some additional development on these systems will extend into the near future, 2020 will be a historic year for Information Technology at ISACA. As these major new systems come online, and as we proliferate cloud-based productivity software, the pace of modernization will continue to gain steam. This allows us to better serve our members because we are more efficient, more personalized and more innovative.



Ken Kujundjic
SVP, Enterprise Solutions

I am most excited about the unique ability we have to shape and influence future conversations in exciting and emerging technology fields across the globe. ISACA is truly global; the global nature of our association gives us unique insights into emerging technologies and the impact of these technologies in the ways in which individuals and enterprises learn.



Julia Kanouse
SVP, Membership

I am most excited about our ability to help drive the way future technology products and services are built and maintained. Our organizational knowledge and expertise put us in the perfect position to help early-stage companies think differently about their development and governance processes. Security and privacy by design are becoming increasingly more important in today's day and age, and ISACA can lead the way on these critical topics.

Full ISACA Leadership Team



David Samuelson
Chief Executive Officer



Nader Qaimari
Chief Learning Officer



Simona Rollinson
Chief Technology Officer



Julia Kanouse
SVP, Membership



Ken Kujundjic
SVP, Enterprise Solutions



Robb Micek
SVP, Shared Services and
Chief Financial Officer



Amanda Raible
Director, Marketing Services



Linda Sala
Director, Human Resources



2019 Annual Report Highlights

95.33% renewal

Certification renewal rate exceeded projections and the 2018 renewal rate.

40,000 downloads

Whitepapers, research briefs, and a book

113,000+ listens

ISACA Podcast is featured on all the major podcast app providers.

50 webinars

4 virtual summits

ISACA's webinars and virtual summits attracted more than 28,000 live attendees.

"ISACA certifications give me the extra edge. As far as career growth and my career, my certifications are priceless."

ASHLEY HOLMES
CISA, CISM, CRISC
DELTA AIRLINES

2019 Highlights

Learning and Certification

The certification development team implemented continuous testing for the CISA, CISM, CGEIT and CRISC exams, providing expanded access and convenience to ISACA certification candidates.

ISACA Learning Science and Design initiated an ISACA Learner Journey map to identify attitudes, motivations and experiences that impact learning at ISACA.

ISACA began the establishment of a learning design framework to align learning science with the design and development of new learning solutions.

The COBIT 2019 Foundations Certificate exam and the COBIT 2019 Design and Implementation exam were developed and delivered.

The CISA certification job practice and exam were updated to reflect the latest challenges faced by practitioners, and a job practice analysis was conducted for CGEIT.

New CISA review materials included a 23-hour e-learning exam prep course, a four-day course (instructor-led and a virtual offering), and a review manual and question, answer and explanation book.

The implementation of CRISC expert-led, on-demand virtual training created enhanced flexibility for CRISC learners.

The number of CSX-P certification-holders more than tripled, and an accelerated CSX-P pathway was built and deployed as ISACA continued its commitment to skills-based cybersecurity credentialing.

Four audit programs were released, expanding and refreshing the resources available to audit professionals.

An audit-focused career map tool was produced for the Transforming IT Audit microsite, helping IT audit professionals identify career pathing opportunities.

ISACA provided translations of 175 items and publications, including certification exams, study aids, *ISACA® Journal* articles, COBIT 2019 and other research publications. Languages included Chinese (simplified and traditional), French, German, Italian, Japanese, Korean, Portuguese, Spanish and Turkish.

In a survey of ISACA membership, 96% of respondents indicated the *ISACA® Journal* meets or exceeds their expectations.

2019 Highlights

Membership and Chapters

28,295 new members

The new members included 1,137 Recent Graduate members and 2,178 Student members, all exceeding target goals.

114,000+ log-ins

People using ISACA's Engage portal to volunteer, participate in discussions and network with ISACA colleagues

92 volunteer teams 2,800+ volunteers 51 countries 6,100+ hours

Number of volunteers during ISACA's inaugural CommuNity Day, which encouraged local community service from ISACA staff and members

1,485 volunteer roles filled

ISACA volunteer roles support credentialing, conferences, content, community and governance activities.

ISACA membership renewals reached an all-time high, with 83.1 percent of members renewing, surpassing the previous mark of 82.9 percent from 2012.

ISACA's Member-Get-A-Member campaign brought in 1,710 new members, a record total.

The ISACA Member Advantage Program introduced five new international savings programs: BookingCommunity, Galaxkey, DynaRisk, CyberQ Group and DataConsulting.

Chapter leader guidebooks were distributed to better equip chapter leaders for specific chapter roles and chapter board transitions.

A new ISACA chapter was formed in Ahmedabad, India, bringing the total number of ISACA chapters to 222 in 96 countries.

ISACA's global conferences continued to be well-attended, including a 9 percent year-over-year registration growth at the 2019 North America CACS conference in Anaheim, California, USA. Southern California was a fitting location for the conference in ISACA's 50th anniversary year, given the organization's founding in Los Angeles in 1969.

ISACA received an 82 percent satisfaction rate or better for each of its conferences hosted in 2019 and a 92 percent rate for its largest event, North America CACS. North America CACS also produced its largest ever exhibit hall with 45 sponsors, 66 booths and ISACA's first Diamond-level sponsor.

ISACA presented eight Global Achievement Awards for contributions to the business technology profession and ISACA as well as 10 chapter awards and five recognitions of top certification exam scores.



2019 Highlights

Enterprise Solutions

57% international

More than half of revenue generated came from outside the US, highlighting Enterprise Solutions' global reach.

550 partner organizations trained

More than 500 partner organizations were trained, allowing the team to reach over 18,000 students.

3,377 CMMI ratings

A record-setting number of global organizations earned CMMI ratings through appraisals.

27 medical device companies

More than two dozen medical device companies at 58 individual sites experienced performance improvement through ISACA's Medical Device Discovery Appraisal Program (MDDAP), part of the US FDA's case for quality initiative.

ISACA Enterprise Solutions expanded its global reach to 12 new countries in which it had not previously conducted business.

130 new enterprises chose ISACA solutions to assist in their learning and cybersecurity training and assessment needs.

Enterprise Solutions expanded its network of Accredited Training Organizations (ATOs) with a new ATO that covers the UAE, Saudi Arabia and Bahrain.

After purchasing CMMI Institute in 2016, CMMI product lines were integrated into ISACA's Enterprise Solutions organization. This collaborative effort provides a consistent approach to meeting the needs of organizations that are committed to realizing the positive potential of technology.

Adoption of the CMMI Cybermaturity Platform expanded to include a new engagement with one of the world's largest multi-national oil producers to assess, measure, track and report on its cybersecurity maturity. The deal is one of many that validates the need for organizations of all sizes, across the globe, to assess and address cybersecurity risk at the enterprise level.

A multinational audit, risk, financial and tax advisory services organization in the US enhanced its consultancy capability by training and credentialing staff through ISACA's CSX Cybersecurity Practitioner (CSX-P) credential.

ISACA China conducted the Digital Risk Summit in Beijing with the China Institute of Internal Auditors (CIIA) and Beijing National Accounting Institute (BNAI), representing the first conference in China focusing on digital risk management. More than 200 participants attended the conference.

ISACA's global government relations team was named a 2019 Power of A Silver Award winner. The award recognizes and celebrates the extraordinary contributions associations make to society by enriching lives, creating a competitive workforce, preparing society for the future, driving innovation and making a better world.



2019 Highlights

Marketing Services

The Customer Experience Team resolved 90 percent of requests in two customer interactions or less, helping lead to an 85 percent customer delight rate.

A new assessment-based certification prospecting campaign identified more than 17,000 new certification candidates.

The ISACA communications team helped garner 15,000 ISACA media mentions, 107 media interviews with ISACA leaders and 57 external speaking opportunities.

A new young professionals portal on the ISACA website featured videos, podcasts, blogs and other content geared toward young professionals and other newcomers to ISACA's professional fields of interest.

ISACA media campaigns highlighted industry survey data on topics including trends shaping the technology workforce, the state of enterprise risk and a look ahead at the evolving technology landscape of the next decade.

The ISACA Now blog drew more than 330,000 page views.

ISACA established a 50th anniversary website that drew more than 150,000 page visits for the year, featuring stories, graphics, photos and videos from ISACA's first five decades.

Four anniversary-themed social media campaigns throughout the year helped contribute to more than 10,000 mentions of the #ISACA50 hashtag.





2019 Highlights

One In Tech,
an ISACA Foundation

ONE IN TECH™

An ISACA Foundation

One In Tech, an ISACA Foundation, the philanthropic arm of ISACA, is a separate nonprofit organization providing programming and collaborations that support under-represented and under-served populations in education, access, and inclusion within the technology space. One In Tech's mission, to create a healthy digital world that is safe, secure, and accessible for all, shows through its three pillars – Young Leaders in Tech, Diversity in Tech, and Equity in Tech.

Ginger Spitzer was hired as One In Tech's first executive director and began planning the foundation's full launch.

The SheLeadsTech program released a report on the tech workforce, identifying key industry trends and challenges on topics such as retention and workforce demographics.

The SheLeadsTech program was integrated into ISACA conferences around the globe, and networking breakfasts and post-conference events, including launching its ambassador program for allies of women in tech.

SheLeadsTech partnered with AnitaB.org, with funding from a grant through City Tech Collaborative, to provide training in Chicago for women entering the cybersecurity field.

"Now more than ever, society recognizes the deep divide between those with access, education and inclusion within the digital world and those without. One In Tech provides support to the under-represented and under-resourced populations around the world to close that gap. Our work is based on the belief that a truly powerful, relevant world of technology requires the engagement of ALL global citizens."

**Ginger Spitzer, executive director, One In Tech,
an ISACA Foundation**



Honoring our past
Innovating our future





ISACA's 50th anniversary celebration galvanized the ISACA professional community worldwide. Among the year's highlights:

150,000+ 100+

visits to ISACA's 50th anniversary site, ISACA50.org

anniversary-themed content pieces posted to ISACA50.org

10,000+ 94%

social media posts using #ISACA50

of staff reported that ISACA's 50th anniversary program increased their pride in being part of ISACA.

First Community Day

a day of service for ISACA members to give back locally and track our positive impact globally

Anniversary events

ISACA's 50th anniversary was highlighted at conferences around the world, including at North America CACS 2019 in Anaheim, CA, near where ISACA formed in 1969.

Our 50th anniversary program was an ASAE Gold Circle Award winner for best member engagement communications program.





Ushering in a New Decade

As ISACA bid farewell to its 50th anniversary year in 2019, plans for a new year—and a new decade—were in full swing. Here is a look at several of the forward-looking initiatives that positioned ISACA for continued impact and success in the new decade.



An ISACA Foundation

Executive director hired for One In Tech, the new ISACA foundation

Ginger Spitzer was named the first executive director of the One In Tech foundation. One In Tech's mission is to build a healthy digital world that is safe, secure and accessible for all.



ISACA staff prepared for the launch of an updated digital presence

ISACA's new website, which debuted in January 2020 after months of design work and testing in 2019, provides visitors to **www.isaca.org** with smoother navigation, improved search and stronger security.



A new look for a new decade

A new ISACA logo was created in late 2019 and publicly unveiled in January 2020.

The new logo, with its rotating circular graphics, symbolizes the sense of agility and momentum that will propel ISACA into becoming a modern learning organization that will equip the ISACA professional community for success in the face of change.



Next Decade of Tech

In December, ISACA released new research looking ahead to the evolving technology landscape of the 2020s. The research highlighted themes such as how artificial intelligence is likely to impact society in the new decade, the impact of digital natives increasingly growing into leadership roles, and how the privacy and security landscapes are likely to evolve.



DOWNLOAD THE NEXT
DECADE OF TECH
INFOGRAPHIC HERE

Donors

Platinum

Lynn Lawton

Gold

Jeffery Patubo

Silver

Abdul Hamid Abdullah
Garry Barnes
Douglas Brown
Jose Campos
Georges Cascales
Bernard Czaja
Kim Dale
Ronald Davidsz

Jim Donahue
Gert Du Preez
Stephan Heinimann
Jason Ingalls
Allan Jagath Monesh Jinadasa
Andrew Odendaal
Julian Pereira
Michael Podemski

Patrick Rozario
Vijayakumar S.R.
Jose Saucedo
Hamilton Stewart
Bernard Tang
Karen Tinucci
Daniel Wiechec
Carlos Zamora

Donor

Christopher Adedeji
Imran Ahmed
Azubike Ahubelem
Mark Aldrich
Setiawan Alexander
James Allocco
Gaku Ando
Mark Arnold
Sam Arthur
Julius Azarcon
Mark Bakarich
Mark Baldwin
Kevin Barron
James Bearce
Damien Bertero
Timothy Bever
Susanna Bezold

Rolf Bielser
Robert Boere
Alexander Brandl
Joseph Braud
Mahmood Bukhari
Jason Campbell
Adam Chaikin
Victor Chan
Norene Chin
John Chirillo
Rajeev Chugh
Guillaume Clement
Peter Cluck
Eugene Conn
Brian Coutanche
Kenneth Craycraft
Kevan Croteau

Elisa Cruz
John Czaplewski
William Davidson
Rodney Davies
Donna Degenhart
Patricia Díaz Tori
Marta Donnelly
Michael Dorn
Salih Ali Durul
David Empey
John Eto
Jeff Ewing
Dieter Fabritius
Cherrie Mae Ferreria Chiomento
Celestino Francisco
Michael Frederick
Alicia Fricke

Donors

Donor

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Arief Gaffar
Rajendra Gawde
John Generelli
Frank Gerber
Lodewijk Goubert
Vishal Govil
Louis Grippo
Rajeev Gupta
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Andrew Hogan
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Michael Jimenez
Edward Johnson
Itticheria Joshua
Carlos Justiniano
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Jacqueline Kapres
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Guennadi Momot
Elizabeth Moorhead
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Gertjan Nickolson
Takahiro Nishimura
Chris Nooijens
Ben Nyongesa
Patricia O'Gara
Didem Ochsner Erinc
Andrew Okada
Chanroutie Omadath-Heetai
Marcelino Oshima
Francis Otoo-Ansah
Edgard Padilla
Marie-Grace Pagdanganan
Trudy Page
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Anthony Passaniti
Anthony Pepeno
Jorge Perez Morales
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LaJuan Phillips
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Joseph Ponnoly
Andreas Postl
Venkateswara Rao Pothina
Paul Praveen
John Premanath
Rajesh Purohit
Sufyan Qteishat
Philippe Quandalle
N. Ramu
Kostja Reim
Harry Richards
Salomon Rico
Kees Riemens
Ronald Rink
Royce Robbins
Colette Robichau
Steven Roesing
Sarah Royston
Daniel Rueckert
Martin Ryerse

Julio Saiz
Diana Salazar
Artemio San Diego
Zacarias Sanchez
Stella Alexandra Sánchez
Merve Sarac
Masaaki Sato
Uso Sayers
Ted Schuijt
Nicola Sebastiani
Charlie Singh
Mahadevan Sivaramakrishnan
Marek Skalicky
Rebecca Snevel
Hiren Sonetta
Maria Sherlyn Soyoso-Capuder
Carnella Stephens
Ingo Struck
Hartono Susetyo
Devanshu Swaly
Ganesh Swaminathan
Umesh T.R.S.
Jesse Takahashi Cutler
Devinabye Tannoo
Teruo Tazaki
Thomas Templer
David Terpening
Nobuyuki Tetsuka
Brian Thomas
William Thorn
Scott Tompkins
Mark Townsend
Giancarlo Turati
Luis Uria
Bartholomeus van Lodensteijn
Stanley Velando
Suresh Venkatesh
Jason Viola
Manuel Viscasillas
Robert Vonderheid
Christopher Wagner
Deborah Walker
Shinichi Watanabe
Richard Way
Fran Weeks
Garry Woods
Veronica Wyrwas
Kenichi Yamashita

2019 Financial Review





Finances 2019

In 2019, ISACA experienced revenue growth in many of its core programs as highlighted by an all-time record member retention rate and continued market demand for its professional certifications and training and education programs. The year included continued investment in its core programs as well as the introduction of some new products for both individuals and enterprise customers.

In order to support investments in strategic initiatives and operational programs, ISACA leveraged its margin loan agreement with Charles Schwab during the year which enables ISACA to borrow funds at a low interest rate based on its investment balances with Charles Schwab. At 31 December 2019, all borrowings were repaid and there was no outstanding balance on the loan.

ISACA's investment portfolio continues to allow the organization to position itself for operational sustainability and capitalize on strategic growth opportunities. 2019 saw a very positive return

in the financial markets, resulting in a reverse of the negative returns experienced in 2018, with ISACA's portfolio incurring a very favorable realized/unrealized gain for the year of US\$8.1 million, as well as, interest and dividend earnings of US\$2.3 million.

As a leading global organization, ISACA continues to manage its reserves for operating and strategic purposes. ISACA increased its targeted operational reserve to US\$55.3 million to cover ten (10) months of average operating expenses for the last three fiscal years. ISACA also maintains a strategic reserve that is used to invest in strategic growth and other member benefit opportunities. Following the aforementioned investments as well as the increased allocation to the operational reserve, the strategic reserves had a balance of US\$16.5 million at the end of the year.

The 2019 audited financial statements for the organization are presented within this annual report. Looking ahead, management will continue to monitor key business drivers and economic conditions, and their related impact on operations and constituents in 2020 and beyond.

Audit Letters

Audit Committee Chair's Letter

The Audit Committee of the Board of Directors/ Trustees (the Board) of ISACA, Inc., IT Governance Institute, Inc., ISACA Enterprises, Inc, ISACA Global, Inc., and One In Tech, an ISACA Foundation, (the "Organization"), oversees the Organization's financial reporting process on behalf of the Board, and is composed of three independent members. In fulfilling its responsibility, the committee recommended to the Board the selection of the Organization's independent certified public accountants.

The committee discussed with the independent certified public accountants the overall scope and specific plans for their audit. The committee also discussed the Organization's consolidated financial statements and the adequacy of its internal controls.

The committee met with the Organization's independent certified public accountants, without management present, to discuss the results of their examination, their evaluation of the Organization's internal controls, and the overall quality of the Organization's financial reporting.



Martha Gabriela Reynaga, CISA, CRISC, GRCP
Chair, Audit Committee

Management Report on Responsibility for Financial Reporting

The management of ISACA, Inc., IT Governance Institute, Inc., ISACA Enterprises, Inc., ISACA Global, Inc., and One In Tech, an ISACA Foundation, (the “Organization”) has the responsibility for the preparation, integrity and fair presentation of the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and, as such, include amounts that are based on management’s best estimates and judgments. Management also prepared the other information in the annual report and is responsible for its accuracy and consistency with the financial statements.

The Organization’s financial statements for 2019 have been audited by CohnReznick LLP, independent certified public accountants, elected by the Board of Directors/Trustees (the Board). Management has made available to CohnReznick LLP all of the Organization’s financial records and related data, as well as the minutes of the Board’s meetings. Management believes that all representations made to CohnReznick LLP during its audit were valid and appropriate.

The Organization maintains a system of internal control that is designed to provide reasonable assurance to management and to the Board regarding the preparation and publication of reliable and accurate financial statements, the effectiveness and efficiency of operations, 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, and the careful selection,

training and development of personnel. Management also recognizes its responsibility for fostering a strong ethical climate so that the Organization’s affairs are conducted according to the highest standards of personal and corporate conduct.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

The Organization evaluates its internal control system in relation to criteria for effective internal control over financial reporting described in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and as of 31 December 2019 the Organization believes that its system of internal control over financial reporting met those criteria.

As part of its audit of the Organization’s financial statements, CohnReznick LLP assessed the Organization’s internal accounting controls structure to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied. Management and CohnReznick LLP have reviewed the internal control assessment with the Audit Committee as part of the committee’s acceptance of the financial statements. The Board, operating through its Audit Committee, which is composed entirely of members who are not officers or employees of the Organization, provides oversight to the financial reporting process.



David Samuelson
Chief Executive Officer



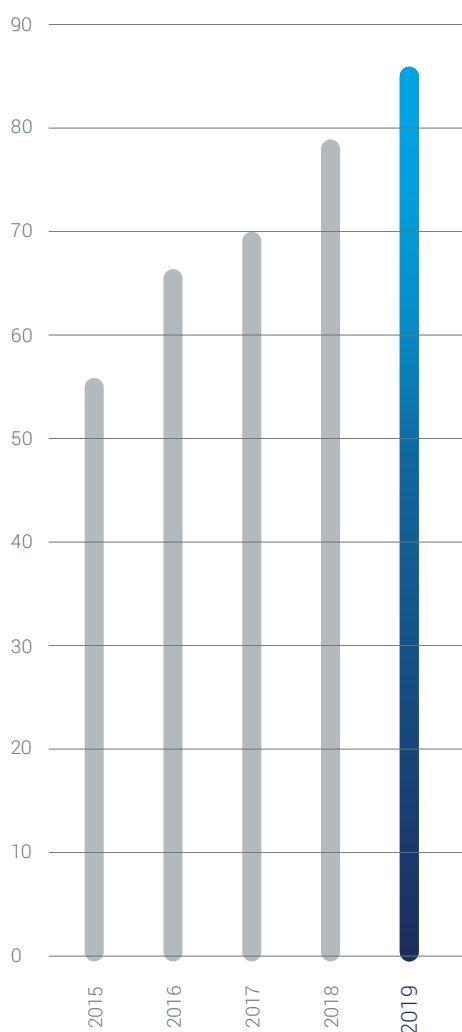
Robert A. Micek
Chief Financial Officer

Consolidated and Combined Financial Statements

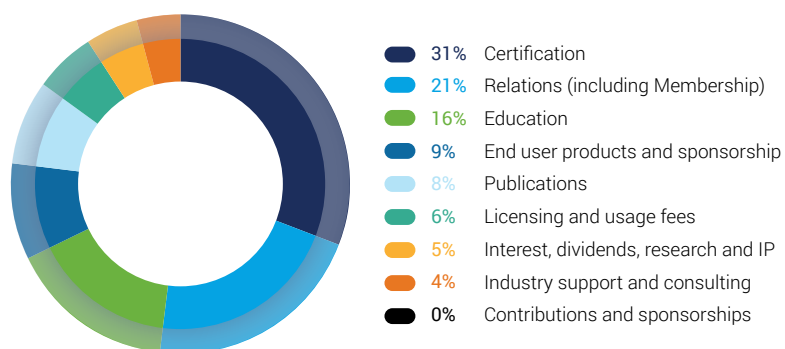
All monetary amounts included in the financial statements are in US dollars.

Historical Revenues

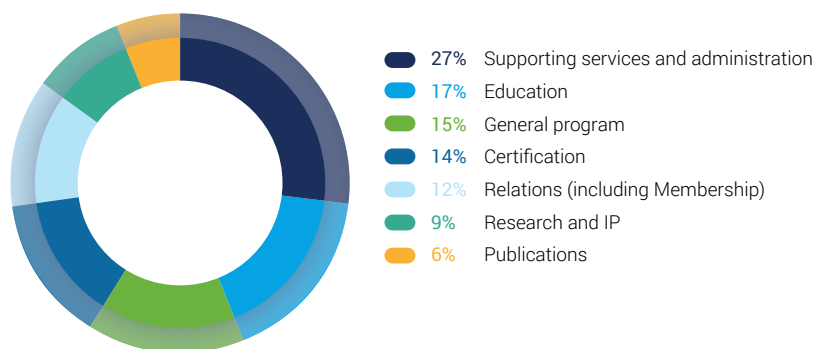
(in millions of US dollars)



2019 Operating Revenues



2019 Operating Expenses



Independent Auditor's Report

Board of Directors

ISACA, Inc. and Affiliates

Report on Financial Statements

We have audited the accompanying consolidated and combined financial statements of ISACA, Inc. and Affiliates (collectively, the "Organization"), which comprise the consolidated and combined statements of financial position as of 31 December 2019 and 2018, and the related consolidated and combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined 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 consolidated and combined 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 consolidated and combined financial statements based on our audits. We conducted our audits 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 consolidated and combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and combined 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 entity'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 consolidated and combined 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 consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of ISACA, Inc. and Affiliates as of 31 December 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2, ISACA, Inc. and Affiliates adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) as of and for the year ended 31 December 2019. Our opinion is not modified with respect to this matter.

Chicago, Illinois
21 April 2020

Assets

	2019	2018
Current assets		
Cash and cash equivalents	\$ 5,138,719	\$ 7,135,952
Investments	76,416,485	66,378,110
Accounts receivable, net	7,914,102	6,602,500
Prepaid expenses	3,002,927	2,723,968
Inventory, net	305,405	347,355
Other current assets	523,168	678,153
Total current assets	93,300,806	83,866,038
Fixed assets		
Leasehold improvements	1,206,289	1,158,127
Right of use asset - operating leases	8,714,243	-
Furniture and fixtures	2,460,646	2,429,622
Office equipment	27,892	44,571
Computer system	16,674,963	14,820,453
	29,084,033	18,452,773
Less accumulated depreciation	(12,423,432)	(9,346,322)
Net fixed assets	16,660,601	9,106,451
Other assets		
Goodwill	1,324,000	1,324,000
Intangible assets, net	7,636,212	6,980,024
Security deposits	41,608	41,608
Total other assets	9,001,820	8,345,632
Total assets	\$118,963,227	\$101,318,121

Liabilities and Net Assets

	2019	2018
Current liabilities		
Accounts payable and accrued expenses	\$16,378,469	\$16,051,505
Deferred revenues	20,965,081	18,951,693
Operating lease liability, current	1,211,896	-
Other liabilities	9,062	1,929,891
Total current liabilities	38,564,508	36,933,089
Long-term liabilities		
Operating lease liability, net of current	8,530,245	-
Total long-term liabilities	8,530,245	-
Total liabilities	47,094,753	36,933,089
Commitments and contingencies		
Net Assets		
Without donor restrictions		
Board designated	55,339,663	50,705,495
Undesignated	16,487,700	13,638,426
Total without donor restrictions	71,827,363	64,343,921
With donor restrictions	41,111	41,111
Total net assets	71,868,474	64,385,032
Total liabilities and net assets	\$118,963,227	\$101,318,121

	Without donor restrictions	With donor restrictions	Total
Operating revenues			
Relations (including Membership)	\$ 18,298,625	\$ -	\$ 18,298,625
Certification	26,792,036	-	26,792,036
Education	13,524,234	-	13,524,234
Publications	6,729,252	-	6,729,252
Contributions and sponsorships	22,045	-	22,045
Licensing & usage fees	4,678,006	-	4,678,006
Industry support & consulting	3,107,028	-	3,107,028
End user products & sponsorship	7,950,833	-	7,950,833
Research & intellectual property	2,099,192	9	2,099,201
Net assets released from restrictions	9	(9)	-
Total operating revenues	83,201,260	-	83,201,260

Operating expenses			
Program services			
Relations (including Membership)	10,562,457	-	10,562,457
Certification	11,541,499	-	11,541,499
Education	14,636,561	-	14,636,561
Publications	5,029,701	-	5,029,701
General program	13,219,173	-	13,219,173
Research & intellectual property	7,894,364	-	7,894,364
Total program services	62,883,755	-	62,883,755
Supporting services			
Board and administrative	22,955,913	-	22,955,913
Total supporting services	22,955,913	-	22,955,913
Total operating expenses	85,839,668	-	85,839,668
Deficiency from operations	(2,638,408)	-	(2,638,408)

Other gains (losses)			
Net investment return	10,160,758	-	10,160,758
Net realized and unrealized losses on foreign currency exchange	(38,908)	-	(38,908)
Total other gains (losses)	10,121,850	-	10,121,850
Change in net assets	7,483,442	-	7,483,442
Net assets, beginning of year	64,343,921	41,111	64,385,032
Net assets, end of year	\$ 71,827,363	\$ 41,111	\$ 71,868,474

	Without donor restrictions	With donor restrictions	Total
Operating revenues			
Relations (including Membership)	\$ 17,412,361	\$ -	\$ 17,412,361
Certification	23,838,846	-	23,838,846
Education	13,437,737	-	13,437,737
Publications	6,009,496	-	6,009,496
Contributions and sponsorships	74,241	-	74,241
Licensing & usage fees	5,552,377	-	5,552,377
Industry support & consulting	2,396,906	-	2,396,906
End user products & sponsorship	5,240,356	-	5,240,356
Research & intellectual property	2,107,979	9	2,107,988
Net assets released from restrictions	9	(9)	9
Total operating revenues	76,070,308	-	76,070,308

Operating expenses			
Program services			
Relations (including Membership)	11,561,542	-	11,561,542
Certification	11,014,001	-	11,014,001
Education	16,419,097	-	16,419,097
Publications	4,733,260	-	4,733,260
General program	12,811,814	-	12,811,814
Research & intellectual property	9,315,800	-	9,315,800
Total program services	65,855,514	-	65,855,514
Supporting services			
Board and administrative	17,520,749	-	17,520,749
Total supporting services	17,520,749	-	17,520,749
Total operating expenses	83,376,263	-	83,376,263
Deficiency from operations	(7,305,955)	-	(7,305,955)

Other gains (losses)			
Net investment return	(3,167,519)	-	(3,167,519)
Net realized and unrealized losses on foreign currency exchange	(23,236)	-	(23,236)
Total other gains (losses)	(3,190,755)	-	(3,190,755)
Change in net assets	(10,496,710)	-	(10,496,710)
Net assets, beginning of year	74,840,631	41,111	74,881,742
Net assets, end of year	\$ 64,343,921	\$ 41,111	\$ 64,385,032

CONSOLIDATED AND COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended 31 December 2019

	Program services	Support services	Total
Compensation	\$ 24,830,892	\$ 15,476,478	\$ 40,307,370
Professional fees	7,096,203	1,689,342	8,785,545
Facilities, infrastructure, and insurance	5,240,950	1,275,390	6,516,340
Marketing and promotions	6,023,074	82,004	6,105,078
Depreciation and amortization	3,113,197	2,273,321	5,386,518
Conference	3,486,550	36,611	3,523,161
Travel	2,124,514	1,318,502	3,443,016
Test administration fees	2,516,051	-	2,516,051
Banking, credit card and interest fees	2,077,970	365,070	2,443,040
Supplies, printing, postage and shipping	2,258,557	165,611	2,424,168
Other operating expenses	1,800,234	273,584	2,073,818
Royalties and commission	1,215,720	-	1,215,720
Course and training costs	1,099,843	-	1,099,843
Total	\$ 62,883,755	\$ 22,955,913	\$ 85,839,668

CONSOLIDATED AND COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended 31 December 2018

	Program services	Support services	Total
Compensation	\$ 26,135,307	\$ 10,496,034	\$ 36,631,341
Professional fees	9,030,438	1,876,450	10,906,888
Facilities, infrastructure, and insurance	2,624,571	2,190,648	4,815,219
Marketing and promotions	6,582,955	483,700	7,066,655
Depreciation and amortization	2,446,713	884,383	3,331,096
Conference	4,760,105	51,090	4,811,195
Travel	3,119,056	741,416	3,860,472
Test administration fees	2,487,694	-	2,487,694
Banking, credit card and interest fees	2,090,340	339,970	2,430,310
Supplies, printing, postage and shipping	2,443,453	146,793	2,590,246
Other operating expenses	2,154,849	246,780	2,401,629
Royalties and commission	1,077,817	63,485	1,141,302
Course and training costs	902,216	-	902,216
Total	\$ 65,855,514	\$ 17,520,749	\$ 83,376,263

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 7,483,442	\$(10,496,710)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,418,516	1,722,531
Amortization of intangible assets	1,555,494	1,608,565
Bad debt expense	374,169	343,340
Loss on disposal of equipment	141,001	315,905
Net realized and unrealized (gains) losses on investments	(9,321,183)	4,859,248
Changes in assets and liabilities		
Accounts receivable, net	(1,685,771)	(2,087,866)
Prepaid expenses and other current assets	(123,974)	912,038
Inventory, net	41,950	10,608
Accounts payable and accrued expenses	326,964	5,891,043
Deferred revenues	2,013,388	2,216,519
Other liabilities	(2,097,750)	(7,731,805)
Net cash provided by (used in) operating activities	2,126,246	(2,436,584)
Cash flows from investing activities		
Purchases of fixed assets	(1,344,578)	(5,009,147)
Proceeds from sale of fixed assets	149,973	9,229
Purchases of intangible assets	(2,211,682)	(3,332,291)
Proceeds from the sale of investments	582,808	13,514,748
Net cash used in investing activities	(2,823,479)	5,182,539
Cash flows from financing activities		
Repayment on draw on margin loan	(1,300,000)	(7,200,000)
Net cash used in financing activities	(1,300,000)	(7,200,000)
Net change in cash and cash equivalents	(1,997,233)	(4,454,045)
Cash and restricted cash, beginning of year	7,135,952	11,589,997
Cash and restricted cash, end of year	\$ 5,138,719	\$ 7,135,952
Significant noncash investing and financing activities:		
Increase in fixed assets	\$(9,549,277)	-
Increase in operating lease liability	10,000,995	-
Decrease in deferred rent	(451,718)	-
Total	-	-

Note 1 - Organization

The Organization consists of ISACA, Inc. (the "Association" or "ISACA"), IT Governance Institute, Inc. (the "Institute" or "ITGI"), ISACA Global, Inc. ("IGI") and One in Tech, an ISACA Foundation ("One in Tech" or "OIT"). ISACA Enterprises, Inc. ("IEI") was part of the Organization until 30 November 2019, when it was legally closed after the assets of its sole subsidiary, CMMI Institute ("CMMI" or "the Company"), was merged into ISACA. The Organization operates on a global basis, with the majority of revenues and net assets attributable to the Association, the predominant entity within the Organization. The Organization maintains its books and records at its global office building located in Schaumburg, Illinois, USA.

The Association was incorporated in 1969 under the name Electronic Data Processing Auditors Association, a California (USA) not-for-profit corporation. In 1993, to reflect the evolving state of technology, as well as the Association's expanding constituency base, the name was changed to Information Systems Audit and Control Association, Inc. The Association now presents itself by its acronym, ISACA. With more than 145,000 members and 450,000 engaged professionals in more than 185 countries, ISACA is a leading global provider of knowledge, certifications, community, advocacy and education on information systems ("IS") assurance and security, enterprise governance and management of Information Technology ("IT"), and IT-related risk and compliance. ISACA hosts international conferences, publishes the ISACA® Journal, and develops international IS auditing and control standards. ISACA also administers the globally respected Certified Information Systems Auditor ("CISA"), Certified Information Security Manager ("CISM"), Certified in the Governance of Enterprise IT ("CGEIT"), Certified in Risk and Information Systems Control ("CRISC") and Cybersecurity Practitioner ("CSX-P") designations. In addition, the Association supports development, update and education activities related to COBIT, a globally adopted business framework for governing and managing enterprise IT. As of 30 November 2019, the Association acquired the assets of CMMI, located in Pittsburgh, PA. CMMI is a global leader in the advancement of best practices in people, process, and technology. CMMI provides the tools and support for organizations to benchmark their capabilities and build maturity by comparing their operations to best practices and identifying performance gaps. For the month of December 2019, CMMI's financials are part of the Association.

The Institute was incorporated in 1976 under the name Electronic Data Processing Auditors Foundation, a California (USA) not-for-profit corporation. In 1994, its name was changed to Information Systems Audit and Control Foundation, to align with the changed name of the Association, and was changed again in 2003 to IT Governance Institute, Inc. In 2013, ITGI was granted a Type II Supporting Organization status by the IRS, and is a Supporting Organization of the Association. The Institute's role in the mission it shares with ISACA focuses on provision of knowledge on IT governance and related topics. Through its collaborative development model, the Institute brings global perspectives to critical issues facing enterprise leaders and practitioners in its IT governance responsibilities. The Institute's financial statements are presented on a combined basis due to a majority of Board members serving both the Institute and the Association.

IGI was incorporated in 2016 as a special purpose Delaware for-profit C-corporation. The Association owns 100% of the interest in IGI. The special purpose of this new subsidiary is to act as a flexible vehicle to establish entities in countries outside the United States to conduct business and other activities aimed at furthering ISACA's mission in those countries while also providing the necessary protection of ISACA's nonprofit tax status and its investable assets. On 12 April 2017, IGI received a business license for a new wholly foreign-owned enterprise ("WFOE") in China, ISACA IT Technology (Beijing) Co., Ltd. The WFOE is 100% owned by IGI and is the only subsidiary of IGI as of 31 December 2019. The WFOE provides certain services to Chinese customers, including technology promotion, technology consulting, technology transfer and technical services of information security as well as corporate planning, marketing, and other business services. IGI's financial statements are presented on a consolidated basis.

IEI was incorporated in 2016 as a Delaware for-profit C-corporation. The Association owned 100% of the interest in IEI. The purpose of IEI was to act as a holding company for acquisitions that expanded ISACA's reach and enhanced its mission. Soon after its incorporation, on 1 March 2016, IEI acquired 100% of the interest in a for-profit entity, Clearmodel LLC, doing business as CMMI Institute ("CMMI"). CMMI was the only subsidiary of IEI as of 30 November 2019. IEI's and CMMI's financial statements are presented on a consolidated basis for 2018 and up to its cessation on 30 November 2019.

OIT was established in 2019, with its mission to provide advocacy through its programs, partnerships, and grantmaking for the underserved for a healthy digital world. ISACA is deemed to have control over OIT and therefore is presented on a consolidated basis.

Note 2 - Summary of significant accounting policies

Basis of presentation

The consolidated and combined financial statements include the assets, liabilities, net assets and financial activities of the Organization. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Significant intercompany balances have been eliminated in consolidating and combining the entities. The Organization has a relationship with ISACA chapters located throughout the world; however, the chapters are not fiscally accountable to the Organization and, accordingly, have not been included in the accompanying consolidated and combined financial statements.

Use of estimates

The preparation of the consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair value

Pursuant to the accounting guidance for fair value measurements and its subsequent updates, fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

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; however, the determination of what constitutes observable requires significant judgment. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Inputs that are unobservable for the assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

Concentration of credit risk

Certain financial instruments, primarily cash, cash equivalents and investments, subject the Organization to credit risk. The Organization maintained cash balances (non-interest-bearing) in 2019 and 2018 at a financial institution in excess of the federally insured limit; however, the Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash and cash equivalents. With respect to investments, concentration is limited through the diversification of the portfolio. At 31 December 2019 and 2018, the Organization maintained 18% and 16%, respectively, of its investment balance in a single mutual fund, an index fund designed to replicate the performance of the S&P 500 index. As an index fund, its goal is to maintain a level of broad diversification consistent with its target index, whose constituent components include approximately 500 stocks capitalization weighted across a variety of industry sectors. At 31 December 2019, the Organization maintained 22% of its investment balance in two bond funds, the Metropolitan West Total Return Bond Fund ("Metropolitan") and Western Asset Core Bond Fund. The former is a diversified bond fund that seeks to invest at least 80% of its net assets in investment grade fixed income securities or unrated securities that are determined by the adviser to be of similar quality. This fund invests in the U.S. and abroad, including emerging markets, and may purchase securities of varying maturities issued by domestic and foreign corporations and governments. At year-end, the fund's assets were diversified across more than 1,700 individual holdings. The latter is a diversified bond fund that seeks to maximize total return from a high-quality, U.S. dollar denominated core fixed-income portfolio. At year-end, the fund's assets were diversified across more than 2,000 individual holdings.

Cash and cash equivalents

Cash and cash equivalents consist primarily of non-interest-bearing deposits with maturity dates of three months or less at the time of purchase to be used for operating purposes. These deposits are carried at cost, which approximates fair value.

Investments

Investments, other than money market funds and interest-bearing deposits, are reflected in the accompanying consolidated and combined financial statements at fair value according to GAAP. All investment activity is reflected in the accompanying consolidated and combined financial statement as net investment return.

Accounts receivable

Accounts receivable are due within 30 days, or as otherwise agreed-upon, and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered past due. The Organization determines its allowance for doubtful accounts by considering a number of factors, including the length of time that trade accounts receivable are past due, the Organization's loss history, the customer's current ability to pay its obligation to the Organization, and the condition of the general economy and the industry as a whole. The Organization writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Inventory

Inventory consists of study aids and other publications printed for the Organization for sale to its members and interested outside parties. In addition, there are ISACA-branded materials held in the online storefront, available to its Chapters for purchase. Inventory is valued at the lower of cost or market, with cost determined by the average cost method. Provisions for obsolete items are based on estimated future usage as related to quantities of stock on hand.

Fixed assets

Fixed assets are carried at cost. Depreciation is computed using the straight-line method. The estimated useful lives of the related assets range from two to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease terms or their estimated useful lives. Depreciation expense totaled \$3,418,516 and \$1,722,531 for the years ended 31 December 2019 and 2018, respectively.

Net assets

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions using the following classifications:

Without donor restrictions - Represents unrestricted resources available for support of daily operations and contributions received with no donor restriction. The Board may designate certain net assets for a particular function or activity.

With donor restrictions - Represents resources that are subject to restrictions imposed by the donor that will be met either by actions of the Organization or the passage of time or are restricted to investments in perpetuity. When a donor restriction has been satisfied by incurred expenses consistent with the designated purpose, net assets without donor restrictions are reclassified to net assets without donor restrictions for reporting of related expenses.

Promotion and advertising costs

Promotion and advertising costs are expensed as incurred. Total promotion and advertising costs were \$5,822,949 and \$6,476,551 for the years ended 31 December 2019 and 2018, respectively.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated and combined statement of functional expenses. Expenses directly attributable to a specific functional area for the Organization are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among program services and management and general expenses. Such allocations are determined by management on an equitable basis. A portion of the costs that benefit multiple functional areas have been allocated across program and support functions based on headcount and on the proportion of time spent in a particular area.

Recently adopted accounting pronouncements

Accounting Standards Update 2014-09

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) in May 2014, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues.

The Organization adopted the new revenue recognition guidance as of 1 January 2018 using the full retrospective method of transition for all contracts that were not completed as of that date.

The Organization's revenue for reporting periods ended after 31 December 2017 are presented under the new guidance, while financial results for prior periods will continue to be reported in accordance with the prior guidance and the Organization's historical accounting policy. The Organization has not experienced significant changes to the pattern of revenue recognition for its contracts, the identification of contracts and performance obligations or the measurement of variable consideration. The impact on the revenue recognition has been immaterial compared to the prior revenue recognition policy.

Accounting Standards Update 2016-02

In February 2016, the FASB issued Accounting Standard Update No. 2016-02, Leases (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the balance sheet, ASU 2016-02 will require both types of leases to be recognized on the balance sheet. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements.

The Organization adopted ASU 2016-02 using the modified retrospective approach effective at the beginning of the reporting period in which the Organization applied the lease standard, which was 1 January 2019, and which does not require the adjustment of comparative periods. The adoption had a material impact on the Organization's financial statements but had no impact to net assets as of the beginning of 2019. Refer to Note 13 for additional information.

Accounting Standards Update 2016-18

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230) - Restricted Cash ("ASU 2016-18") to address diversity in practice with respect to the cash flow presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended 31 December 2019, however, there were no changes to the beginning and ending cash and restricted cash for 2018 and 2017.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform to the current year presentation. These reclassifications do not restate the prior year consolidated and combined financial statements and are for presentation purposes only.

Note 3 - Revenue

The Organization recognizes revenue under Topic 606 when (or as) the promised services are transferred to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those services.

To determine revenue recognition whether contracts are within the scope of ASC 606, the Organization performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the performance obligation(s) are satisfied. At contract inception, the Organization assesses the services promised within each contract, assesses whether each promised service is distinct and identifies those that are performance obligations. The Organization recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

Nature and timing of revenues

Relations: this includes Membership revenue and is recognized on a straight-line basis over the membership period. Subscription revenue is recognized on a straight-line basis over the subscription period. This also includes advertising/sponsorship revenue which is recognized at time of event.

Certification: Certification revenue consisting of exam sitting fees and application fees are recognized when payment is received and customer is entitled to benefit. Maintenance certification fees are recognized on a straight-line basis over the annual certification period.

Education: Education revenue is comprised of revenue from conferences, sponsorships, webinars, and online training. Conference revenue consists of revenue from attendees, sponsors and exhibitors. Conference and sponsorship revenue is recorded at the time of the event. Webinar revenue consists of webinars delivered in live, live-online, or on-demand online formats. Webinar revenue is recognized for live and live-online webinars on the day of the webinar. On-demand online courses etc., in which customers have access to online training, are recognized on the day the customer makes payment.

Publications: Test preparation and other publication revenue consists of course instruction and self-study materials sales. Publication revenue is recognized when access to the course materials is delivered to the customer or when hard physical copies are mailed.

Contributions and sponsorships: Contributions are recorded as either with donor restriction or without donor restriction. Contributions with donor restrictions are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions in the statements of activities and changes in net assets as net assets. This also includes sponsorship revenue which is recognized at time of event.

Licensing and usage fees:

Partner fees: this includes the annual support fees for partners, and the individuals' certified roles. Revenue is recognized on a straight line basis over the course of 12 months. Also included in here are per seat fees and appraisal fees. Revenue for these are recognized after the instructor or lead appraiser has completed their work and all necessary paperwork has been submitted.

Subscription and program fees: this includes subscription fees to the Enterprise Licenses, Annual Model Viewer Subscriptions, MDDAP Program Fees and Cyber Maturity Subscriptions. Revenue is recognized straight line over the course of 12 months.

Industry support and consulting:

Consulting and professional services: this includes consulting, appraisals and on-site trainings, Data Management Maturity ("DMM") consulting, assessments and trainings, and Cyber Maturity set up fees, consulting and risk assessments. Revenue is recognized as the services are provided. If the scope of work carries over multiple months. Revenue is recognized for each engagement based on the percentage of work completed at the end of each month.

Appraisals, observations, and instructor led trainings: This includes MDDAP appraisals conducted, CMMI product and DMM

observations and all instructor led training courses taught. Revenue for all of these are recognized when the service has been completed and the obligation has been fulfilled.

End user products and sponsorship:

Online Sales: this includes the purchase of items from the CMMI Institute website. Revenue is recognized at the time of sale as the customer receives immediate access to the eLearning, on-line tools, or the information download. This also includes sponsorship revenue which is recognized at time of event.

Research and intellectual property:

This consists of sponsorship/advertising, license fees, cyber platform, cyber training courses, cyber exams and other miscellaneous revenue. Sponsorship/advertising revenue is recognized at the time of the event. License fee revenue is recognized on a straight-line basis over the applicable period.

Note 4 - Availability and liquidity

The following represents the Organization's financial assets at 31 December 2019 and 2018:

	2019	2018
Financials assets at year end		
Cash and cash equivalents	\$ 5,138,719	\$ 7,135,952
Investments	76,416,485	66,378,110
Accounts receivable, net	7,914,102	6,602,500
Security and other deposits	41,608	164,091
Total financial assets	\$ 89,510,914	\$ 80,280,653
Less amounts not available to be used within one year		
Board-designated net assets	(55,339,663)	(50,705,495)
Net assets with donor restrictions	(41,111)	(41,111)
Security and other deposits	(41,608)	(164,091)
Financial assets not available to be used within one year	(55,422,382)	(50,910,697)
Financial assets available to meet general expenditures within one year	\$ 34,088,532	\$ 29,369,956

Liquidity management

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

To help manage unanticipated liquidity needs, the Organization has a margin loan agreement with Charles Schwab in which the Organization can draw up to thirty-five percent (35%) of the available balance in its investment portfolios (see Note 8).

Additionally, the Organization has Board-designated net assets without donor restrictions that, while the Organization does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

Note 5 - Investments

The following table presents information about the Organization's investments. Money market funds and interest-bearing deposits are stated at cost. Investments, which are based on quoted market prices in active markets and therefore classified as Level 1, include actively listed mutual funds and exchange-traded funds.

Investments at 31 December 2019 and 2018 consisted of the following:

	2019	2018
Mutual funds		
Large cap	\$ 13,502,158	\$ 10,435,664
Mid cap	2,116,750	1,564,803
Small cap	1,089,594	922,420
International	11,575,360	9,497,275
Fixed income	29,635,280	27,635,333
Alternatives	4,285,020	4,112,231
Master limited partnerships	2,174,656	1,984,287
Money market	3,578,973	3,492,708
Total mutual funds	67,957,791	59,644,721

Exchange-traded funds		
Mid cap	1,326,037	1,018,312
Small cap	593,191	473,068
International	3,827,687	3,122,761
REIT	2,711,779	2,194,782
Total exchange-traded funds	8,458,694	6,808,923
Money market/interest-bearing deposits	-	(75,534)
Total investments	\$76,416,485	\$66,378,110

Note 6 - Accounts receivable

Accounts receivable consist of the following at 31 December 2019 and 2018:

	2019	2018
Trade receivables	\$ 8,276,577	\$ 6,858,512
Less allowance for doubtful accounts	(362,475)	(256,012)
Accounts receivable, net	\$ 7,914,102	\$ 6,602,500

Changes in the Organization's allowance for doubtful accounts are as follows for the years ended 31 December 2019 and 2018:

	2019	2018
Beginning balance	\$ 256,012	\$ 179,165
Bad debt expense (recovery)	374,169	343,340
Accounts written off	(267,706)	(266,493)
Ending balance	\$ 362,475	\$ 256,012

Note 7 - Intangible assets

As part of the original acquisition of CMMI, goodwill was recorded on the purchase. Goodwill represents the excess of the purchase price over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is reviewed for potential impairment by the Organization annually. If a triggering event occurs that indicates the fair value may be below its carrying value, the Organization would calculate goodwill impairment. As of 31 December 2019 and 2018, the Organization determined that no adjustment for goodwill impairment was required.

The Organization incurred new product development costs that were capitalized as of 31 December 2019. Intangible assets as of 31 December 2019 and 2018 consist of the following:

	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount as of 31 December 2019
Customer relationships	14 years	\$ 900,000	\$ (246,428)	\$ 653,572
Intellectual property	14 years	2,600,000	(711,905)	1,888,095
Trade names	7 years	270,000	(147,857)	122,143
Product development	3 years	6,729,167	(1,756,765)	4,972,402
		\$10,499,167	\$(2,862,955)	\$ 7,636,212

	Amortization period	Gross carrying amount	Accumulated amortization	Net carrying amount as of 31 December 2018
Customer relationships	14 years	\$ 900,000	\$ (182,143)	\$ 717,857
Intellectual property	14 years	2,600,000	(526,190)	2,073,810
Trade names	7 years	270,000	(109,287)	160,713
Product development	5 years	4,517,485	(489,841)	4,027,644
		\$ 8,287,485	\$(1,307,461)	\$ 6,980,024

Amortization expense was \$1,555,494 and \$778,413 for the years ended 31 December 2019 and 2018, respectively. For 2019, amortization of product development was expedited and reduced from five (5) years to three (3) years. Estimated amortization expense for each of the ensuing years through 31 December 2024 and thereafter is as follows:

Year	Amount
2020	\$ 2,997,812
2021	1,865,518
2022	974,786
2023	256,428
2024	250,000
Thereafter	1,291,668
Total	\$ 7,636,212

Note 8 - Margin loan

During 2014, ISACA entered into a margin loan agreement with Charles Schwab, in which Charles Schwab agreed to loan funds to ISACA based upon its investment balance with Charles Schwab. In accordance with the agreement in place, ISACA can draw up to 35% of the investment balance, at an interest rate of the Federal Fund rate plus 0.25%. As of 31 December 2019, there was no outstanding balance on the loan. As of 31 December 2018, the interest rate charged was 3.26%, and the outstanding balance on the loan was \$1,300,000, which is included in other liabilities on the accompanying consolidated and combined statements of financial position.

Note 9 - Board-designated net assets

The Association's Board of Directors and the Institute's Board of Trustees designate a portion of the Organization's net assets without donor restrictions for contingency purposes in order to protect the Organization against unforeseen global events and economic downturn. The designated amount based on a three-year average of operating expenses total \$55,339,663 as of 31 December 2019. As of 31 December 2018, the designated amount was \$50,705,495. These funds, while designated for the purposes noted above, are categorized within net assets without donor restrictions.

Robert E. Stroud Memorial Fund

In 2018, ISACA established the Robert E. Stroud Memorial Fund within ITGI, to honor the contributions, leadership, and legacy of a former member of the ISACA Board of Directors. It is planned that the donor restrictions related to these funds will be released during 2020.

Note 10 - Net assets released from restrictions

During 2019 and 2018, net assets were released from restrictions to satisfy the following purposes:

	2019	2018
Endowment appropriation for expenditure	\$ 9	\$ 9

Note 11 - Endowment funds

Endowment funds are established either by a donor or by the governing board and can be either with donor restrictions or without donor restrictions. Endowment funds with donor restrictions are referred to as donor-restricted endowment funds. Donor-restricted endowment funds are restricted as investments in perpetuity. The Organization's endowment consists only of donor-restricted endowment funds. Net assets associated with the Organization's endowment funds are classified and reported based on the existence of donor-imposed restrictions. There are no donor restrictions on the earnings of the Organization's endowment funds.

The Organization accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Organization classifies the original value of the gifts donated to the permanent endowment as donor-restricted endowment funds. All earnings on the endowment funds are with donor restrictions until appropriated for current-year operating expenses as allowed by the donor.

As of 31 December 2019 and 2018, endowment assets include only those assets of donor-restricted funds that the Organization must hold in perpetuity. The Organization does not have any Board-designated endowment funds. The Organization's Board of Directors approved the Organization's investment policy and meets on a regular basis to ensure that the objectives of the policy are being met, and that the investment approach used to meet the objectives is in accordance with the policy. Under this policy, the endowment assets are invested in a manner that is intended to provide adequate liquidity and maximize returns on funds invested. Interest and dividends earned on endowment funds are appropriated for current-year operating expenses.

	Without donor restrictions	With donor restrictions	Total endowment funds
Endowment net assets, 1 January 2018	\$ -	\$ 41,111	\$ 41,111
Interest and dividends	9	-	9
Appropriation of endowment assets for expenditure	(9)	-	(9)
Total change in endowment net assets	-	-	-
Endowment net assets, 31 December 2018	-	41,111	41,111
Interest and dividends	9	-	9
Appropriation of endowment assets for expenditure	(9)	-	(9)
Total change in endowment net assets	-	-	-
Endowment net assets, 31 December 2019	\$ -	\$ 41,111	\$ 41,111

Note 12 - Related-party transactions

As a service to the chapters, the Association includes the amount of individual chapter dues with its annual billing and remits to the chapters' amounts collected on their behalf. The balances of \$3,050,219 and \$2,658,646 at 31 December 2019 and 2018, respectively, are reflected in accounts payable and accrued expenses and represent the unremitted portion of dues collected for individual chapters. During 2019, chapter dues collected and remitted totaled \$5,797,812 and \$5,406,239, respectively. During 2018, dues collected and remitted totaled \$5,482,646 and \$5,379,275, respectively.

Note 13 - Operating lease right of use asset and liability

The Association has an operating lease for its office facility, which requires monthly payments comprised of rent, property taxes, pro rata share of common operating expenses and insurance. On 21 July 2014, the Association signed an amendment to the lease agreement, which went into effect on 1 April 2015. The lease term was extended through 30 November 2022 with an option to terminate the lease on 31 July 2018 as long as written notice was provided to its Landlord by 1 August 2017. On 13 October 2016, the Association signed an amendment to the lease agreement for additional space in the building which went into effect 1 November 2016. On 20 July 2017, the Association provided written notice to

its Landlord exercising its right to terminate its lease effective 31 July 2018. The Association entered into a new lease agreement with a new Landlord on 5 May 2017, this original lease was amended on 18 May 2018 to reflect the new occupancy of 21 May 2018 (originally October 2017). The first monthly payment was on 16 July 2018.

The Organization's leased assets include three office leases as of 31 December 2019, with remaining terms from less than one year up to ten years and are classified as operating leases. The Organization's leased assets also includes office equipment. Renewal options are excluded from the calculation of lease liabilities unless renewal is reasonably assured. There are no residual value guarantees or material restrictive covenants. The leases are reflected on the consolidated and combined statements of financial position through both a right-of-use asset and an operating lease liability. The right-of-use assets represents the right to use the underlying asset for the lease term and were \$8,714,243 as of 31 December 2019. The lease liability represents the obligation to make lease payments arising from the lease agreement, which are discounted using the Association's incremental borrowing rate of 2.0% as of 31 December 2019. Leases are recognized at the commencement date, or the date on which the lessor makes the underlying asset available for use, based upon the present value of lease payments, over the lease term on a straight-line basis.

The future payments due under operating leases as of 31 December 2019 are as follows:

Years ending 31 December	Total endowment funds
2020	\$ 1,343,051
2021	958,711
2022	979,270
2023	1,001,929
2024	1,022,289
Thereafter	4,944,438
Subtotal	10,249,688
Less: Effects of Discounting	(507,547)
Total	\$9,742,141

Note 14 - Income taxes

The Association and the Institute have received favorable determination letters from the Internal Revenue Service stating that they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986 ("IRC"), as organizations described in Sections 501(c)(6) and 501(c)(3), respectively, except for income taxes pertaining to unrelated business income. Management has determined that there are no material uncertain positions that require recognition in the financial statements. As of 31 December 2019, the Association and the Institute did not recognize any interest or penalties associated with tax matters.

IEI accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based

on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of 31 December 2019 and 2018, IEI has deferred taxes of approximately \$819,000 and \$591,000, respectively, which arise primarily from net operating loss carryforwards for federal and state income tax purposes of approximately \$321,000 and \$232,000, respectively. Due to the uncertainty of the realization of the deferred tax assets, a full valuation allowance has been provided.

The Company is organized as a single member limited liability company and, as such, is treated as a partnership for federal and state income tax purposes. A partnership is not a tax paying entity for federal or state income tax purposes. Income or loss of a limited liability company is reported in the individual income tax returns of its member, IEI.

The Association's, the Institute's, and IEI's federal and state income tax returns prior to 2016 are closed, and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

Note 15 - Employee benefit plan

The Association maintains a defined contribution retirement plan for qualified employees. Participation in the plan is optional. The Association will match the first 5% contributed by the employee. The contributions to the plan for the years ended 31 December 2019 and 2018 were \$1,309,188 and \$1,161,125, respectively.

Note 16 - Subsequent events

The Organization evaluated subsequent events through 21 April 2020, the date that the consolidated and combined financial statements were available to be issued. Outside of the event described below, the Organization is not aware of any subsequent events that would require recognition or disclosure in the consolidated and combined financial statements.

The spread of a novel strain of coronavirus (COVID-19) has caused significant business disruptions on the entire globe beginning in the first quarter of 2020. The economic impact of the business disruptions caused by COVID-19 is uncertain. The extent of any effects these disruptions may have on the operations and financial performance of the Organization will depend on future developments, including possible impacts on the operations of the business, which cannot be determined.

