

LEAD with CONFIDENCE

(ISC)² 2022 Annual Report



We're Just Getting Started

Dear (ISC)² Members, Associates and Candidates,

2022 was a year of bold action, decisive responses to new challenges, opportunities seized and lessons learned. As an organization, we broke down barriers to achieve unprecedented success.

There is so much to celebrate. We started the year with a little more than 167,000 members and associates, and we closed 2022 with more than 300,000 members, associates and candidates — with more than 115,000 aspiring cybersecurity professionals joining our community since September 2022. This remarkable growth was driven by the (ISC)² Candidate program and the overwhelming response to our One Million Certified in Cybersecurity pledge.

Both initiatives, alongside the new Certified in Cybersecurity certification, embody our commitment to address the global cybersecurity workforce gap. Our early success underscores the tremendous global demand and interest in cybersecurity. (ISC)² has claimed its position as the world's premier association for those starting and growing their cybersecurity careers. The cybersecurity industry, media and policymakers are interested in learning more about what (ISC)² is doing, what advice we have for them, and how we can partner for mutual success.

From the U.S. Office of the National Cyber Director to the UK Cyber Security Council to new connections with the European Union Agency for Cybersecurity and burgeoning relationships with authorities across Asia-Pacific, recognition for (ISC)² is growing as we build and nurture relationships. Our members and their efforts to create a safe and secure cyber world are at the heart of all these conversations. It is our great privilege to represent our members as we help inform, educate and shape meaningful policy that aligns with our mission and benefits the cybersecurity profession.

Our accomplishments extend far beyond attracting individuals into the profession. In 2022, (ISC)² took strides to ensure enhanced value for members. We introduced new events, launched certificate programs to create more targeted learning experiences, created new ways for members to engage and volunteer, paved the way for member advisory councils in Latin America, North America and the U.K., re-envisioned the mission of the Center for Cyber Safety and Education, and laid the foundation for even more opportunities for members to learn and grow in 2023.

On behalf of the entire (ISC)² team, thank you for your membership and all you do to create a safe and secure cyber world.

Zachary Tudor, CISSP

(ISC)² Board of Directors Chair, 2022

Clar Rosso, CC

(ISC)² CEO

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Association Governance

(ISC)² is an international nonprofit membership association focused on inspiring a safe and secure cyber world. Best known for the acclaimed Certified Information Systems Security Professional (CISSP®) certification, (ISC)² offers a portfolio of credentials that are part of a holistic, pragmatic approach to information and systems security. Our association of members, associates and candidates is made up of certified cyber, information, software and infrastructure security professionals who are making a difference and helping to advance the industry.

(ISC)² is a United States 501(c)(6) nonprofit professional corporation. It was established to develop a program and common body of knowledge for the certification of cybersecurity professionals. (ISC)² programs have since expanded to support members' professional development and advocating for the continued growth and health of the profession. (ISC)² operations are led by the (ISC)² CEO and senior leadership team under the authority and guidance of our Board of Directors, who establish association strategies.

Elected by (ISC)² members, the Board of Directors is comprised of cybersecurity professionals from around the world representing academia, private organizations and government agencies. Our all-volunteer Board of certified (ISC)² members provides governance and oversight for the organization, establishes requirements for and grants certifications to qualifying candidates, and enforces adherence to the (ISC)² Code of Ethics.

Learn more at isc2.org/About/Governance.

2022 (ISC)² Board of Directors

Zachary Tudor, CISSP (U.S.), Board Chair

Lori Ross O'Neil, CISSP (U.S.), Board Vice Chair

Yiannis Pavlosoglou, CISSP (Greece), Board Secretary

David Melnick, CISSP (U.S.), Board Treasurer

Aloysius Cheang, CISSP (United Arab Emirates)

Arthur R. Friedman, CISSP (U.S.)

Rachel Guinto, CISSP (Canada)

Dan Houser, CISSP-ISSAP, ISSMP, CCSP, CSSLP (U.S.)

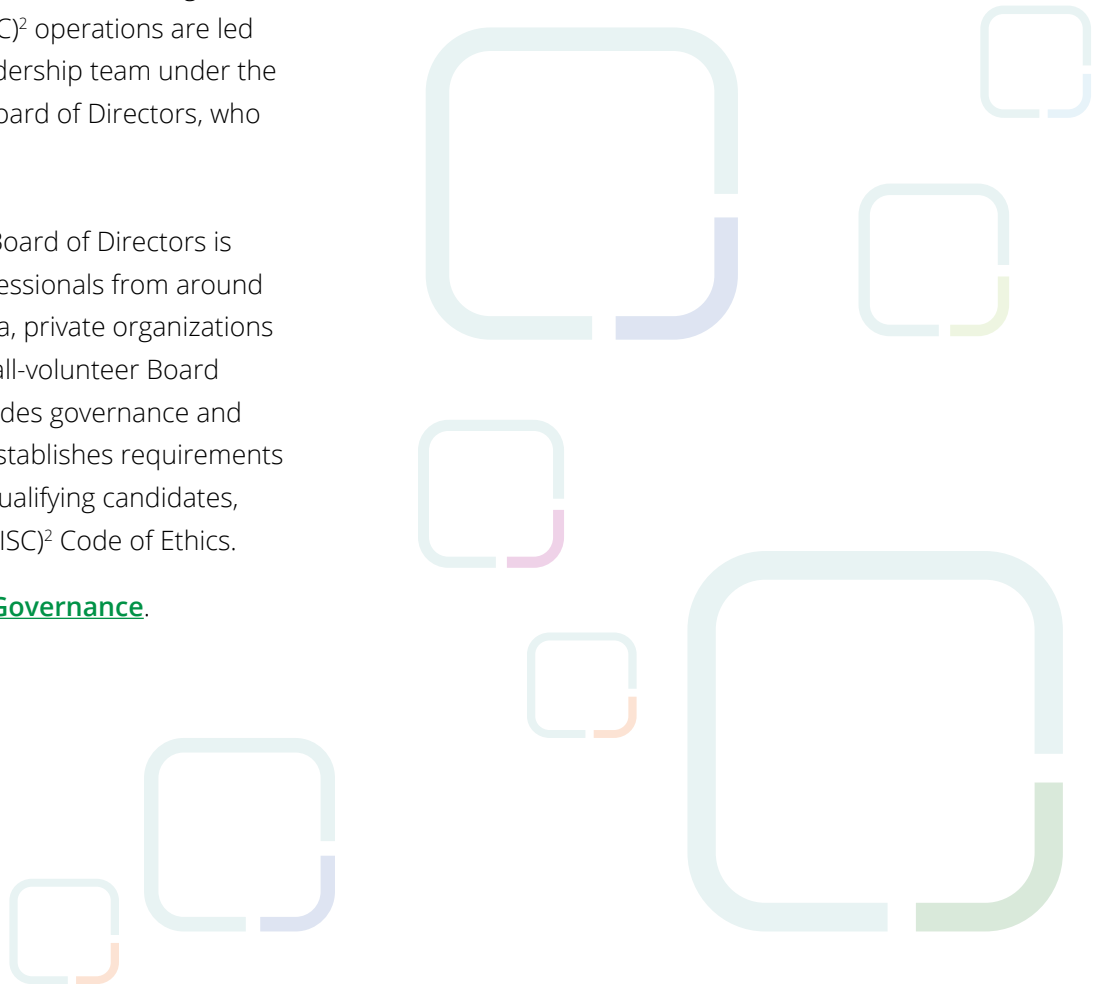
Eiji Kuwana, CISSP (Japan)

Samara Moore, CISSP (U.S.)

James Packer, CISSP, CCSP (U.K.)

Jill Slay, CISSP (Australia)

Lisa Young, CISSP (U.S.)



Financially Strong and Investing in Our Future

(ISC)² is in a strong financial position. In 2022, (ISC)² achieved record revenue and demonstrated continued certification growth and demand for our growing portfolio of educational courses and events. Additionally, our strong reserves enabled us to carry on investing in our membership and the future growth of the profession.

(ISC)² 2022 Financial Summary

	FY2020	FY2021	FY2022
Revenue	\$57,454,955	\$72,909,137	\$79,288,850
Net Increase in Net Assets	\$9,202,990	\$14,572,389	(\$5,919,200)

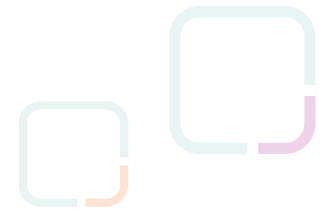
Our audited financial statements are provided on page 25.

AMF at Work

Your Annual Maintenance Fees (AMFs) enable (ISC)² to support the costs of maintaining the (ISC)² certifications and related support systems, a major component of our core value to you. Certified members and Associates of (ISC)² also access a wide array of valuable, rewarding professional development opportunities and member benefits that deliver a robust return on this annual investment. Your AMF ensures that certifications like the CISSP maintain their premier reputation, while you continue to learn and grow throughout your career.



Executing Together and Reaching Our Goals



The (ISC)² team's dedication, commitment and resourcefulness were evident across all our accomplishments. Each and every team member is committed to delivering on our vision and mission, and that was on full display in 2022.

People

Our people are our strongest assets. (ISC)² employed 226 people at the close of the year, representing a 16% y/y growth in our employee base.

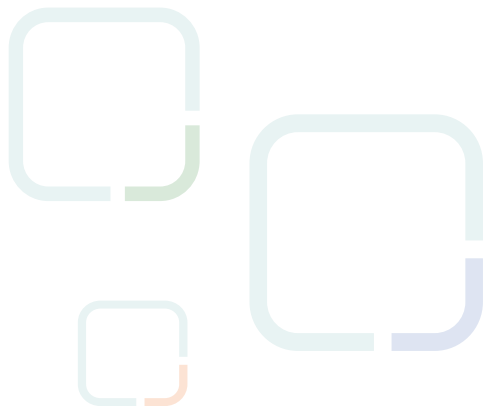
Renewed Focus on Member Professional Development

We launched the transformation of our professional development offerings for members and cybersecurity professionals around the world, establishing the foundation for engaging, innovative global learning experiences around the topics that matter most to our members.

Navigating Security Challenges

Like all organizations, (ISC)² is not immune to new and emerging threats. The threat landscape became more complex in 2022 due to several environmental challenges, many of which will carry over to 2023. Vulnerabilities in common core service functions, libraries and components demanded swift and agile response from security teams around the globe. Zero-day exploits caused significant patches to be rushed into service by vendors, notably Log4j, Spring4Shell and PrintNightmare, alongside vulnerabilities in core security products like firewalls, which directly affected the security posture of many.

(ISC)² dealt with many of these issues and continued to improve its security stance across systems, services and operations to keep members' data safe. We also ensured that (ISC)² met all the requirements of the U.K. National Cyber Security Centre's Cyber Essentials Plus, which helped solidify our ability to do business in the U.K. and earn a UK Cyber Security Council chartering pilot opportunity.



Proposed Bylaw Amendments and Our Path Forward

The (ISC)² Board of Directors submitted bylaw amendments to the membership that were put to a vote Oct. 19 – Nov. 19, 2022. The proposed amendments did not pass. During our Annual Meeting and our final *Inside (ISC)²* webinar of 2022, (ISC)² and the Board recognized the need to engage further with membership before proposing future amendments.

The Board has announced the following to ensure members have a chance to have their voices heard and to provide input into all future governance changes.

First, the Board will establish or reconstitute three important committees that comprise a balance of Board Directors and Members-At-Large.

- **Bylaws Committee** – responsible for recommending any future bylaws changes to the Board, and proactively seeking member feedback before any final recommendations are made or any changes are put to a vote.
- **Nominations Committee** – responsible for election procedures, petitioning, the ballot, election rules and managing the open call for nominations.
- **Ethics Committee** – will continue in its critical function of helping maintain the ethical standards and practices of our field.

Second, quarterly meetings with chapter presidents will be held to foster continuous feedback and member input that reaches beyond the Chapter Advisory Council.

Third, (ISC)² will reestablish five regional advisory councils, multiple committees and several task forces to tackle critical issues facing the profession.



Our Success Framework

Our strategic priorities of **Amplify the Core, Promote Global Competence, Advocate for Members and the Profession** and **Enhance the Experience** encompass a wide array of initiatives aimed at delivering on our mission.



Amplify the Core

Implement a sustainable business model that amplifies the core and ensures (ISC)² expertise meets global marketplace and individual demands.



Promote Global Competence

Deliver comprehensive and innovative products, services and experiences to help stakeholders stay relevant and engage in lifelong learning.



Advocate for Members and the Profession

Advance (ISC)² as the leading global cyber and information security professional association.



Enhance the Experience

Enhance the (ISC)² experience for members, the greater cybersecurity community and stakeholders.



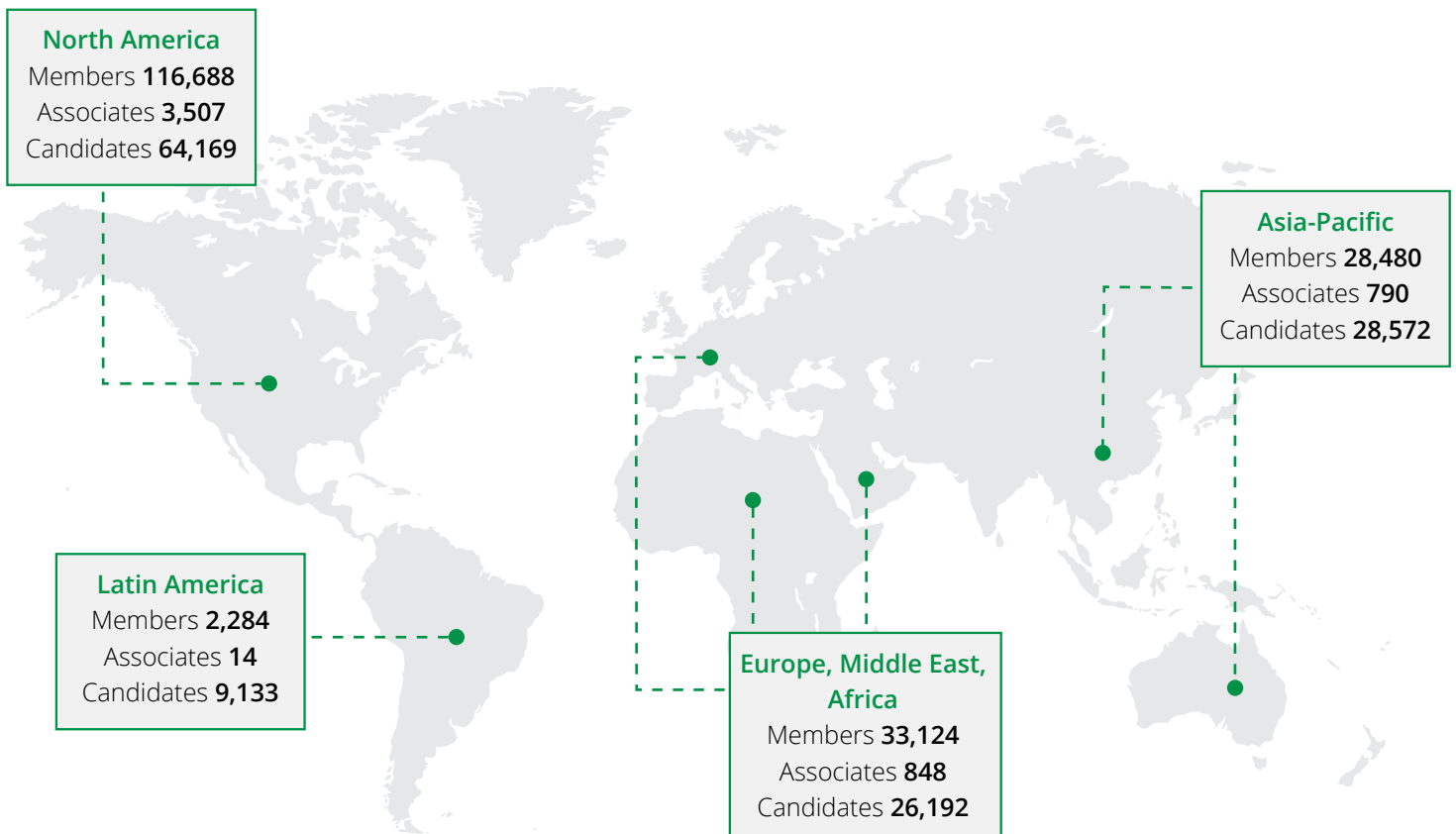
Amplify the Core

Implement a sustainable business model that amplifies the core and ensures (ISC)² expertise meets global marketplace and individual demands.

A Growing Community

As of December 31, 2022

180,576 Members **5,159** Associates **128,746** Candidates



The (ISC)² community experienced rapid growth in 2022, fueled by the introduction of (ISC)² Candidates and our One Million Certified in Cybersecurity pledge.

Certification and Exams

2022 was an unprecedented year of achievements.



In less than one year, we developed, piloted and released our first certification in seven years. The (ISC)² Certified in Cybersecurity certification enables those who earn it to demonstrate they have the foundational knowledge, skills and abilities to take on entry- and junior-level cybersecurity roles, which helps employers more confidently build resilient teams across all experience levels.

In 2022, 7,975 people earned the Certified in Cybersecurity credential.

We concluded our second Online Proctor Exam pilot. After two extensive pilot programs using the most stringent security protocols available, (ISC)² concluded that online proctored exams do not satisfy our standards for exam administration security and integrity. (ISC)² will continue to explore and monitor online proctored exam practices and may initiate additional pilots as technology and security practices for online exam delivery and monitoring evolve.



We announced the Certified Authorization Professional (CAP) certification is changing its name to Certified in Governance, Risk and Compliance (CGRC). This change better represents the knowledge, skills and abilities required to earn and maintain this certification. It also bolsters the professional recognition for those who hold it as demand rises globally for governance, risk and compliance expertise.

6 Languages

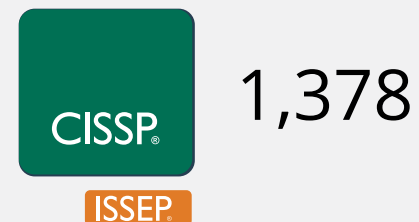
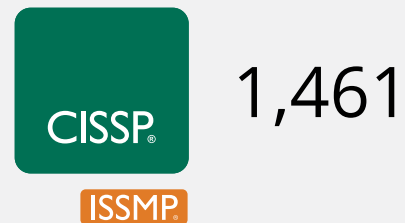
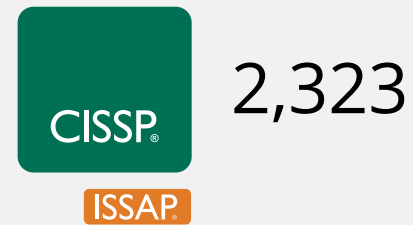
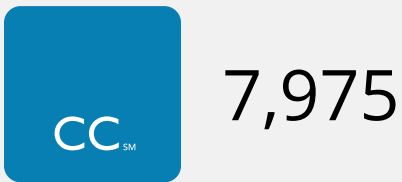
The CISSP, CCSP, SSCP and CC exams were translated and are now available in Chinese, English, German, Japanese, Korean and Spanish, making our most widely adopted and fastest-growing exams more accessible around the world.

61K+ Exams Delivered

Growth in exams delivered is a strong indicator of demand for our certifications and the unmatched recognition of those who hold them. In 2022, exams delivered globally grew 72% to 61,261. Certified in Cybersecurity led the surge with more than 25,000 exams delivered. Regionally, delivery of exams grew 18% in Asia-Pacific.

(ISC)² 2022 Global Certification Counts

The following reflects the number of active (ISC)² certifications per credential as of December 31, 2022.



Exam Development Supported and Volunteer Opportunities Created

1,000+

Volunteer subject matter experts engaged

7,000+

Exam items created or improved

65

Item development workshops held



Growing Online Profile

Web Traffic

Blog views **+269%** y/y

Social traffic **+210%** y/y

Page views **+31%** y/y (30M+)

Organic search **+23%** y/y

Social Media

LinkedIn followers **+25%** y/y (224,441)

Facebook followers **+12.5%** y/y (25,232)

Twitter followers **+9%** y/y (78,062)

Global Online Traffic

Africa **142%+**

Americas **20%+**

Asia-Pacific **20%+**

Europe **20%+**

2022 web traffic exceeded—and sustained—one million page views per week for the first time ever following the launch of the One Million Certified in Cybersecurity pledge. Word is spreading, and we are creating new ways for more people to get involved with our association much earlier in their careers.



Growing Recognition

We increased recognition for (ISC)² and our certified members through key initiatives like (ISC)² Candidate, Certified in Cybersecurity, and our One Million Certified in Cybersecurity pledge, as well as our data-driven thought leadership on workforce challenges outlined in our 2022 Cybersecurity Workforce Study and Cybersecurity Hiring Managers Guides.

1,000+
Media Clips

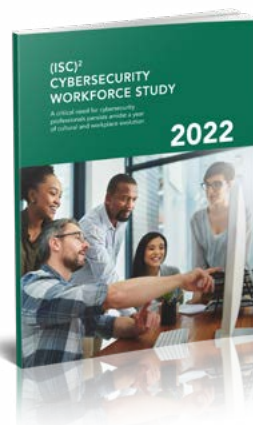
2022 was a record year for media activity, with more than 1,000 pieces of media coverage representing an increase of 63% over 2021.

Research-Driven Thought Leadership

Our research program continued to dig deeper into the challenges and opportunities facing the cybersecurity workforce. In 2022, we shared our reports with policymakers around the world. We continued to lead in advocating for entry- and junior-level positions, and educating the workforce and other stakeholders about best practices for recruiting, developing and retaining talent at all levels.

The 2022 Cybersecurity Workforce Study

Our 2022 report estimated the size of the global cybersecurity workforce at 4.7 million people, with unfilled demand of 3.4 million cybersecurity workers. The report also provided insights from security professionals on hiring, corporate culture, job satisfaction, career pathways, professional development and the future of cybersecurity work.



The Cybersecurity Hiring Managers Guide

(ISC)² research revealed how cybersecurity hiring managers recruit and support the career development of entry- and junior-level practitioners. The report showed how hiring managers are finding talent for entry- and junior-level roles, how long and how much money it takes to train them, and what tasks they can tackle on their own. We published two studies, one that covered U.S., U.K., Canada and India; and a second study that covered Hong Kong, Japan, Singapore and South Korea.

Learn more at www.isc2.org/research.



Promote Global Competence

Deliver comprehensive and innovative products, services, and experiences to help stakeholders stay relevant and engaged in lifelong learning.

Professional Development

From the creation of a new professional development portfolio strategy to the launch of our new certificates program to the return of in-person events, 2022 set the stage for new opportunities for members to learn, grow and earn CPE credits.

Introduced (ISC)² Certificates

Cloud Certificate Program



- Cloud Basics
- Moving to the Cloud
- Working in the Cloud

Risk Management Certificate Program



- Conducting Practical Risk Analysis
- Exploring Risk Standards
- Practical Risk Methods

CISO Leadership Certificate Program



- Introduction to NIST Cybersecurity Framework
- Building a High-Performing Cybersecurity Team
- Incident Management: Preparation and Response
- Purple Team Playbook
- Gaining Support for Your Security Program

2022 (ISC)² Security Congress



1st	Hybrid Security Congress
3,718	Registrants
~50%	Online and in-person
130+	Sessions

2022 (ISC)² SECURE Events



3	Virtual events
3	In-person events
2	Events in each region
900+	Registrants

Represented You Around the World



50	Conferences
48	Industry Events
11	Countries

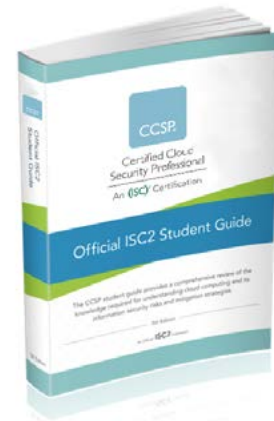
Helping Future Members

In 2022, a key education focus was keeping pace with new credentials, exam updates and translations.



Online instructor-led training was available for the earliest phases of our Certified in Cybersecurity pilot program. A more comprehensive course was introduced in June, and an e-textbook was available by November.

To provide exam candidates with courseware focused on the latest exam outline updates, we updated our official online instructor-led, self-paced and self-study materials for our cloud security certification.



Certified Information
Systems Security Professional

ISSMP Management

An (ISC)² Certification

Aligned with updates to the CISSP-ISSMP exam outline, we updated self-paced training and other self-study resources for security management professionals.

2022 Course Translations:

- SSCP Online instructor-led Japanese (May)
- CCSP Online instructor-led Japanese (November)
- CC Self-paced Japanese, Chinese, Korean, Spanish, German (December)





Advocate for Members and the Profession

Advance (ISC)² as the leading global cyber and information security professional association.

Engaging Policymakers

We made exciting progress engaging policymakers in the United States, United Kingdom, European Union and Asia-Pacific in 2022. Some of our successes included:

United States

- » Participated in the National Cyber Workforce and Education Summit at the White House.
- » Held Workforce Study briefings for all four Department of Homeland Security legislative caucuses.
- » Briefed the Office of National Cyber Director Working Group on our Cybersecurity Workforce Study and made policy recommendations for 100 key contacts in 26 federal agencies.
- » Responded to relevant Requests for Information: Federal Trade Commission regarding Commercial Surveillance and Data Security; Cybersecurity and Infrastructure Security Agency regarding Cyber Incident Reporting for Critical Infrastructure Act of 2022; and the Office of the National Cyber Director regarding workforce, training and education.
- » Co-published a thought leadership paper with the International Association of Privacy Professionals regarding the intersection of privacy and data security professions.



United Kingdom

- » Selected to deliver the pilot program for the UK Cyber Security Council's new licensing scheme.
- » Contributed to the UK Cyber Security Council's roundtable on key knowledge, skills and abilities for cybersecurity generalists.
- » Gained representation on the UK Cyber Security Council's Diversity and Outreach Working Group.
- » Held industry roundtable with senior leaders from U.K. businesses on cybersecurity talent, standards and policy. Briefing shared with the Department for Digital, Culture, Media and Sport (DCMS) and other key U.K. government departments.
- » Delivered thought leadership event at Chatham House in November alongside the U.K. Cyber Security Council. Panel also included the U.S. Cybersecurity and Infrastructure Security Agency (CISA) attaché in London.
- » Responded to Digital Skills All-party Parliamentary Group's consultation on digital skills in the U.K.
- » Responded to BEIS (Department for Business, Energy & Industrial Strategy) Select Committee's inquiry on U.K. labor market.
- » Presented at CyberFirst Careers Fair (CyberFirst is a key initiative of the National Cyber Security Centre).



European Union

- » Started an active program of engaging stakeholders from the European Commission, ENISA, European Parliament and Council of the European Union.
- » Submitted a concept note on the European Cybersecurity Skills Academy to the Vice President of the European Commission Margaritis Schinas. This is a key new initiative of the Commission.
- » Delivered a workforce briefing (with European focus) for the Cabinet of Vice President of the European Commission and the European Commission's Directorate-General for Communications Networks, Content and Technology (DG CONNECT).
- » Responded to the Commission's consultation on developing digital skills in Europe.
- » Presented at ENISA's inaugural conference on the EU Cybersecurity Skills Framework (ECSF), and mapped CISSP to ECSF for inclusion in ECSF publication.
- » Submitted a response to the Commission's consultation on the European Union's proposed Cyber Resilience Act.



Asia-Pacific

- » Signed MOU with the Korea Internet & Security Agency (KISA) to collaborate on cybersecurity talent development and education initiatives in Korea and the introduction of Certified in Cybersecurity through KISA-led Global Cybersecurity Collaboration Network (CAMP) initiative.
- » (ISC)² CEO met with the CEO and the executive leadership at The Cyber Security Agency (CSA) in Singapore to further enhance our collaboration on workforce development.



Diversity, Equity and Inclusion

Much of our DEI work in 2022 was focused on strengthening our ties to members of the cybersecurity ecosystem who are committed to advancing DEI in the profession. We established partnerships with a wide array of organizations to amplify DEI best practices and support underrepresented groups through scholarships and other initiatives. Our growing list of partner organizations includes:



Minorities in Cybersecurity



NORTH CAROLINA AGRICULTURAL AND TECHNICAL STATE UNIVERSITY



SAINT AUGUSTINE'S UNIVERSITY



Transform. Excel. Lead



Unlocked the Potential of the Center for Cyber Safety & Education

The Center for Cyber Safety and Education, the 501(c)(3) charitable arm of (ISC)², spent much of 2022 evaluating and evolving its mission and role going forward. The result was defining a new mission for the Center focused on growing the cybersecurity profession by raising awareness, building a diverse pipeline of cybersecurity professionals and activating a more secure digital world.

While maintaining the classic Center programs of Safe and Secure Online, educating youth, parents, and seniors on cyber risks, and scholarships supporting the academic study of cybersecurity, the Center continued its evolution to help the association and our members make a greater impact. The Center announced it will boost our One Million Certified in Cybersecurity program by providing extra support for those facing barriers to accessing the exam and entering the cyber workforce. The team also launched plans to help (ISC)² volunteers support vulnerable small businesses and nonprofits through the Cybersecurity Health Check program. The Center also continued to develop programming to help retain, engage and elevate those most at risk of leaving the profession.

These offerings, and more to come, will enable (ISC)² members and chapters to leverage their skills and be part of something bigger — a global movement for social good through cybersecurity.





Enhance the Experience

Enhance the (ISC)² experience for members, the greater cybersecurity community and stakeholders.

From establishing new pathways into a cybersecurity career to creating new ways for experienced members to engage their peers and give back, in 2022, (ISC)² continued to create more enriching experiences for current and future members.



(ISC)² Candidate was introduced for individuals pursuing a career in cybersecurity or seeking an (ISC)² certification. Upon enrolling as an (ISC)² Candidate, participants receive access to exclusive programs and services, including discounts on official (ISC)² certification education courses, self-study materials and conferences.

Participation exceeded expectations. At year-end, we had more than 128,000 (ISC)² Candidates.



First announced by (ISC)² CEO Clar Rosso during the National Cyber Workforce and Education Summit at the White House, (ISC)² pledged to give one million people access to its foundational Certified in Cybersecurity entry-level certification exam and education program for free.

By the end of 2022, more than 100,000 people around the world enrolled in our training, and more than 25,000 exams were delivered.



Launched on January 31, 2022, our Volunteer Program began providing more ways for members to get involved and give back. 3,964 volunteers engaged in (ISC)² programs and initiatives in 2022, serving a total of 31,986 hours.

3,964
Volunteers

31,986
Hours

Embracing Chapters

(ISC)² Chapters continued to provide invaluable local engagement opportunities for our members and cybersecurity professionals.



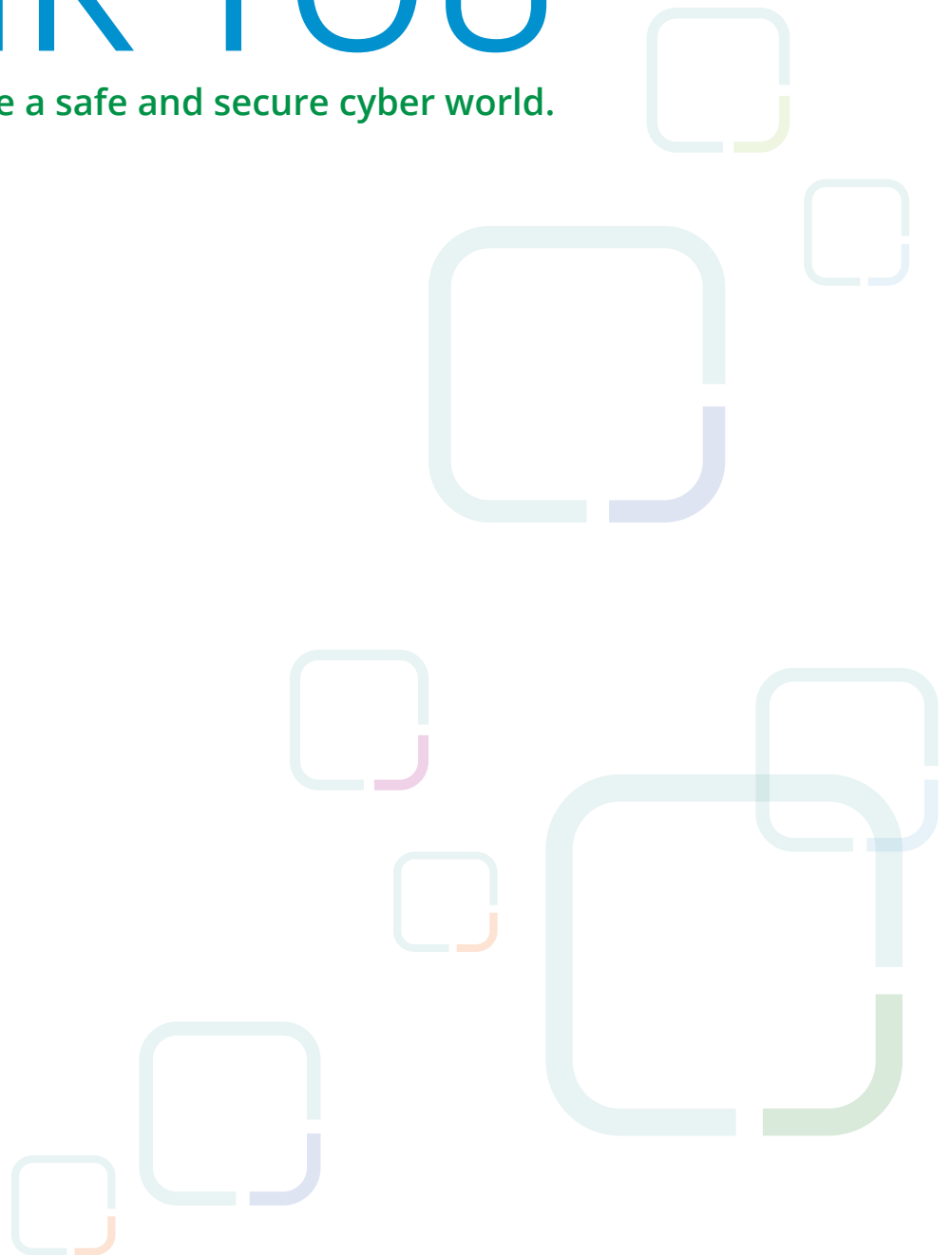
50	Chapters recognized for 10th anniversaries
8	New chapters formed
5	Chapters re-formed
83	Chapter events held
600	Chapter members and leaders attended Congress

Conclusion

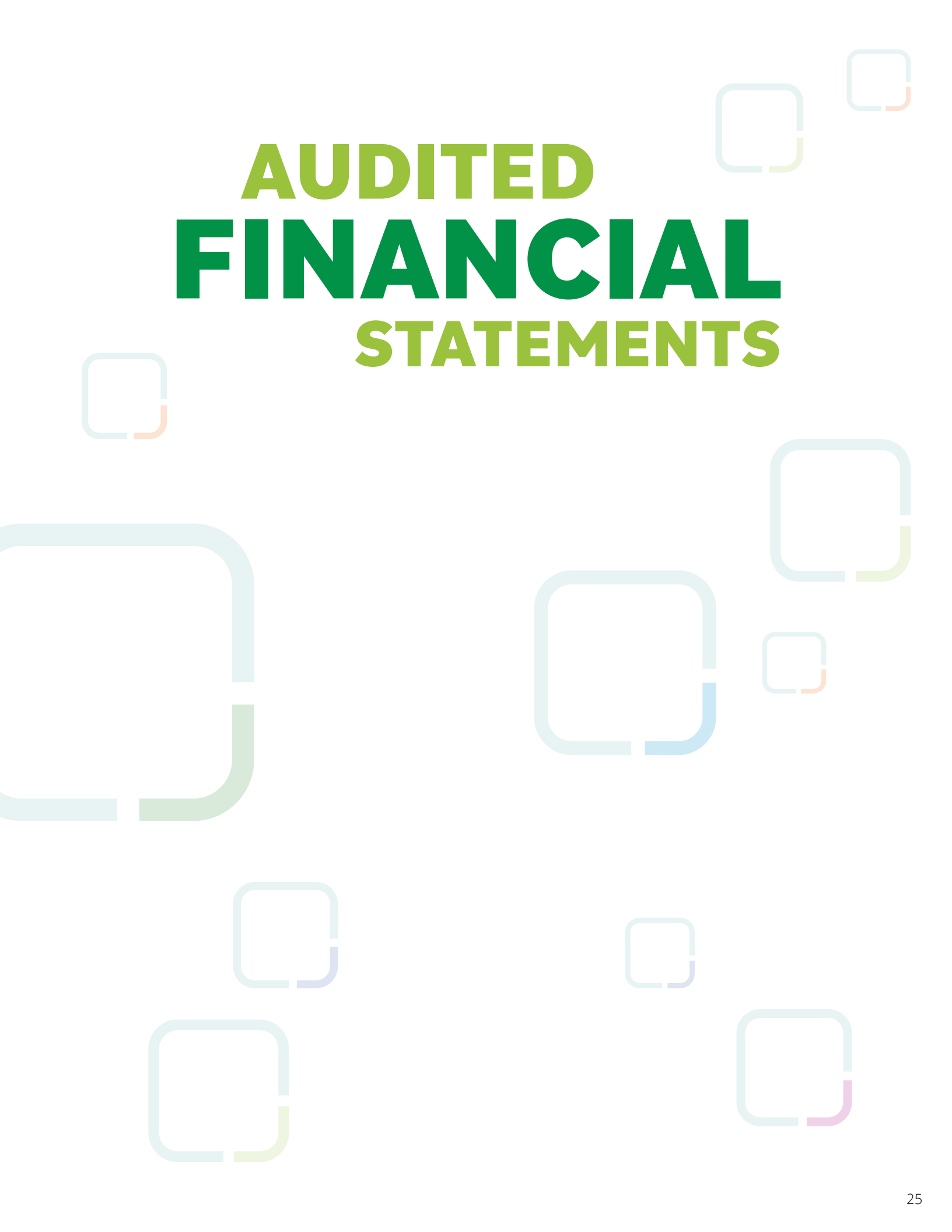
You inspire us with all you do every day to help ensure the safety and security of our professional and personal lives. Your drive to keep learning, your ability to stay resilient in the most challenging times, your willingness to give back to your communities and your desire to help those just starting their cybersecurity careers makes our association stronger than ever. The (ISC)² Board of Directors, management team and staff are proud to be on this journey with you. We hope you take as much pride as we do in all we accomplished together in 2022.

THANK YOU

for all you do to help create a safe and secure cyber world.



AUDITED FINANCIAL STATEMENTS



**INTERNATIONAL INFORMATION SYSTEM
SECURITY CERTIFICATION CONSORTIUM, INC.
AND SUBSIDIARIES**

Consolidated Financial Statements

**December 31, 2022 and 2021
(With Independent Auditors' Report Thereon)**

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

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Independent Auditors' Report

The Board of Directors
International Information System Security
Certification Consortium, Inc. and Subsidiaries:

Opinion

We have audited the financial statements of International Information System Security Certification Consortium, Inc. and Subsidiaries (the "Consortium"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of International Information System Security Certification Consortium, Inc. and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Consortium and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Consortium's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of International Information System Security Certification Consortium, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about International Information System Security Certification Consortium, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

MAYER HOFFMAN MCCANN P.C.

March 23, 2023
St. Petersburg, Florida

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Consolidated Statements of Financial Position

December 31, 2022 and 2021

Assets	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 45,770,040	44,529,209
Accounts receivable	2,232,112	2,259,044
Certification receivables, less allowance for doubtful accounts of \$3,331,000 and \$1,952,000 in 2022 and 2021, respectively	861,938	806,737
Other receivables	2,729,360	248,794
Prepaid expenses	<u>3,622,854</u>	<u>2,510,028</u>
Total current assets	55,216,304	50,353,812
Property and equipment, net	2,518,139	887,617
Operating lease right-of-use assets	2,846,579	1,821,155
Other assets:		
Investments	49,094,993	56,166,216
Examination question pool, net of amortization of \$2,174,000 and \$2,733,000 in 2022 and 2021, respectively	3,293,448	2,608,732
Other	<u>586,918</u>	<u>430,031</u>
Total assets	<u>\$ 113,556,381</u>	<u>112,267,563</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,411,802	5,108,790
Deferred revenue	26,889,347	25,378,162
Foreign tax accrual	1,075,801	950,535
Operating lease liabilities - current	<u>648,451</u>	<u>1,233,145</u>
Total current liabilities	36,025,401	32,670,632
Accrued scholarships - non-current	2,448	16,236
Deferred compensation	501,766	245,697
Operating lease liabilities - non-current	<u>4,259,419</u>	<u>648,451</u>
Total liabilities	40,789,034	33,581,016
Net assets:		
Without donor restrictions:		
Undesignated	27,751,915	37,671,115
Board designated operating reserves	<u>45,000,000</u>	<u>41,000,000</u>
Total net assets without donor restrictions	72,751,915	78,671,115
With donor restrictions	<u>15,432</u>	<u>15,432</u>
Total net assets	<u>72,767,347</u>	<u>78,686,547</u>
Total liabilities and net assets	<u>\$ 113,556,381</u>	<u>112,267,563</u>

See accompanying independent auditors' report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Consolidated Statements of Activities

For the Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Operating support and revenue:		
Educational services	\$ 24,538,308	21,478,500
Professional examinations	29,869,243	28,748,578
Certification renewal fees	21,980,909	20,396,734
In-kind contributions	1,206,050	693,250
Contributions	232,392	287,039
Investment return designated for current operations	1,162,269	914,698
Other revenue	481,874	359,723
Foreign currency exchange loss	(182,195)	(159,372)
Net assets released from restrictions	-	189,987
	79,288,850	72,909,137
Total operating support and revenue		
Operating expenses:		
Program services	37,455,697	33,259,624
Supporting services:		
Administrative	39,171,776	28,584,305
Fundraising	91,015	59,837
	76,718,488	61,903,766
Total operating expenses		
Change in net assets without donor restrictions from operations	2,570,362	11,005,371
Other changes:		
Investment return (loss) in excess of (deficient to fund) amounts designated for current operations	(8,489,562)	3,757,005
Change in net assets without donor restrictions	(5,919,200)	14,762,376
Changes in net assets with donor restrictions:		
Net assets released from restrictions	-	(189,987)
Change in net assets with donor restrictions	-	(189,987)
Change in net assets	(5,919,200)	14,572,389
Net assets at beginning of year	78,686,547	64,114,158
Net assets at end of year	\$ 72,767,347	78,686,547

See accompanying independent auditors' report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Administrative</u>	<u>Fundraising</u>	
Employee salaries and wages	\$ 11,808,477	13,222,331	13,955	25,044,763
Employee benefits and taxes	2,082,758	3,435,866	2,767	5,521,391
Total personnel costs	13,891,235	16,658,197	16,722	30,566,154
Educational services	7,087,251	30,964	-	7,118,215
Professional examinations	7,421,713	-	-	7,421,713
Marketing and communications	780,704	5,028,152	-	5,808,856
Bad debt expense	-	1,379,027	-	1,379,027
Bank fees	1,728,978	32,911	-	1,761,889
Computer licenses and support	12,918	6,400,611	1,200	6,414,729
Membership development	257,040	45,911	-	302,951
Other	122,916	425,353	320	548,589
Professional fees	3,270,828	5,769,615	71,909	9,112,352
Rent	67,282	1,507,602	-	1,574,884
Scholarships	162,153	-	-	162,153
Supplies	58,137	105,436	235	163,808
Telephone and internet	38,469	129,825	-	168,294
Training	20,269	70,322	273	90,864
Travel	467,089	1,077,390	27	1,544,506
Total operating expenses before depreciation, amortization and taxes	35,386,982	38,661,316	90,686	74,138,984
Amortization	1,665,563	-	-	1,665,563
Depreciation	263,268	357,467	329	621,064
VAT, income, and other taxes	139,884	152,993	-	292,877
Total operating expenses	\$ 37,455,697	39,171,776	91,015	76,718,488

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services	Supporting Services		Total
		Administrative	Fundraising	
Employee salaries and wages	\$ 11,546,130	10,143,621	32,437	21,722,188
Employee benefits and taxes	2,226,151	2,524,427	7,601	4,758,179
Total personnel costs	13,772,281	12,668,048	40,038	26,480,367
Educational services	5,684,910	8,278	1,753	5,694,941
Professional examinations	5,492,657	-	-	5,492,657
Marketing and communications	924,584	3,491,472	338	4,416,394
Bad debt expense	875	1,083,545	-	1,084,420
Bank fees	1,630,975	53,657	343	1,684,975
Computer licenses and support	26,825	5,899,478	-	5,926,303
Contract labor	9,938	4,410	-	14,348
Impairment of intangibles	40,384	-	-	40,384
Membership development	285,620	20	-	285,640
Other	388,380	122,551	213	511,144
Professional fees	2,167,014	2,405,759	10,469	4,583,242
Rent	14,056	1,634,473	5,263	1,653,792
Scholarships	149,380	-	-	149,380
Supplies	41,732	85,230	-	126,962
Telephone and internet	46,017	102,494	-	148,511
Training	34,407	115,534	-	149,941
Travel	47,725	260,083	-	307,808
Total operating expenses before depreciation, amortization and taxes	30,757,760	27,935,032	58,417	58,751,209
Amortization	1,779,177	-	-	1,779,177
Depreciation	531,339	361,225	1,420	893,984
VAT, income, and other taxes	191,348	288,048	-	479,396
Total operating expenses	\$ 33,259,624	28,584,305	59,837	61,903,766

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (5,919,200)	14,572,389
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,286,627	2,673,161
Amortization of operating lease right-of-use assets	1,203,656	1,365,756
Provision for bad debts	1,379,027	1,084,420
Impairment of intangibles	-	40,384
Loss on disposal of assets	7,390	44,712
Realized and unrealized losses (gains) on investments	8,533,461	(3,801,713)
Decrease (increase) in operating assets:		
Accounts, certifications, and other receivables	(3,638,524)	(1,230,645)
Prepaid expenses	(1,112,826)	329,852
Other assets	(156,887)	111,366
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	2,303,012	25,465
Deferred revenue	1,511,185	(390,335)
Foreign tax accrual	125,266	271,330
Accrued scholarships	(13,788)	4,124
Deferred compensation	256,069	(51,613)
Operating lease liability	(1,233,144)	(1,305,315)
Net cash provided by operating activities	5,531,324	13,743,338
Cash flows from investing activities:		
Purchases of property and equipment	(477,976)	(414,469)
Proceeds from sale of equipment	-	130
Question pool development costs	(2,350,279)	(1,484,649)
Purchase of investments	(24,592,332)	(17,162,029)
Proceeds from sale of investments	23,130,094	16,343,652
Net cash used in investing activities	(4,290,493)	(2,717,365)
Net change in cash and cash equivalents	1,240,831	11,025,973
Cash and cash equivalents at beginning of year	44,529,209	33,503,236
Cash and cash equivalents at end of the year	\$ 45,770,040	44,529,209

See accompanying independent auditors' report and notes to consolidated financial statements.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(1) Organization

International Information System Security Certification Consortium, Inc. and Subsidiaries (the “Consortium”) is a nonprofit organization organized in the state of Massachusetts. The Consortium establishes international standards of excellence within the field of information systems security and provides certification to individuals in the profession. It also provides educational services to various entities and its certification holders around the world. In 2022, the Organization moved its headquarters to Alexandria, Virginia and has leased space there in anticipation of the move from the current office location to the new location.

The accompanying consolidated financial statements include the accounts of International Information System Security Certification Consortium, Inc. (“ISC”) and its wholly-owned subsidiaries: International Information Systems Security Certification Consortium Limited, Hong Kong (“Hong Kong Company”) and International Information Systems Security Certification Consortium Limited, United Kingdom (“UK Company”), as well as the Center for Cyber Safety and Education (the “Center”), which is a segregated fund within the Consortium. All intercompany transactions have been eliminated. The Hong Kong Company and the UK Company were organized to enable business transactions in Hong Kong and the United Kingdom, respectively. The Center was established as a segregated fund within the Consortium for exclusively charitable purposes.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America which require the Consortium report information regarding its consolidated financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions. The Board of Directors (the “Board”) has designated a portion of net assets without donor restrictions as an operating reserve to fund future capital investments and other long-term needs.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature and will be met either by the passage of time or the accomplishment of a purpose restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statement of activities as net assets released from restrictions. At December 31, 2022 and 2021, net assets with donor restrictions were \$15,432 and were restricted for specific programs of the Center.

(b) Cash and Cash Equivalents

The Consortium considers all short-term investments with original maturities of three months or less to be cash equivalents.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(c) Certification and Accounts Receivable

Certification and accounts receivable are recorded at realizable value net of an allowance for doubtful accounts. The allowance is estimated from historical performance and projection of trends. Accounts that are more than 120 days past due are put on credit hold. Certification and accounts receivable are written off when deemed uncollectible. Certification and accounts receivable may be charged a fee for interest if the account remains in a delinquent status. Interest income is recorded upon billing.

(d) Prepaid Expenses

Prepaid expenses consist primarily of insurance premiums, software license agreements, and software maintenance. These items are expensed pro rata over the contract period in which the Consortium receives the benefits.

(e) Property and Equipment

Property and equipment with an estimated life greater than one year are recorded at cost and depreciated using the straight-line method of depreciation over the estimated useful lives of the underlying assets. Acquisitions of property and equipment equal to or in excess of \$1,000 are capitalized.

(f) Leases

The Consortium determines if an arrangement is a lease at inception. All of the Consortium's leases meet the criteria for classification as operating leases. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liabilities in the consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Consortium's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at lease commencement date based on the present value of lease payments over the lease term. As most of the Consortium's leases do not provide an implicit rate, the Consortium has used the incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Consortium uses the implicit rate when readily determinable. The operating lease ROU asset excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Consortium will exercise that option. Rent expense for lease payments is recognized on a straight-line basis over the lease term.

(g) Assets Limited as to Use

As of December 31, 2022, investments include assets limited as to use representing assets held by trustees for the Consortium's 457(b) and 457(f) deferred compensation plans as more fully described in Note 10.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(h) Investments

Investments consisting primarily of mutual funds and money funds are measured at fair value based on quoted market prices. Investments also include corporate and government bonds which are measured at fair value based on quoted market prices in markets that may not be active. Gains and losses on fair value adjustments are recognized on the specific identification basis, net of investment expenses.

The Consortium's deferred compensation plan investments are measured at fair value on a recurring basis and consist of primarily of mutual funds, corporate and government bonds, and money funds.

(i) Examination Question Pool

The examination question pool consists of costs for developing exam questions that are the basis for certification exams. Questions are used on a statistically determined rotating basis and are updated periodically to provide exams that are statistically unique. The question pool is being amortized on a straight-line basis over an estimated life of three years.

(j) Impairment or Disposal of Long-Lived Assets

The Consortium reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Consortium assesses the recoverability of the cost of the asset based on a review of projected undiscounted cash flows. In the event an impairment loss is identified, it is recognized based on the amount by which the carrying value exceeds the estimated fair value of the long-lived asset. The Consortium recorded a loss from impairment of intangibles of \$0 and \$40,384 for the years ended December 31, 2022 and 2021, respectively.

(k) Revenue Recognition and Operations

The Consortium derives revenue from educational services, professional examinations ("examinations" or "exams"), and certification renewal fees ("certification").

Educational services include revenues from seminar attendance fees, annual event attendance fees, and kit sales. The Consortium recognizes revenue for seminar attendance fees and annual event attendance fees when the service is provided to the customer, generally over the time period of the seminar or annual event. The Consortium has determined that over time recognition is appropriate because the customer receives and consumes the benefit of the services ratably over the days the seminar or annual event is held. The Consortium recognizes revenue for kit sales when the control of products has been transferred to the customer. The Consortium has determined that a point in time recognition is appropriate because the customer receives and consumes the benefit of the goods once control of the kit has been transferred to the customer.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(k) Revenue Recognition and Operations - Continued

Examination revenues include examinations and exam rescheduling fees. The Consortium recognizes examination revenue and exam rescheduling fees at a point in time when the examination has been completed by the applicant. The Consortium has determined that a point in time recognition is appropriate because the customer receives and consumes the benefit of the examination when the examination has been taken by the applicant.

Certification revenue includes fees earned from renewals of memberships and professional certifications. The Consortium recognizes certification revenue over the term of the membership. The Consortium has determined that over time recognition is appropriate because the customer receives and consumes the benefit of the certification over the term of the membership.

(l) Deferred Revenue

Education service fees received in advance are deferred and recognized over the course of the training program. Professional examination fees and rescheduling fees received from certification applicants are deferred for revenue recognition purposes until the examination has been completed by the applicants. Certification renewal fees covering future periods, for which payment has been received, are deferred and recognized as revenue over the period of membership.

(m) Contributions

All contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied.

(n) Donated Services

Donated services (in-kind contributions) for the years ended December 31, 2022 and 2021 consisted of services provided by subject matter experts for the Consortium's exam workshops. Contributions of services are recognized if the services received (a) create or enhance an asset or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The value of services is based on a standard billing rate and the hours of service contributed.

(o) Advertising

The Consortium uses external advertising resources. External advertising consists of promotions, publications, and internet advertising. The Consortium expenses advertising costs when incurred. Advertising costs incurred during 2022 and 2021 were \$5,051,752 and \$3,933,213, respectively, and are included in marketing and communications expense.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(p) Income Taxes

The Consortium, excluding the Center, is generally exempt from U.S. income taxes under Section 501(c)(6) of the Internal Revenue Code. The Center is generally exempt from U.S. income taxes under Section 501(c)(3) of the Internal Revenue Code. Information returns (Forms 990) are filed with the Internal Revenue Service. The Consortium has evaluated its tax positions taken for all open tax years and does not believe it has any uncertain income tax positions as defined by accounting principles generally accepted in the United States of America for income taxes. The 2019, 2020 and 2021 tax years are open and subject to examination by the Internal Revenue Service. The Consortium is not currently under audit nor has the Consortium been contacted by the Internal Revenue Service.

Some foreign operations of the Consortium are subject to foreign income taxes. Foreign taxes are expensed when incurred. There was \$0 of income tax expense related to United Kingdom foreign operations for the year ended December 31, 2022. The Consortium has net operating loss carryforwards of approximately \$4,750,000 in Hong Kong taxing jurisdictions. The Consortium operates in countries where foreign taxes are not paid, so there may be additional foreign tax jurisdictions that may assess income taxes to the Consortium.

(q) Use of Estimates

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

The most significant estimates include those used in determining the carrying value of the allowance for doubtful accounts, amortization life of examination question pool assets, in-kind contributions, and the foreign tax accrual. Although some variability is inherent in these estimates, management believes that the amounts presented are adequate.

(r) Functional Allocation of Expenses

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area of the Consortium are reported as direct expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the functional areas based on either time spent by employees on each functional area or based on the Consortium's square footage analysis for all indirect occupancy-related indirect costs.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(s) Reclassification

Certain amounts in the 2021 consolidated financial statements have been reclassified for comparative purposes to conform to the 2022 presentation. These reclassifications had no effect on net assets or changes in net assets.

(t) Subsequent Events

The Consortium has evaluated subsequent events through March 23, 2023, the date the consolidated financial statements were available to be issued.

(3) Liquidity and Availability of Resources

The Consortium regularly monitors liquidity to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. The Consortium has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Consortium considers all expenditures related to its ongoing program activities as well as activities conducted to support those programs to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Consortium operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows which identify sources and uses of the Consortium's cash and cash equivalents and show positive cash generated from operations for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Consortium's financial assets available to meet cash needs for general expenditures for the next 12 months were as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 45,770,040	44,529,209
Accounts receivable	5,823,410	3,314,575
Investments	49,094,993	56,166,216
Total financial assets	100,688,443	104,010,000
Less amounts unavailable for general expenditure within the next 12 months due to:		
Contractual or donor-imposed restrictions:		
Donor-restricted for specific purposes	(15,432)	(15,432)
Board-designations:		
Operating reserves	(45,000,000)	(41,000,000)
Financial assets available to meet cash needs for general expenditures over the next 12 months	\$ 55,673,011	62,994,568

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(4) Center Activity

The Center was established as a separate fund within the Consortium during 2011. In both 2022 and 2021, the Center recorded contributions of \$600,000 from (ISC)², which were eliminated upon consolidation. The Center also recorded \$232,392 and \$287,039 of contributions from outside sources in 2022 and 2021, respectively. In addition, the Center recorded expenses as follows for the years ended December 31:

	2022	2021
Program services:		
Scholarship programs	\$ 286,608	237,828
Safe and secure program	161,673	280,905
IMCC program	43,595	-
Outreach program	33,826	-
Fundraising expenses	91,015	59,837
Administrative expenses	103,775	47,244
	\$ 720,492	625,814

(5) Property and Equipment

Property and equipment and estimated useful lives consist of the following at December 31:

	2022	2021	Estimated Useful Lives
Computer equipment and software	\$ 2,491,319	2,723,271	3-5 years
Office equipment	477,037	484,275	3 years
Website	604,527	604,527	3 years
Furniture and fixtures	497,773	497,773	7-10 years
Leasehold improvements	1,002,613	1,082,051	7 years
	5,073,269	5,391,897	
Less accumulated depreciation	(4,647,517)	(4,508,638)	
Construction in process	2,092,387	4,358	
	\$ 2,518,139	887,617	

Depreciation expense for the years ended December 31, 2022 and 2021 was \$621,064 and \$893,984, respectively.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(6) Investments and Fair Value Measurements

The Consortium records fair value measurements according to accounting principles generally accepted in the United States of America, which define fair value and specify a hierarchy of valuation techniques. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the Consortium's significant market assumptions. The Consortium measures investments at fair value on a recurring basis.

The following is a brief description of the types of valuation information (inputs) that qualify a financial asset for each level:

- Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Consortium;
- Level 2: Observable prices in active markets for similar assets or liabilities, prices for identical or similar assets or liabilities in markets that are not active, market inputs that are not directly observable but are derived from or corroborated by observable market data;
- Level 3: Unobservable inputs based on the Consortium's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable market data.

Financial assets classified as Level 1 in the fair value hierarchy include mutual funds and money funds in 2022 and 2021. These investments are traded on a daily basis in active markets and the Consortium estimates the fair value of these securities using unadjusted quoted market prices.

Corporate and government bonds are recorded as Level 2 in the hierarchy. The valuation of these bonds is based on quoted market prices in inactive markets.

A review of fair value hierarchy classification is conducted on an annual basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The Consortium evaluates the various types of financial assets to determine the appropriate fair value hierarchy classification based upon trading activity and the observability of market inputs. The Consortium employs control processes to validate the reasonableness of the fair value estimates of its assets and liabilities, including those estimates based on prices and quotes obtained from independent third party sources.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(6) Investments and Fair Value Measurements - Continued

The following table sets forth by level, within the fair value hierarchy, the Consortium's assets at fair value as of December 31, 2022 and 2021:

Fair Value Measurements at December 31, 2022 Using				
Description	Assets Measured at Fair Value at December 31, 2022	Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Mid cap	\$ 52,646	52,646	-	-
Small cap	1,166	1,293	-	-
Large cap	90,262	90,262	-	-
Stock index	9,235,604	9,235,477	-	-
Value	1,886,744	1,886,744	-	-
US equity	468,913	468,913	-	-
Emerging markets	1,959,114	1,959,114	-	-
International	7,356,942	7,356,942	-	-
Equities - ETF	3,380,156	3,380,156	-	-
Real estate	898,454	898,454	-	-
Corporate bonds	12,659,779	-	12,659,779	-
Government bonds	8,620,840	-	8,620,840	-
Money funds	2,484,373	2,484,373	-	-
	<u>\$ 49,094,993</u>	<u>27,814,374</u>	<u>21,280,619</u>	<u>-</u>
Fair Value Measurements at December 31, 2021 Using				
Description	Assets Measured at Fair Value at December 31, 2021	Observable Inputs (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Mutual funds:				
Mid cap	\$ 45,475	45,475	-	-
Large cap	88,326	88,326	-	-
Stock index	9,635,206	9,635,206	-	-
Global listed infrastructure	2,840,285	2,840,285	-	-
US equity	2,265,753	2,265,753	-	-
Emerging markets	3,335,100	3,335,100	-	-
International	9,436,828	9,436,828	-	-
Equities - ETF	3,959,776	3,959,776	-	-
Real estate	1,187,755	1,187,755	-	-
Corporate bonds	15,742,493	-	15,742,493	-
Government bonds	5,826,642	-	5,826,642	-
Money funds	1,802,577	1,802,577	-	-
	<u>\$ 56,166,216</u>	<u>34,597,081</u>	<u>21,569,135</u>	<u>-</u>

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(7) Concentrations

(a) Credit Risk

The Consortium maintains cash balances at various banking institutions. The accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. Cash balances in banks in excess of FDIC insured limits were approximately \$45.5 million at December 31, 2022 and \$44.3 million at December 31, 2021. These funds could be subject to loss if the financial institutions were to fail. Management believes the financial institutions are financially stable and that the funds are secure.

The functional currency of the majority of the Consortium’s operations is the U.S. dollar; however, there are a number of transactions for which the Consortium is paid in foreign currency (British pounds or Euro).

The Consortium has included the following in cash and accounts receivable at December 31:

	2022		
	Foreign Currency	Exchange Rate	U.S. Dollars
Cash:			
Funds in British pounds	£ 348,702	1.21	\$ 421,929
Funds in Euro	€ 349,208	1.06	370,160
Accounts receivable:			
Funds in British pounds	£ 177,512	1.21	214,790
Funds in Euro	€ 128,625	1.06	136,343
			\$ 1,143,222
	2021		
	Foreign Currency	Exchange Rate	U.S. Dollars
Cash:			
Funds in British pounds	£ 384,054	1.35	\$ 518,147
Funds in Euro	€ 249,919	1.13	283,051
Accounts receivable:			
Funds in British pounds	£ 131,427	1.35	177,315
Funds in Euro	€ 249,031	1.13	282,045
			\$ 1,260,558

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(7) Concentrations - Continued

(a) Credit Risk - Continued

Cash and receivables have been adjusted to reflect the current exchange rate of the U.S. dollar at December 31, 2022 and 2021. A risk of change in foreign currency rates will remain until the cash is converted to U.S. dollars or receivables are settled. This risk is not considered material to the Consortium's overall consolidated financial statements. Gains and losses that result from remeasurement are included in income. The effects from foreign currency translation were losses of \$182,195 and \$159,372 during 2022 and 2021, respectively.

Accounts receivable at December 31, 2022 include approximately \$822,000 of receivables due from one significant customer.

Accounts receivable at December 31, 2021 include approximately \$1,232,000 of receivables due from one significant customers.

(b) Vendors

During 2022 and 2021, the Consortium utilized one vendor for a significant portion of operations related to test delivery. During 2022 and 2021, the Consortium paid this vendor approximately \$7.9 million and \$4.6 million, respectively. Approximately \$1,339,000 and \$468,000 was payable to this vendor as of December 31, 2022 and 2021, respectively.

(8) Valued-Added Taxes

The Consortium has recorded a liability for value-added tax for services sold in foreign countries. The bulk of services are sold through independent training partners, which insulate the Consortium from value-added tax exposure. However, there is a portion of services provided that are not provided through independent training partners and an accrual has been recorded as an estimate of tax exposure in these foreign countries. There may be additional foreign tax jurisdictions that may assess taxes to the Consortium.

In areas where the Consortium collects and remits tax, revenues are recorded net of tax.

Value-added taxes for the years ended December 31, 2022 and 2021 consist of the following:

	2022	2021
United Kingdom value-added tax (refund)	\$ -	(5,026)
	\$ -	(5,026)

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(8) Valued-Added Taxes - Continued

The tax accrual for value added taxes at December 31 is as follows:

	<u>2022</u>	<u>2021</u>
United Kingdom value-added tax	\$ 175,801	200,497
Other unidentified foreign taxes	<u>900,000</u>	<u>750,038</u>
	<u>\$ 1,075,801</u>	<u>950,535</u>

As the Consortium continues to expand and to administer examinations and provide training in foreign countries, there will be tax exposure to the Consortium. Management is in a continual process of evaluating that exposure and has set aside a reserve of approximately \$900,000 for unidentified tax liability at December 31, 2022. While the Consortium believes that this reserve is sufficient to cover unidentified tax liabilities as of December 31, 2022, there is the potential for additional unrecognized tax consequences.

(9) 401(k) Retirement Plan

The Consortium sponsors a 401(k) retirement plan covering substantially all employees meeting certain service requirements. The Consortium makes discretionary safe harbor contributions which vest immediately. Contributions to the plan were \$906,264 and \$806,859 for the years ended December 31, 2022 and 2021, respectively.

(10) 457 Non-Qualified Deferred Compensation Plans

Effective November 15, 2015, the Consortium adopted a non-qualified Deferred Compensation Benefit Plan, as described in Section 457(b) of the Internal Revenue Code, for key management employees designated by the Board of Directors and Chief Executive Officer. The 457 (b) plan operates on a calendar-year basis, whereby the participants are eligible to make contributions to the accounts up to a maximum amount mandated by the Internal Revenue Code. The funds set aside for the 457(b) plan remain assets of the Consortium, and are available to satisfy the claims of all general creditors of the Consortium until such time as the participant withdraws the funds in accordance with plan provisions.

Effective June 1, 2021, the Consortium adopted a non-qualified Deferred Compensation Benefit Plan, as described in Section 457(f) of the Internal Revenue Code, for key managerial and highly compensated employees. For the 457(f) plan, an annual discretionary contribution is made on the participants' behalf under Code Section 457(f). The amount is maintained on the Consortium's books in a designated account and will remain the sole property of the Consortium and is available to satisfy the claims of all general creditors of the Consortium. The participants shall have a fully vested, nonforfeitable interest in their deferred compensation if the Consortium dissolves or if the participant (1) dies; (2) becomes disabled; or (3) is terminated from employment for reasons other than for cause.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(10) 457 Non-Qualified Deferred Compensation Plans - Continued

As of December 31, 2022, the assets and corresponding liabilities of the 457(b) and 457(f) plans in the amount of \$278,305 and \$223,461, respectively, are recorded in investments and deferred compensation in the accompanying consolidated statement of financial position. As of December 31, 2021, the assets and corresponding liabilities of the 457(b) and 457(f) plans in the amount of \$234,727 and \$10,970, respectively, are recorded in investments and deferred compensation in the accompanying consolidated statement of financial position.

(11) Operating Leases

The Consortium has several leases for office space with expiration dates through November 2034. There are options to terminate leases. Lease extension and termination options have not been included in the operating lease liability calculation as the Consortium does not consider it to be reasonably certain that options will be exercised. The leases do not include any restrictions or covenants. The Consortium accounts for lease and non-lease components as a single lease component and as such, there may be variability in future lease payments as the amount of non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities and real estate taxes that are passed on from the lessor in proportion to the space leased, are not included in the recognition of right-of-use assets and related lease liabilities. These variable lease payments are recognized in the period in which the obligation for those payments was incurred.

Lease expense was comprised of the following for 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Lease costs:		
Operating lease costs	\$ 1,286,566	1,335,769
Short-term lease costs	120,685	133,697
Variable lease costs	<u>167,633</u>	<u>184,326</u>
	<u>\$ 1,574,884</u>	<u>1,653,792</u>

Weighted average remaining lease term on operating leases at December 31, 2022 was 10 years. Weighted average discount rate on operating leases at December 31, 2022 was 5.29% and was determined by reference to the Consortium's incremental borrowing rate.

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(11) Operating Leases - Continued

Maturities of operating lease liabilities are as follows:

Year Ending December 31,	
2023	\$ 654,846
2024	340,765
2025	519,666
2026	532,658
2027	545,974
Thereafter	4,169,195
Total lease payments	6,763,104
Less imputed interest	1,855,234
Present value of operating lease liabilities	4,907,870
Less current portion of operating lease liabilities	648,451
Operating lease liabilities, less current portion	\$ 4,259,419

The following summarizes the line items in the consolidated statements of financial position which include amounts for operating leases as of December 31:

	2022	2021
Operating lease right-of-use-assets	\$ 2,846,579	1,821,155
Total right of use assets	2,846,579	1,821,155
Operating lease liabilities - current	648,451	1,233,145
Operating lease liabilities - non - current	4,259,419	648,451
Total operating lease liabilities	\$ 4,907,870	1,881,596

**INTERNATIONAL INFORMATION SYSTEM SECURITY CERTIFICATION
CONSORTIUM, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements - Continued

(11) Operating Leases - Continued

Additional information about the Organization's leases is as follows:

	2022	2021
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash flows from operating leases	\$ 1,340,155	1,359,238
Lease assets obtained in exchange for lease obligation:		
Operating lease right-of-use asset	2,229,080	-
Refundable tenant improvement allowance	249,338	-
Tenant improvements, included in construction in process	1,781,000	-
	\$ 4,259,418	-

The Consortium also has lease agreements for various office equipment and office space that are payable on month-to-month terms.

(12) Future Amortization of Intangible Assets

Intangible assets at December 31, 2022 consist of examination question pool costs. The estimated future amortization expense for these intangible assets is as follows:

Year Ending December 31,	
2023	\$ 1,573,490
2024	1,138,053
2025	581,905
	\$ 3,293,448

(13) Legal Matters

From time to time the Consortium is involved in legal matters that arise in the ordinary course of business. Management does not believe that the ultimate resolution of these matters will have a material impact on the Consortium's consolidated financial position or change in net assets.



March 23, 2023

To the Board of Directors and Management
International Information System Security Certification
Consortium, Inc. and Subsidiaries:

We have audited the consolidated financial statements of International Information System Security Certification Consortium, Inc. and Subsidiaries (the “Consortium”) for the year ended December 31, 2022, and have issued our report thereon dated March 23, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated January 16, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Consortium are described in Note 2 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Consortium during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the consolidated financial statements in the proper period.

Accounting estimates are an integral part of the consolidated financial statements and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

- Management’s estimate of the collectability of accounts receivable balances and the related allowance for doubtful accounts are based on historical collection trends and an analysis of current economic conditions. We evaluated the key factors and assumptions used by management to develop the allowance for doubtful accounts at December 31, 2022 in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.
- Management’s estimate of useful lives of intangible assets is based on historical lives of similar intangible assets and anticipated updates to examination questions. We evaluated the key factors and assumptions used by management to develop the anticipated useful lives of intangible assets at December 31, 2022 in determining that they are reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the reserve for value-added taxes is based on historical assessments by various taxing authorities. We evaluated the key factors and assumptions used by management to develop the reserve for value-added taxes at December 31, 2022 in determining that it is reasonable in relation to the consolidated financial statements taken as a whole.

The consolidated financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Uncorrected Misstatement

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. All such misstatements have been corrected except for an identified understatement of prepaid taxes of \$94,000 and a corresponding overstatement of tax expense by the same amount. Management has determined that the effect of the uncorrected misstatement is immaterial to the consolidated financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Unusual Transactions

For purposes of this letter, professional standards define *significant unusual transactions* as transactions that are outside the normal course of business for the Consortium or that otherwise appear to be unusual due to their timing, size or nature. We did not identify any significant unusual transactions during our audit.

Related Party Relationships and Transactions

As part of our audit, we evaluated the Consortium's identification of, accounting for, and disclosures of the Consortium's relationships and transactions with related parties as required by professional standards. We did not identify any related parties or related party relationships or transactions that were previously undisclosed to us; significant related party transactions that have not been approved in accordance with the Consortium's policies or procedures or for which exceptions to the Consortium's policies or procedures were granted; or significant related party transactions that appeared to lack a business purpose.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Consortium’s consolidated financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Consortium’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of International Information System Security Certification Consortium, Inc. and Subsidiaries and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MAYER HOFFMAN McCANN P.C.

Mayer Hoffman McCann P.C.
St. Petersburg, Florida